REFINITIV

DELTA REPORT

10-Q

CSR PR C - CENTERSPACE

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

The following comparison report has been automatically generated

TOTAL DELTAS	1062
CHANGES	279
DELETIONS	431
ADDITIONS	352

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

Form 10-Q

☑ **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 001-35624

CENTERSPACE

(Exact name of registrant as specified in its charter)

North Dakota	**45-0311232**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3100 10th Street SW Post Office Box 1988 Minot ND	**58702-1988**
(Address of principal executive offices)	(Zip code)

(701) 837-4738

(Registrant's telephone number, including area code)

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 the filing requirements for at least 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 and post such files).

Yes ☑ **No** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or 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**	☐
Smaller 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** ☑

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares of Beneficial Interest, no par value	CSR	New York Stock Exchange
Series C Cumulative Redeemable Preferred Shares	CSR-PRC	New York Stock Exchange

The number of common shares of beneficial interest outstanding as of October 23, 2023 April 22, 2024, was 15,052,549. 14,912,055.

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PART I

Item 1. Financial Statements.

CENTERSPACE AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

		(in thousands, except per share data)		*(in thousands, except per share data)*	
		September 30, 2023	**December 31, 2022**	**March 31, 2024**	**December 31, 2023**
ASSETS	ASSETS	*(Unaudited)*			
Real estate investments	Real estate investments				
Real estate investments					
Real estate investments					
Property owned	Property owned	$2,326,408	$2,534,124		
Less accumulated depreciation	Less accumulated depreciation	(516,673)	(535,401)		
Total real estate investments					
Total real estate investments					
Total real estate investments	Total real estate investments	1,809,735	1,998,723		
Cash and cash equivalents	Cash and cash equivalents	29,701	10,458		
Restricted cash	Restricted cash	22,496	1,433		
Other assets	Other assets	16,349	22,687		
TOTAL ASSETS	TOTAL ASSETS	$1,878,281	$2,033,301		
LIABILITIES, MEZZANINE EQUITY, AND EQUITY	LIABILITIES, MEZZANINE EQUITY, AND EQUITY			LIABILITIES, MEZZANINE EQUITY, AND EQUITY	
LIABILITIES	LIABILITIES			LIABILITIES	
Accounts payable and accrued expenses	Accounts payable and accrued expenses	$ 62,674	$ 58,812		
Revolving lines of credit	Revolving lines of credit	—	113,500		
Notes payable, net of unamortized loan costs of $557 and $993, respectively		299,443	399,007		

Mortgages payable, net of unamortized loan costs of $3,314 and $3,615, respectively		539,245	495,126
Notes payable, net of unamortized loan costs of $525 and $541, respectively			
Notes payable, net of unamortized loan costs of $525 and $541, respectively			
Notes payable, net of unamortized loan costs of $525 and $541, respectively			
Mortgages payable, net of unamortized loan costs of $3,342 and $3,427, respectively			
TOTAL LIABILITIES	TOTAL LIABILITIES	$ 901,362	$ 1,066,445
COMMITMENTS AND CONTINGENCIES (NOTE 10)	COMMITMENTS AND CONTINGENCIES (NOTE 10)		COMMITMENTS AND CONTINGENCIES (NOTE 10)
SERIES D PREFERRED UNITS *(Cumulative convertible preferred units, $100 par value, 166 units issued and outstanding at September 30, 2023 and December 31, 2022, aggregate liquidation preference of $16,560)*		$ 16,560	$ 16,560
SERIES D PREFERRED UNITS *(Cumulative convertible preferred units, $100 par value, 166 units issued and outstanding at March 31, 2024 and December 31, 2023, aggregate liquidation preference of $16,560)*			
SERIES D PREFERRED UNITS *(Cumulative convertible preferred units, $100 par value, 166 units issued and outstanding at March 31, 2024 and December 31, 2023, aggregate liquidation preference of $16,560)*			
SERIES D PREFERRED UNITS *(Cumulative convertible preferred units, $100 par value, 166 units issued and outstanding at March 31, 2024 and December 31, 2023, aggregate liquidation preference of $16,560)*			

EQUITY	EQUITY			EQUITY
Series C Preferred Shares of Beneficial Interest *(Cumulative redeemable preferred shares, no par value, $25 per share liquidation preference, 3,881 shares issued and outstanding at September 30, 2023 and December 31, 2022, aggregate liquidation preference of $97,036)*		93,530	93,530	
Common Shares of Beneficial Interest *(Unlimited authorization, no par value, 15,052 shares issued and outstanding at September 30, 2023 and 15,020 shares issued and outstanding at December 31, 2022)*		1,169,025	1,177,484	
Series C Preferred Shares of Beneficial Interest *(Cumulative redeemable preferred shares, no par value, $25 per share liquidation preference, 3,881 shares issued and outstanding at March 31, 2024 and December 31, 2023, aggregate liquidation preference of $97,036)*				

Common Shares of Beneficial Interest *(Unlimited authorization, no par value, 14,912 shares issued and outstanding at March 31, 2024 and 14,963 shares issued and outstanding at December 31, 2023)*			
Accumulated distributions in excess of net income	Accumulated distributions in excess of net income	(527,586)	(539,422)
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(1,434)	(2,055)
Total shareholders’ equity	Total shareholders’ equity	$ 733,535	$ 729,537
Noncontrolling interests – Operating Partnership and Series E preferred units	Noncontrolling interests – Operating Partnership and Series E preferred units	226,205	220,132
Noncontrolling interests – consolidated real estate entities	Noncontrolling interests – consolidated real estate entities	619	627
TOTAL EQUITY	TOTAL EQUITY	$ 960,359	$ 950,296
TOTAL LIABILITIES, MEZZANINE EQUITY, AND EQUITY	TOTAL LIABILITIES, MEZZANINE EQUITY, AND EQUITY	$ 1,878,281	$ 2,033,301

See accompanying Notes to Condensed Consolidated Financial Statements.

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CENTERSPACE AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS *(unaudited)*

(in thousands, except per share data)

	(in thousands, except per share data)			
	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2023	**2022**	**2023**	**2022**
REVENUE	$64,568	$65,438	$197,241	$188,868
REVENUE				
REVENUE				
EXPENSES				
EXPENSES				
EXPENSES				
Property operating expenses, excluding real estate taxes	19,602	20,290	58,816	58,315
Property operating expenses, excluding real estate taxes				
Property operating expenses, excluding real estate taxes				
Real estate taxes				
Real estate taxes				
Real estate taxes	7,143	7,039	21,898	21,103
Property management expense	2,197	2,563	7,012	7,537
Property management expense				
Property management expense				
Casualty loss	937	276	1,242	1,256
Casualty loss				
Casualty loss				
Depreciation and amortization				
Depreciation and amortization				
Depreciation and amortization	24,697	23,720	75,061	79,489
General and administrative expenses	3,832	4,519	15,717	14,240

General and administrative expenses					
General and administrative expenses					
TOTAL EXPENSES	TOTAL EXPENSES	$58,408	$58,407	$179,746	$181,940
Gain on sale of real estate and other investments		11,235	—	71,327	27
Loss on litigation settlement		—	—	(2,864)	—
TOTAL EXPENSES					
TOTAL EXPENSES					
Gain (loss) on sale of real estate and other investments					
Gain (loss) on sale of real estate and other investments					
Gain (loss) on sale of real estate and other investments					
Operating income	Operating income	17,395	7,031	85,958	6,955
Operating income					
Operating income					
Interest expense					
Interest expense					
Interest expense	Interest expense	(8,556)	(7,871)	(27,516)	(23,147)
Interest and other income	Interest and other income	330	70	674	1,116
Interest and other income					
Interest and other income					
NET INCOME (LOSS)					
NET INCOME (LOSS)					
NET INCOME (LOSS)	NET INCOME (LOSS)	$ 9,169	$ (770)	$ 59,116	$ (15,076)
Dividends to Series D preferred unitholders	Dividends to Series D preferred unitholders	(160)	(160)	(480)	(480)
Dividends to Series D preferred unitholders					
Dividends to Series D preferred unitholders					
Net (income) loss attributable to noncontrolling interests – Operating Partnership and Series E preferred units					
Net (income) loss attributable to noncontrolling interests – Operating Partnership and Series E preferred units					

Net (income) loss attributable to noncontrolling interests – Operating Partnership and Series E preferred units	Net (income) loss attributable to noncontrolling interests – Operating Partnership and Series E preferred units	(1,204)	439	(9,058)	3,546
Net income attributable to noncontrolling interests – consolidated real estate entities	Net income attributable to noncontrolling interests – consolidated real estate entities	(31)	(32)	(96)	(93)
Net income attributable to noncontrolling interests – consolidated real estate entities					
Net income attributable to noncontrolling interests – consolidated real estate entities					
Net income (loss) attributable to controlling interests	Net income (loss) attributable to controlling interests	7,774	(523)	49,482	(12,103)
Net income (loss) attributable to controlling interests					
Net income (loss) attributable to controlling interests					
Dividends to preferred shareholders					
Dividends to preferred shareholders					
Dividends to preferred shareholders	Dividends to preferred shareholders	(1,607)	(1,607)	(4,821)	(4,821)
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ 6,167	$ (2,130)	$ 44,661	$ (16,924)
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS					
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS					
NET INCOME (LOSS) PER COMMON SHARE – BASIC					
NET INCOME (LOSS) PER COMMON SHARE – BASIC					
NET INCOME (LOSS) PER COMMON SHARE – BASIC	NET INCOME (LOSS) PER COMMON SHARE – BASIC	$ 0.41	$ (0.14)	$ 2.98	$ (1.11)
NET INCOME (LOSS) PER COMMON SHARE – DILUTED	NET INCOME (LOSS) PER COMMON SHARE – DILUTED	$ 0.41	$ (0.14)	$ 2.96	$ (1.11)
NET INCOME (LOSS) PER COMMON SHARE – DILUTED					
NET INCOME (LOSS) PER COMMON SHARE – DILUTED					

Weighted average shares - basic
Weighted average shares - basic
Weighted average shares - basic
Weighted average shares - diluted
Weighted average shares - diluted
Weighted average shares - diluted

See accompanying Notes to Condensed Consolidated Financial Statements.

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CENTERSPACE AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) *(unaudited)*

		(in thousands)			
		(in thousands)			
		(in thousands)			
	Three Months Ended March 31,				
		(in thousands)			
		Three Months Ended September 30,		**Nine Months Ended September 30,**	
		2023	**2022**	**2023**	**2022**
Net income (loss)	Net income (loss)	$ 9,169	$ (770)	$ 59,116	$ (15,076)
Net income (loss)					
Net income (loss)					
Other comprehensive income (loss):	Other comprehensive income (loss):				
Unrealized gain from derivative instrument		—	—	—	1,581
Other comprehensive income (loss):					
Other comprehensive income (loss):					
Loss on derivative instrument reclassified into earnings					
Loss on derivative instrument reclassified into earnings					
Loss on derivative instrument reclassified into earnings	Loss on derivative instrument reclassified into earnings	324	204	621	696
Total comprehensive income (loss)	Total comprehensive income (loss)	$ 9,493	$ (566)	$ 59,737	$ (12,799)
Total comprehensive income (loss)					
Total comprehensive income (loss)					
Net comprehensive (income) loss attributable to noncontrolling interests – Operating Partnership and Series E preferred units					
Net comprehensive (income) loss attributable to noncontrolling interests – Operating Partnership and Series E preferred units					

Net comprehensive (income) loss attributable to noncontrolling interests – Operating Partnership and Series E preferred units	Net comprehensive (income) loss attributable to noncontrolling interests – Operating Partnership and Series E preferred units	(1,151)	473	(8,954)	3,937
Net income attributable to noncontrolling interests – consolidated real estate entities	Net income attributable to noncontrolling interests – consolidated real estate entities	(31)	(32)	(96)	(93)
Net income attributable to noncontrolling interests – consolidated real estate entities					
Net income attributable to noncontrolling interests – consolidated real estate entities					
Comprehensive income (loss) attributable to controlling interests	Comprehensive income (loss) attributable to controlling interests	$ 8,311	$ (125)	$ 50,687	$ (8,955)
Comprehensive income (loss) attributable to controlling interests					
Comprehensive income (loss) attributable to controlling interests					

See accompanying Notes to Condensed Consolidated Financial Statements.

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CENTERSPACE AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY *(unaudited)*

	(in thousands, except per share data)						
Nine Months Ended September 30, 2022	**PREFERRED SHARES**	**NUMBER OF COMMON SHARES**	**COMMON SHARES**	**ACCUMULATED DISTRIBUTIONS IN EXCESS OF NET INCOME (LOSS)**	**ACCUMULATED OTHER COMPREHENSIVE LOSS**	**NONCONTROLLING INTERESTS**	**TOTAL EQUITY**
Balance at December 31, 2021	$ 93,530	15,016	$ 1,157,255	$ (474,318)	$ (4,435)	$ 224,248	$ 996,280
Net (loss) attributable to controlling interests and noncontrolling interests				(12,103)		(3,453)	(15,556)
Change in fair value of derivatives and amortization of swap settlements					2,277		2,277
Distributions - common shares and Units ($2.19 per share and Unit)				(33,663)		(2,169)	(35,832)
Distributions - Series C preferred shares ($1.2421875 per Series C share)				(4,821)			(4,821)
Distributions - Series E preferred units ($2.90625 per unit)						(5,272)	(5,272)
Share-based compensation, net of forfeitures		25	1,908				1,908
Sale of common shares, net		321	31,499				31,499
Issuance of Units			13,023			9,859	22,882

Redemption of Units for common shares		19	(831)			831	—
Redemption of Units for cash						(3,837)	(3,837)
Shares repurchased	—	(5)	(359)	—			(359)
Change in redemption value of Series D preferred units			8,771				8,771
Shares withheld for taxes			(1,280)				(1,280)
Other			(254)			(120)	(374)
Balance at September 30, 2022	$ 93,530	15,376	$ 1,209,732	$ (524,905)	$ (2,158)	$ 220,087	$ 996,286
Nine Months Ended September 30, 2023							
Balance at December 31, 2022	$ 93,530	15,020	$ 1,177,484	$ (539,422)	$ (2,055)	$ 220,759	$ 950,296
Net income attributable to controlling interests and noncontrolling interests				49,482		9,154	58,636
Amortization of swap settlements					621		621
Distributions - common shares and Units ($2.19 per share and unit)				(32,825)		(2,066)	(34,891)
Distributions - Series C preferred shares ($1.2421875 per Series C share)				(4,821)			(4,821)
Distributions - Series E preferred units ($2.90625 per unit)						(5,076)	(5,076)
Share-based compensation, net of forfeitures		19	2,712				2,712
Redemption of Units for common shares		107	(1,919)			1,919	—
Redemption of Series E preferred units for common shares		31	(2,296)			2,296	—
Shares repurchased		(124)	(6,718)				(6,718)
Shares withheld for taxes			(182)				(182)
Other		(1)	(56)			(162)	(218)
Balance at September 30, 2023	$ 93,530	15,052	$ 1,169,025	$ (527,586)	$ (1,434)	$ 226,824	$ 960,359

	(in thousands, except per share data)						
Three Months Ended March 31, 2023	PREFERRED SHARES	NUMBER OF COMMON SHARES	COMMON SHARES	ACCUMULATED DISTRIBUTIONS IN EXCESS OF NET INCOME (LOSS)	ACCUMULATED OTHER COMPREHENSIVE LOSS	NONCONTROLLING INTERESTS	TOTAL EQUITY
Balance at December 31, 2022	$ 93,530	15,020	$ 1,177,484	$ (539,422)	$ (2,055)	$ 220,759	$ 950,296
Net income attributable to controlling interests and noncontrolling interests				43,571		8,596	52,167
Amortization of swap settlements					138		138
Distributions - common shares and Units ($0.73 per share and Unit)				(10,962)		(706)	(11,668)
Distributions - Series C preferred shares ($0.4140625 per Series C share)				(1,607)			(1,607)
Distributions - Series E preferred units ($0.96875 per unit)						(1,704)	(1,704)
Share-based compensation, net of forfeitures		12	1,519				1,519
Redemption of Units for common shares		4	(697)			697	—

Redemption of Series E preferred units for common shares		16	(935)			935	—
Shares repurchased		(19)	(1,022)				(1,022)
Shares withheld for taxes			(161)				(161)
Other		(1)	(129)			(24)	(153)
Balance at March 31, 2023	$ 93,530	15,032	$ 1,176,059	$ (508,420)	$ (1,917)	$ 228,553	$ 987,805
Three Months Ended March 31, 2024							
Balance at December 31, 2023	$ 93,530	14,963	$ 1,165,694	$ (548,273)	$ (1,119)	$ 221,193	$ 931,025
Net loss attributable to controlling interests and noncontrolling interests				(3,905)		(1,047)	(4,952)
Amortization of swap settlements					197		197
Distributions - common shares and Units ($0.75 per share and unit)				(11,166)		(639)	(11,805)
Distributions - Series C preferred shares ($0.4140625 per Series C share)				(1,607)			(1,607)
Distributions - Series E preferred units ($0.96875 per unit)						(1,671)	(1,671)
Share-based compensation, net of forfeitures		4	749				749
Redemption of Units for common shares		17	(398)			398	—
Redemption of Series E preferred units for common shares		16	(702)			702	—
Shares repurchased		(88)	(4,703)				(4,703)
Shares withheld for taxes			(118)				(118)
Other			(30)			—	(30)
Balance at March 31, 2024	$ 93,530	14,912	$ 1,160,492	$ (564,951)	$ (922)	$ 218,936	$ 907,085

See accompanying Notes to Condensed Consolidated Financial Statements.

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CENTERSPACE AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY*(unaudited)*

	(in thousands, except per share data)						
Three Months Ended September 30, 2022	**PREFERRED SHARES**	**NUMBER OF COMMON SHARES**	**COMMON SHARES**	**ACCUMULATED DISTRIBUTIONS IN EXCESS OF NET INCOME (LOSS)**	**ACCUMULATED OTHER COMPREHENSIVE LOSS**	**NONCONTROLLING INTERESTS**	**TOTAL EQUITY**
Balance at June 30, 2022	$ 93,530	15,373	$ 1,207,849	$ (511,552)	$ (2,362)	$ 223,153	$ 1,010,618

Net (loss) attributable to controlling interests and noncontrolling interests				(523)		(407)	(930)
Change in fair value of derivatives and amortization of swap settlements					204		204
Distributions - common shares and units ($0.73 per share and unit)				(11,223)		(715)	(11,938)
Distributions - Series C preferred shares ($0.4140625 per Series C share)				(1,607)			(1,607)
Distributions - Series E preferred units ($0.96875 per unit)						(1,757)	(1,757)
Share-based compensation, net of forfeitures		—	709				709
Redemption of Units for common shares		8	(456)			456	—
Redemption of Units for cash						(607)	(607)
Shares repurchased	—	(5)	(359)	—			(359)
Change in redemption value of Series D preferred units			2,067				2,067
Other			(78)			(36)	(114)
Balance at September 30, 2022	$ 93,530	15,376	$ 1,209,732	$ (524,905)	$ (2,158)	$ 220,087	$ 996,286
Three Months Ended September 30, 2023							
Balance at June 30, 2023	$ 93,530	14,949	$ 1,169,501	$ (522,796)	$ (1,758)	$ 226,931	$ 965,408
Net income attributable to controlling interests and noncontrolling interests				7,774		1,235	9,009
Amortization of swap settlements					324		324
Distributions - common shares and units ($0.73 per share and unit)				(10,957)		(658)	(11,615)
Distributions - Series C preferred shares ($0.4140625 per Series C share)				(1,607)			(1,607)
Distributions - Series E preferred units ($0.96875 per unit)						(1,682)	(1,682)
Share-based compensation, net of forfeitures		—	602				602
Redemption of Units for common shares		97	(898)			898	—
Redemption of Series E preferred units for common shares		6	(176)			176	—
Other			(4)			(76)	(80)
Balance at September 30, 2023	$ 93,530	15,052	$ 1,169,025	$ (527,586)	$ (1,434)	$ 226,824	$ 960,359

See accompanying Notes to Condensed Consolidated Financial Statements.

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CENTERSPACE AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

	(in thousands)		*(in thousands)*	
	Nine Months Ended September 30,		**Three Months Ended March 31,**	
	2023	**2022**	**2024**	**2023**

CASH FLOWS FROM OPERATING ACTIVITIES	CASH FLOWS FROM OPERATING ACTIVITIES			CASH FLOWS FROM OPERATING ACTIVITIES
Net income (loss)	Net income (loss)	$ 59,116	$ (15,076)	
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	Adjustments to reconcile net income (loss) to net cash provided by operating activities:			Adjustments to reconcile net income (loss) to net cash provided by operating activities:
Depreciation and amortization, including amortization of capitalized loan costs	Depreciation and amortization, including amortization of capitalized loan costs	76,265	80,104	
Gain on sale of real estate and other investments		(71,323)	—	
(Gain) loss on sale of real estate and other investments				
Loss on litigation settlement		2,864	—	
Share-based compensation expense	Share-based compensation expense	2,712	1,908	
(Gain) loss on interest rate swap mark-to-market and settlement amortization		621	(221)	
Share-based compensation expense				
Share-based compensation expense				
Other, net				
Other, net				
Other, net	Other, net	802	660	
Changes in other assets and liabilities:	Changes in other assets and liabilities:			Changes in other assets and liabilities:
Other assets	Other assets	3,834	4,158	
Accounts payable and accrued expenses	Accounts payable and accrued expenses	2,529	(2,560)	

Net cash provided by operating activities	Net cash provided by operating activities	$ 77,420	$ 68,973	
CASH FLOWS FROM INVESTING ACTIVITIES	CASH FLOWS FROM INVESTING ACTIVITIES			CASH FLOWS FROM INVESTING ACTIVITIES
Proceeds from repayment of mortgage loans and notes receivable		430	353	
Increase in mortgages and real estate related notes receivable				
Increase in mortgages and real estate related notes receivable				
Increase in mortgages and real estate related notes receivable				
Net proceeds from sale of real estate and other investments	Net proceeds from sale of real estate and other investments	223,259	—	
Payments for acquisitions of real estate investments		—	(104,666)	
Proceeds from insurance				
Proceeds from insurance				
Proceeds from insurance				
Payments for improvements of real estate investments	Payments for improvements of real estate investments	(39,404)	(33,625)	
Other investing activities	Other investing activities	1,086	798	
Net cash provided by (used by) investing activities	Net cash provided by (used by) investing activities	$ 185,371	$(137,140)	
CASH FLOWS FROM FINANCING ACTIVITIES	CASH FLOWS FROM FINANCING ACTIVITIES			CASH FLOWS FROM FINANCING ACTIVITIES
Proceeds from mortgages payable		90,000	—	
Principal payments on mortgages payable				
Principal payments on mortgages payable				

Principal payments on mortgages payable	Principal payments on mortgages payable	(46,770)	(27,426)
Proceeds from revolving lines of credit	Proceeds from revolving lines of credit	75,907	150,000
Principal payments on revolving lines of credit	Principal payments on revolving lines of credit	(189,407)	(54,500)
Principal payments on notes payable	Principal payments on notes payable	(100,000)	—
Payment for termination of interest rate swap		—	(3,209)
Principal payments on notes payable			
Principal payments on notes payable			
Net proceeds from issuance of common shares		—	31,499
Repurchase of common shares	Repurchase of common shares	(6,718)	(359)
Redemption of partnership units		(38)	(3,837)
Repurchase of common shares			
Repurchase of common shares			
Distributions paid to common shareholders			
Distributions paid to common shareholders			
Distributions paid to common shareholders	Distributions paid to common shareholders	(32,785)	(33,252)
Distributions paid to preferred shareholders	Distributions paid to preferred shareholders	(4,821)	(4,821)
Distributions paid to Series D preferred unitholders	Distributions paid to Series D preferred unitholders	(480)	(480)

Distributions paid to noncontrolling interests – Operating Partnership and Series E preferred units	Distributions paid to noncontrolling interests – Operating Partnership and Series E preferred units	(7,194)	(7,325)
Other financing activities	Other financing activities	(179)	(374)
Net cash provided by (used by) financing activities		$(222,485)	$ 45,916
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		40,306	(22,251)
Other financing activities			
Other financing activities			
Net cash used by financing activities			
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH			
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF PERIOD	CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF PERIOD	11,891	38,625
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	$ 52,197	$ 16,374

SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Accrued capital expenditures	$ 4,369	$ 2,458
Operating partnership units converted to shares	(1,919)	(831)
Distributions declared but not paid to common shareholders	11,615	11,938
Series E preferred units converted to common shares	(2,296)	—
Retirement of shares withheld for taxes	182	1,280
Loss on litigation settlement	2,864	—
Involuntary conversion of assets	(1,986)	—
Real estate assets acquired through assumption of debt	—	41,623
Fair value adjustment to debt	—	1,224

Real estate assets acquired through exchange of note receivable		—		43,276
Note receivable exchanged through real estate acquisition		—		(43,276)
Real estate assets acquired through issuance of operating partnership units		—		22,882
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for interest	$	26,190	$	21,856

See accompanying Notes to Condensed Consolidated Financial Statements.

SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES				
Accrued capital expenditures	$	3,153	$	3,804
Operating partnership units converted to common shares		(398)		(697)
Distributions declared but not paid to common shareholders		11,805		11,668
Series E preferred units converted to common shares		(702)		(935)
Retirement of shares withheld for taxes		118		161
Involuntary conversion of assets		160		—
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for interest	$	8,302	$	6,168

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CENTERSPACE AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS*(continued)*

		(in thousands)						
	(in thousands)							*(in thousands)*
Balance sheet description	**Balance sheet description**	**September 30, 2023**	**December 31, 2022**	**September 30, 2022**	**Balance sheet description**	**March 31, 2024**	**December 31, 2023**	**March 31, 2023**
Cash and cash equivalents	Cash and cash equivalents	$ 29,701	$ 10,458	$ 14,957				
Restricted cash	Restricted cash	22,496	1,433	1,417				
Total cash, cash equivalents and restricted cash	Total cash, cash equivalents and restricted cash	$ 52,197	$ 11,891	$ 16,374				

See accompanying Notes to Condensed Consolidated Financial Statements.

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CENTERSPACE AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

NOTE 1 • ORGANIZATION

Centerspace, collectively with its consolidated subsidiaries (“Centerspace,” “the Company,” “we,” “us,” or “our”), is a North Dakota real estate investment trust (“REIT”) focused on the ownership, management, acquisition, redevelopment, and development of apartment communities. As of September 30, 2023 March 31, 2024, Centerspace owned interests in 71 70 apartment communities consisting of 12,785 12,883 apartment homes.

NOTE 2 • BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Centerspace conducts a majority of its business activities through a consolidated operating partnership, Centerspace, LP, a North Dakota limited partnership (the “Operating Partnership”), as well as through a number of other consolidated subsidiary entities. The accompanying Condensed Consolidated Financial Statements include the Company’s accounts and the accounts of all its subsidiaries in which it maintains a controlling interest, including the Operating Partnership. All intercompany balances and transactions are eliminated in consolidation.

The Condensed Consolidated Financial Statements also reflect the Operating Partnership’s ownership of a joint venture entity in which the Operating Partnership has a general partner or controlling interest. This entity is consolidated into the Company’s operations, with noncontrolling interests reflecting the noncontrolling partners’ share of ownership, income, and expenses.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Centerspace’s interim Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and the applicable rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, certain disclosures accompanying annual consolidated financial statements prepared in accordance with GAAP are omitted. The year-end balance sheet data was derived from audited consolidated financial statements, but does not include all disclosures required by GAAP. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for the fair presentation of financial position, results of operations, and cash flows for the interim periods, have been included.

The current period’s results of operations are not necessarily indicative of results which ultimately may be achieved for the year. The interim Condensed Consolidated Financial Statements and accompanying notes thereto should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, as filed with the SEC on February 21, 2023 February 20, 2024.

USE OF ESTIMATES

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

RECENT ACCOUNTING PRONOUNCEMENTS RECLASSIFICATIONS

The following Certain previously reported amounts have been reclassified to conform to the current financial statement presentation. These reclassifications had no impact on net income as reported in the Condensed Consolidated Statement of Operations, total assets, liabilities or equity as reported in the Condensed Consolidated Balance Sheets and the classifications within the Condensed Consolidated Statements of Cash Flows. Centerspace reclassified certain items within the disaggregated revenue table provides a brief description of Financial Accounting Standards Board (“FASB”) recent accounting standards updates (“ASU”).

Standard	Description	Date of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2022-06, *Reference Rate Reform (Topic 848) - Deferral of the Sunset Date of Topic 848*	This ASU extends the sunset date of Reference Rate Reform (Topic 848): Facilitation of Reference Rate Reform to December 31, 2024.	This ASU is effective immediately for all companies.	The ASU will not have a material impact on the Condensed Consolidated Financial Statements.

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included in Note 2.

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Cash and cash equivalents include all cash and highly liquid investments purchased with maturities of three months or less. Cash and cash equivalents consist of our bank deposits and our deposits in a money market mutual fund. As of September 30, 2023 restricted cash consisted primarily of net tax-deferred exchange proceeds remaining from a portion of our dispositions, real estate deposits, and escrows held by lenders. As of December 31, 2022, restricted cash consisted primarily of escrows held by lenders for real estate taxes, insurance, and capital additions. We are The Company is potentially exposed to credit risk for cash deposited with FDIC-insured financial institutions in accounts which, at times, may exceed

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federally insured limits. Although recent past bank failures have increased the risk of loss in such accounts, we have the Company has not experienced any losses in such accounts.

As of March 31, 2024 and December 31, 2023, restricted cash consisted of $1.1 million and $639,000, respectively, in escrows held by lenders. Escrows include funds deposited with a lender for payment of real estate taxes and insurance and reserves to be used for replacement of structural elements and mechanical equipment at certain communities. The funds are under the control of the lender. Disbursements are made after supplying written documentation to the lender.

LEASES

As a lessor, Centerspace primarily leases multifamily apartment homes which qualify as operating leases with terms that are generally one year or less. Rental revenues are recognized in accordance with FASB Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) ASC 842, *Leases*, using a method that represents a straight-line basis over the term of the lease. For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, rental income represented approximately 98.1% and 97.4% 98.2% of total revenues, respectively, and included gross market rent less adjustments for gain or loss to lease, concessions, vacancy loss, and bad debt. For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, other property revenues represented the remaining 1.9% and 2.6% 1.8% of total revenues, respectively, and were primarily driven by other fee income, which is typically recognized when earned, at a point in time. For the nine months ended September 30, 2023 and 2022, rental income represented approximately 98.2% and 97.8% of total revenues, respectively. For the nine months ended September 30, 2023 and 2022, other property revenues represented the remaining 1.8% and 2.2% of total revenues, respectively.

Some of the Company’s apartment communities have commercial spaces available for lease. Lease terms for these spaces typically range from three to fifteen years. The leases for commercial spaces generally include options to extend the lease for additional terms.

Many of the leases contain non-lease components for utility reimbursement from residents and common area maintenance from commercial tenants. Centerspace has elected the practical expedient to combine lease and non-lease components for all asset classes. The combined components are included in lease income and are accounted for under ASC 842.

The aggregate amount of future scheduled lease income on commercial operating leases, excluding any variable lease income and non-lease components, as of September 30, 2023 March 31, 2024, was as follows:

		(in thousands)
2023 (remainder)	$	539
2024		2,130

	(in thousands)	*(in thousands)*
2024 (remainder)		

2025	2025		2,076
2026	2026		1,908
2027	2027		1,444
2028			
Thereafter	Thereafter		6,170
Total scheduled lease income - commercial operating leases	Total scheduled lease income - commercial operating leases	$	14,267

REVENUES AND GAINS ON SALE OF REAL ESTATE

Revenue is recognized in accordance with the transfer of goods and services to customers at an amount that reflects the consideration to which the Company expects to be entitled for those goods and services.

Revenue streams that are included in revenues from contracts with customers include other property revenue revenues such as application fees and other miscellaneous items. Centerspace recognizes revenue for these rental related items not included as a component of a lease as earned.

The following table presents the disaggregation of revenue streams for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

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			(in thousands)			
			Three Months Ended September 30,		Nine Months Ended September 30,	
			(in thousands)			
			(in thousands)			
			(in thousands)			
			Three Months Ended March 31,			
Revenue Stream						
Revenue Stream						
Revenue Stream	**Revenue Stream**	**Applicable Standard**	**2023**	**2022**	**2023**	**2022**
Fixed lease income - operating leases	Fixed lease income - operating leases	Leases	$ 60,324	$ 60,851	$ 184,256	$ 176,911
Fixed lease income - operating leases						
Fixed lease income - operating leases						
Variable lease income - operating leases						

Variable lease income - operating leases										
Variable lease income - operating leases	Variable lease income - operating leases	Leases		3,006		2,905		9,523		7,728
Other property revenue	Other property revenue	Revenue from contracts with customers		1,238		1,682		3,462		4,229
Other property revenue										
Other property revenue										
Total revenue	Total revenue		$	64,568	$	65,438	$	197,241	$	188,868
Total revenue										
Total revenue										

In addition to lease income and other property revenue, the Company recognizes gains or losses on the sale of real estate when the criteria for derecognition of an asset are met, including when (1) a contract exists and (2) the buyer obtained control of the nonfinancial asset that was sold. For the three months ended September 30, 2023, March 31, 2024 and 2023, the Company recognized $11.2 a loss of $577,000 and a gain of $60.2 million, as a gain respectively, on the sale of real estate and other investments. For the three months ended September 30, 2022, the Company did not recognize any Any gain or loss on the sale of real estate dispositions is net of certain closing and other investments. For costs associated with the nine months ended September 30, 2023 and 2022, the Company recognized $71.3 million and $27,000, respectively, as a gain on the sale of real estate and other investments. disposition.

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MARKET CONCENTRATION RISK

We are The Company is subject to increased exposure from economic and other competitive factors specific to markets where we hold it holds a significant percentage of the carrying value of our its real estate portfolio. As of September 30, 2023 March 31, 2024, we Centerspace held more than 10% of the carrying value of our its real estate portfolio in each of the following markets: Minneapolis, Minnesota and Denver, Colorado. Colorado markets.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company evaluates long-lived assets, including investments in real estate investments, for impairment indicators at least quarterly. The judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions, expected holding period of each property, and legal and environmental concerns. If indicators exist, the Company compares the expected estimated future undiscounted cash flows for the property against the carrying amount of that property. If the sum of the estimated undiscounted cash flows is less than the carrying amount, an impairment loss is generally recorded for the difference between the estimated fair value and the carrying amount. If the anticipated holding period for properties, the estimated fair value of properties, or other factors change based on market conditions or otherwise, the evaluation of impairment charges may be different and such differences could be material to the consolidated financial statements. The evaluation of anticipated estimated cash flows is subjective and is based, in part, on assumptions regarding future occupancy, rental rates, and capital requirements that could differ materially from actual results. Reducing planned property holding Plans to hold properties over longer periods may increase decreases the likelihood of recording impairment losses.

During the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company recorded no impairment charges.

NOTES RECEIVABLE

The Company has a tax increment financing note receivable (“TIF”) with a principal balance of $5.7 million and $6.1 million at September 30, 2023 and December 31, 2022, respectively, which appears within other assets in the Condensed Consolidated Balance Sheets at fair value.

The note bears an interest rate of 4.5% with payments due in February and August of each year.

Centerspace originated a $29.9 million construction loan and a $15.3 million mezzanine loan for the development of a multifamily community located in Minneapolis, Minnesota. The construction and mezzanine loans bore and accrued interest at 4.5% and 11.5%, respectively. The Company exercised its option to purchase the apartment community in exchange for the loans and cash, during the nine months ended September 30, 2022. As of September 30, 2023 and December 31, 2022, the loans had no remaining balance.

ADVERTISING COSTS

Advertising costs are expensed as incurred and reported on the Condensed Consolidated Statements of Operations within the Property operating expenses, excluding real estate taxes line item. During the three months ended September 30, 2023 and 2022, total advertising expense was $878,000 and $795,000, respectively. During the nine months ended September 30, 2023 and 2022, total advertising expense was $2.3 million and $2.4 million, respectively.

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SEVERANCE AND TRANSITION

On March 23, 2023, the Company entered into a Separation and General Release Agreement (the “Separation Agreement”) in connection with the departure of former CEO, Mark Decker, Jr. During the nine months ended September 30, 2023, the Company incurred total severance costs of $2.2 million for the cash severance and benefits for Mr. Decker, $737,000 in share-based compensation expense for the acceleration of certain equity awards, and $306,000 in other CEO transition related expenses. Refer to Note 11 for additional information on the share-based compensation expense.

INVOLUNTARY CONVERSION OF ASSETS

In April 2023, a portion of an apartment community was destroyed by fire. The Company recorded a write-down of the apartment community asset, in accordance with ASC 610-30 on involuntary conversion of non-monetary assets, totaling $1.0 million with an offsetting insurance receivable recorded within other assets on the Condensed Consolidated Balance Sheets. As of September 30, 2023, the estimated insurance claim was $1.3 million. Any amounts received in excess of the write-down will be recognized when received.

During the three months ended September 30, 2023, Centerspace recorded a $695,000 write-down to an apartment community asset as a result of extensive damage to the pool. Any insurance funds received will be recognized when received in accordance with ASC 610-30.

LITIGATION SETTLEMENT

During the nine months ended, September 30, 2023, the Company recorded a loss on litigation settlement of $2.9 million due to a trial judgment entered against Centerspace on May 8, 2023 for property damage, resulting in monetary losses. Centerspace was the named defendant in a lawsuit where the owner of a neighboring property claimed a retaining wall at one of the Company’s properties was causing water damage to the neighboring property. Subsequent to September 30, 2023, the judgement was ordered and the Company paid the settlement of $2.9 million. The Company cannot, with any level of certainty, predict or estimate if there will be additional costs incurred as a result of the lawsuit.

VARIABLE INTEREST ENTITIES

Centerspace has determined that its Operating Partnership and each of its less-than-wholly owned real estate partnerships are variable interest entities (each, a “VIE”), as the limited partners or the functional equivalent of limited partners lack substantive kick-out rights and substantive participating rights. The Company is the primary beneficiary of the VIEs, and the VIEs are required to be consolidated on the balance sheet because the Company has a controlling financial interest in the VIEs and has both the power to direct the activities of the VIEs that most significantly impact the economic performance of the VIEs as well as the obligation to absorb losses or the right to receive benefits from the VIEs that could potentially be significant to the VIEs. Because the Operating Partnership is a VIE, all of the Company’s assets and liabilities are held through a VIE.

REAL ESTATE RELATED NOTES RECEIVABLE

The Company has a tax increment financing note receivable (“TIF”) with a principal balance of $5.4 million and $5.7 million at March 31, 2024 and December 31, 2023, respectively, which appears within other assets in the Condensed Consolidated Balance Sheets at fair value. The note bears an interest rate of 4.5% with payments due in February and August of each year.

In 2023, the Company originated a $15.1 million mezzanine loan for the development of an apartment community located in Inver Grove Heights, Minnesota. The mezzanine loan bears interest at 10.0% per annum. As of March 31, 2024 and December 31, 2023, the Company had funded $8.8 million and $1.6 million of the mezzanine loan, respectively. The loan matures in December 2027 unless extended to December 2028 in accordance with the terms of the mezzanine loan agreement. The loan is secured by a pledge of and first priority security interest against 100% of the membership interests in the mezzanine borrower and the agreement provides the Company with an option to purchase the development. The loan represents an investment in an unconsolidated variable interest entity. The Company is not the primary beneficiary of the VIE as Centerspace does not have the power to direct the activities which most significantly impact the entity's economic performance nor does Centerspace have significant influence over the entity. The note receivable appears within other assets in the Condensed Consolidated Balance Sheets at fair value.

ADVERTISING COSTS

Advertising costs are expensed as incurred and reported on the Condensed Consolidated Statements of Operations within the property operating expenses, excluding real estate taxes line item. During the three months ended March 31, 2024 and 2023, total advertising expense was $738,000 and $702,000, respectively.

SEVERANCE AND TRANSITION

On March 23, 2023, the Company entered into a Separation and General Release Agreement (the "Separation Agreement") in connection with the departure of former CEO, Mark Decker, Jr. During the three months ended March 31, 2023, the Company incurred total severance costs of $2.2 million for the cash severance and benefits for Mr. Decker, $737,000 in share-based compensation expense for the acceleration of certain equity awards, and $306,000 in other CEO transition related expenses.

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INVOLUNTARY CONVERSION OF ASSETS

In April 2023, a portion of an apartment community was destroyed by fire. The Company recorded a write-down of the apartment community asset, in accordance with ASC 610-30 on involuntary conversion of non-monetary assets, totaling $1.3 million with an offsetting insurance receivable recorded within other assets on the Condensed Consolidated Balance Sheets. During the three months ended March 31, 2024, the claim was settled for $1.6 million, including remediation and other operating expenses.

During the three months ended March 31, 2024, Centerspace recognized $618,000 in additional casualty loss resulting from updated loss estimates from four separate insurance events at apartment communities. Any insurance funds received will be recognized when received in accordance with ASC 610-30.

NOTE 3 • EARNINGS NET INCOME (LOSS) PER SHARE

Basic earnings net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares of beneficial interest ("common shares") outstanding during the period. Centerspace has issued restricted stock units ("RSUs") and incentive stock options ("ISOs") under the 2015 Incentive Plan, Series D Convertible Preferred Units ("Series D preferred units"), and Series E Convertible Preferred Units ("Series E preferred units"), which could have a dilutive effect on the earnings net income (loss) per share upon the vesting of the RSUs, or exercise upon exercising of the ISOs, or upon conversion of the Series D or Series E preferred units (refer to Note 4 for further discussion of the Series D and the Series E preferred units). The Company calculates diluted net income (loss) per share using the treasury stock method for RSUs and ISOs and the if converted method for Series D preferred units and Series E preferred units. Other than the issuance of RSUs, ISOs, Series D preferred units, and Series E preferred units, there are no outstanding options, warrants, convertible stock, or other contractual obligations requiring issuance of additional common shares that would result in a dilution of earnings. net income (loss). Under the terms of the Operating Partnership's Agreement of Limited Partnership, limited partners have the right to require the Operating Partnership to redeem their limited partnership units ("Units") any time following the first anniversary of the date they acquired such Units ("Exchange Right"). Upon the exercise of Exchange Rights, and in Centerspace's sole discretion, it may issue common shares in exchange for Units on a one-for-one basis.

The following table presents a reconciliation of the numerator and denominator used to calculate basic and diluted earnings net income (loss) per share reported in the Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

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(in thousands, except per share data)

	(in thousands, except per share data)			
	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2023	**2022**	**2023**	**2022**
NUMERATOR				
Net income (loss) attributable to controlling interests	$ 7,774	$ (523)	$ 49,482	$ (12,103)
Dividends to preferred shareholders	(1,607)	(1,607)	(4,821)	(4,821)
Numerator for basic earnings (loss) per share – net income (loss) available to common shareholders	6,167	(2,130)	44,661	(16,924)
Noncontrolling interests – Operating Partnership and Series E preferred units (1)				

NUMERATOR
NUMERATOR
NUMERATOR
Net income (loss) attributable to controlling interests
Net income (loss) attributable to controlling interests
Net income (loss) attributable to controlling interests
Dividends to preferred shareholders
Dividends to preferred shareholders
Dividends to preferred shareholders
Numerator for basic income (loss) per share – net income (loss) available to common shareholders
Numerator for basic income (loss) per share – net income (loss) available to common shareholders
Numerator for basic income (loss) per share – net income (loss) available to common shareholders

Noncontrolling interests – Operating Partnership and Series E preferred units (1)					
Noncontrolling interests – Operating Partnership and Series E preferred units(1)	Noncontrolling interests – Operating Partnership and Series E preferred units(1)	1,204	(439)	6,233	(3,546)
Dividends to preferred unitholders(2)		—	160	480	480
Numerator for diluted earnings (loss) per share		$7,371	$(2,409)	$51,374	$(19,990)
Dividends to Series D preferred unitholders (2)					
Dividends to Series D preferred unitholders (2)					
Dividends to Series D preferred unitholders (2)					
Numerator for diluted income (loss) per share					
Numerator for diluted income (loss) per share					
Numerator for diluted income (loss) per share					
DENOMINATOR	DENOMINATOR				
Denominator for basic earnings per share weighted average shares		14,989	15,373	14,988	15,280
Effect of redeemable operating partnership units(1)		908	—	—	—
Effect of Series D preferred units(2)		—	—	228	—
DENOMINATOR					
DENOMINATOR					
Denominator for basic income (loss) per share weighted average shares					
Denominator for basic income (loss) per share weighted average shares					
Denominator for basic income (loss) per share weighted average shares					
Effect of redeemable operating partnership units					

Effect of redeemable operating partnership units						
Effect of redeemable operating partnership units						
Effect of Series D preferred units						
Effect of Series D preferred units						
Effect of Series D preferred units						
Effect of Series E preferred units						
Effect of Series E preferred units						
Effect of Series E preferred units	Effect of Series E preferred units	2,093	—	2,105	—	
Effect of dilutive restricted stock units and stock options	Effect of dilutive restricted stock units and stock options	28	—	23	—	
Denominator for diluted earnings per share		18,018	15,373	17,344	15,280	
Effect of dilutive restricted stock units and stock options						
Effect of dilutive restricted stock units and stock options						
Denominator for diluted income (loss) per share						
Denominator for diluted income (loss) per share						
Denominator for diluted income (loss) per share						
NET INCOME (LOSS) PER COMMON SHARE – BASIC						
NET INCOME (LOSS) PER COMMON SHARE – BASIC						
NET INCOME (LOSS) PER COMMON SHARE – BASIC	NET INCOME (LOSS) PER COMMON SHARE – BASIC	$ 0.41	$ (0.14)	$ 2.98	$ (1.11)	
NET INCOME (LOSS) PER COMMON SHARE – DILUTED	NET INCOME (LOSS) PER COMMON SHARE – DILUTED	$ 0.41	$ (0.14)	$ 2.96	$ (1.11)	
NET INCOME (LOSS) PER COMMON SHARE – DILUTED						
NET INCOME (LOSS) PER COMMON SHARE – DILUTED						

(1) For the nine three months ended September 30, 2023 March 31, 2024, the impact of Units and Series E preferred units was excluded from the calculation of calculation of net income (loss) per common share - diluted as they were anti-dilutive.

(2) For the three months ended September 30, 2023 March 31, 2024, dividends to preferred unitholders and the effect of Series D preferred units are excluded in the calculation of net income (loss) per common share - diluted as they were anti-dilutive.

For the three months ended September 30, 2023, Series D preferred units

Table of 228,000, as converted and performance-based RSUs of 26,000 were excluded from the calculation of diluted earnings per share because they were anti-dilutive. Contents

For the three months ended September 30, 2022 March 31, 2024, operating partnership units of 984,000, 854,000, Series D preferred units of 228,000, as converted, Series E preferred units of 2.2 2.1 million, as converted, time-based RSUs of 7,000, weighted average stock options of 23,000, 20,000, and performance-based RSUs of 30,000 41,000 were excluded from the calculation of diluted earnings net income (loss) per share because they were anti-dilutive. anti-dilutive as including these items would have improved net loss per share.

For the nine three months ended September 30, 2023 March 31, 2023, operating partnership units of 943,000 and performance-based RSUs of 26,000 36,000 were excluded from the calculation of diluted earnings net income per share because they were anti-dilutive.

For the nine months ended September 30, 2022, operating partnership units of 980,000, Series D preferred units of 228,000, anti-dilutive as converted, Series E preferred units of 2.2 million, as converted, time-based RSUs of 10,000, weighted average stock options of 38,000, and performance-based RSUs of 33,000 were excluded from the calculation of diluted earnings including these items would have improved net income per share because they were anti-dilutive. share.

NOTE 4 • EQUITY AND MEZZANINE EQUITY

Operating Partnership Units. The Operating Partnership had 864,000 844,000 and 971,000 861,000 outstanding Units at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. During the nine months ended September 30, 2022, we issued 209,000 Units as partial consideration for the acquisition of three apartment communities.

Exchange Rights. Centerspace redeemed Units in exchange for common shares in connection with Unitholders exercising their exchange rights during the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 as detailed in the table below.

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	(in thousands)		
Three Months Ended September 30,	**Number of Units**		**Net Book Basis**
2023	97	$	898
2022	8	$	456
Nine Months Ended September 30,			
2023	107	$	1,919
2022	19	$	831

Pursuant to the exercise of exchange rights, the Company redeemed Units for cash during the three and nine months ended September 30, 2023 and 2022 as detailed in the table below.

	(in thousands, except per Unit data)				
Three Months Ended September 30,	**Number of Units**		**Aggregate Cost**		**Average Price Per Unit**
2023	—	$	28	$	63.37
2022	7	$	607	$	81.18
Nine Months Ended September 30,					
2023	1	$	38	$	61.40

2022	42	$	3,837	$	90.93

	(in thousands)		
Three Months Ended March 31,	Number of Units		Net Book Basis
2024	17	$	(398)
2023	4	$	(697)

Series E Preferred Units (Noncontrolling Interests). Centerspace had 1.7 million and 1.8 million Series E preferred units outstanding on September 30, 2023 March 31, 2024 and December 31, 2022, respectively. December 31, 2023. Each Series E preferred unit has a par value of $100. The Series E preferred unit holders receive a preferred distribution at the rate of 3.875% per year. Each Series E preferred unit is convertible, at the holder's option, into 1.2048 Units. Centerspace has the option, at its sole election, to convert Series E preferred units into Units if its stock has traded at or above $83 per share for 15 of 30 consecutive trading days and it has made at least three consecutive quarters of distributions with a rate of at least $0.804 per Unit. The Series E preferred units have an aggregate liquidation preference of $173.3 million $171.2 million as of March 31, 2024. The holders of the Series E preferred units do not have voting rights.

	(in thousands)		
Three Months Ended March 31,	Number of Series E Preferred Units Redeemed	Number of Common Shares Issued	Total Value
2024			
2023			

	(in thousands)			
Three Months Ended September 30,	Number of Series E Preferred Units Redeemed	Number of Common Shares Issued		Total Value
2023	5	6	$	176
Nine Months Ended September 30,				
2023	25	31	$	2,296

Common Shares and Equity Awards. Common shares outstanding on September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, totaled 15.1 million 14.9 million and 15.0 million, respectively. There were 64 and 19,014 shares issued upon the vesting of equity awards under the 2015 Incentive Plan during During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, Centerspace issued approximately 3,742 and 11,877 common shares, respectively, with a total grant-date fair value of $5,000 $445,000 and $1.7 million $1.1 million, respectively. There were 199 and 24,296 shares issued upon the vesting of equity awards respectively, under the its 2015 Incentive Plan, during the three as share-based compensation for employees and nine months ended September 30, 2022, respectively, with a total grant-date fair value of $18,000 and $637,000, respectively. trustees. These shares vested based on performance and service criteria. Refer to Note 11 for additional details on share-based compensation.

Equity Distribution Agreement. Centerspace has an equity distribution agreement in connection with an at-the-market offering ("2021 ATM Program") through which it may offer and sell common shares having an aggregate sales price of up to $250.0 million, in amounts and at times determined by management. Under the 2021 ATM Program, the Company may enter into separate forward sale agreements. The proceeds from the sale of common shares under the 2021 ATM Program may be used for general corporate purposes, including the funding of acquisitions, construction or mezzanine loans, community renovations, and the repayment of indebtedness. The table below provides details on the sale of common shares during the nine months ended September 30, 2023 and 2022 under the 2021 ATM Program. There were no sales of common shares under the 2021 ATM Program during the three months ended September 30, 2023 March 31, 2024 and 2022. 2023. As of September 30, 2023 March 31, 2024, common shares having an aggregate offering price of up to $126.6 million remained available under the 2021 ATM Program.

	(in thousands, except per share amounts)		
Nine Months Ended September 30,	**Number of Common Shares**	**Net Consideration(1)**	**Average Net Price Per Share**
2023	—	$ —	$ —
2022	321	$ 31,732	$ 98.89

(1) Consideration is net of $338 in commissions and issuance costs during the nine months ended September 30, 2022.

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Share Repurchase Program. On March 10, 2022, the Board of Trustees approved a new share repurchase program (the "Share Repurchase Program"), providing for the repurchase of up to an aggregate of $50.0 million of the Company's outstanding common shares. Under the Share Repurchase Program, the Company is authorized to repurchase common shares through open market purchases, privately-negotiated transactions, block trades or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Securities and Exchange Act of 1934, as amended. The repurchases have no time limit and may be suspended or discontinued completely at any time. The specific timing and amount of repurchases will vary based on available capital resources or other financial and operational performance, market conditions, securities law limitations, and other factors. The table below provides details on the shares repurchased during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. As of September 30, 2023 March 31, 2024, the Company had $14.2 million $4.7 million remaining authorized for purchase under this program.

	(in thousands, except per share amounts)		
Three Months Ended September 30,	**Number of Common Shares**	**Aggregate Cost(1)**	**Average Price Per Share(1)**
2023	—	$ —	$ —
2022	5	$ 359	$ 65.97
Nine Months Ended September 30,			
2023	124	$ 6,718	$ 54.19
2022	5	$ 359	$ 65.97

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Three Months Ended March 31,	Number of Common Shares	Aggregate Cost(1)	Average Price Per Share(1)
	(in thousands, except per share amounts)		
2024	88	$ 4,703	$ 53.62
2023	19	$ 1,022	$ 52.51

(1) Amount includes commissions.

Series C Preferred Shares. Series C preferred shares outstanding were 3.9 million shares at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The Series C preferred shares are nonvoting and redeemable for cash at $25.00 per share at Centerspace's option after October 2, 2022. option. Holders of these shares are entitled to cumulative distributions, payable quarterly (as and if declared by the Board of Trustees). Distributions accrue at an annual rate of $1.65625 per share, which is equal to 6.625% of the $25.00 per share liquidation preference ($97.0 million liquidation preference in the aggregate).

Series D Preferred Units (Mezzanine Equity). Series D preferred units outstanding were 165,600 preferred units at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The Series D preferred units have a par value price of $100 per preferred unit. The Series D preferred unit holders receive a preferred distribution at the rate of 3.862% per year. The Series D preferred units have a put option which allows the holder to redeem any or all of the Series D preferred units for cash equal to the issuance price. Each Series D preferred unit is convertible, at the holder's option, into 1.37931 Units. The Series D preferred units have an aggregate liquidation preference value of $16.6 million. Changes in the redemption value are based on changes in the trading value of common shares and are charged to common shares on the Condensed Consolidated Balance Sheets from period to period. each quarter. The holders of the Series D preferred units do not have voting rights. Distributions to Series D unitholders are presented in the Condensed Consolidated Statements of Equity within net income (loss) attributable to controlling interests and noncontrolling interests.

NOTE 5 • DEBT

The following is a summary of our table summarizes the Company's secured and unsecured debt at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

	(in thousands) March 31, 2024 March 31, 2024 March 31, 2024 Carrying Amount Carrying Amount Carrying Amount			Weighted Average Interest Rate	Carrying Amount	Weighted Average Interest Rate	Weighted Average Maturity in Years at March 31, 2024
Lines of credit (1)		Lines of credit (1)	$ 40,357	6.68 %	$ 30,000	6.74 %	1.49

	(in thousands)	
	September 30, 2023	December 31, 2022

		Carrying Amount	Weighted Average Interest Rate	Carrying Amount	Weighted Average Interest Rate	Weighted Average Maturity in Years at September 30, 2023								
Lines of credit (1)		$ —	—	$ 113,500	4.12 %	—								
Term loans		—	—	100,000	5.57 %	—								
Unsecured senior notes (2)(5)														
Unsecured senior notes (2)(5)														
Unsecured senior notes (2)(5)	Unsecured senior notes (2)(5)	300,000	3.12 %	300,000	3.12 %	6.88		300,000	3.12 %	300,000	3.12	3.12 %	6.38	
Unsecured debt	Unsecured debt	300,000		513,500		6.88	Unsecured debt	340,357		330,000			5.80	5.80
Mortgages payable - Fannie Mae credit facility (5)	Mortgages payable - Fannie Mae credit facility (5)	198,850	2.78 %	198,850	2.78 %	7.81	Mortgages payable - Fannie Mae credit facility (5)	198,850	2.78 %	198,850	2.78	2.78 %	7.31	
Mortgages payable - other (3)(5)	Mortgages payable - other (3)(5)	343,709	4.14 %	299,427	3.85 %	6.53	Mortgages payable - other (3)(5)	389,874	4.05 %	391,140	4.05	4.05 %	5.55	
Total debt (4)	Total debt (4)	$842,559	3.46 %	$1,011,777	3.62 %	6.96	Total debt (4)	$929,081	3.59 %	$919,990	3.54	3.54 %	6.01	

(1) The interest rate swap was terminated in February 2022. Refer to Note 6 - Derivative Instruments for additional information. Interest rates on lines of credit are variable. variable and exclude any unused facility fees and amounts reclassified from accumulated other comprehensive income (loss) into interest expense from terminated interest rate swaps.

(2) Included within notes payable on the Condensed Consolidated Balance Sheets.

(3) Represents apartment communities encumbered by mortgages; 13 14 at September 30, 2023 March 31, 2024 and 15 at December 31, 2022 December 31, 2023.

(4) Excludes deferred financing costs and premiums or discounts.

(5) Interest rate is fixed.

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As of September 30, 2023 March 31, 2024, 46 45 apartment communities were not encumbered by mortgages and were available to provide credit support for the unsecured borrowings. The Company's primary unsecured credit facility ("unsecured credit facility" Unsecured Credit Facility" or "Facility") is a revolving, multi-bank line of credit, with the Bank of Montreal serving as administrative agent. The line of credit has total commitments and borrowing capacity of $250.0 million, based on the value of unencumbered properties. As of September 30, 2023 March 31, 2024, there was no $40.0 million outstanding balance on this line of credit, therefore the additional borrowing availability was $250.0 million $210.0 million. This unsecured credit facility was amended on September 30, 2021 matures in September 2025, with an option to extend the maturity date for up to September 2025 two additional six-month periods and to provide for has an accordion option to increase borrowing capacity up to $400.0 million.

On May 31, 2023, the unsecured credit facility Unsecured Credit Facility was further amended to replace the London Interbank Offered Rate ("LIBOR") with the Secured Overnight Financing Rate ("SOFR") as the benchmark alternative reference rate under the Facility. Loans under the

Facility outstanding as of the effective date of the Amendment that accrue interest at a rate determined by reference to LIBOR will continue to accrue interest at a rate determined by reference to LIBOR for the interest period applicable to such loans. The line of credit has an interest rate equal to daily SOFR plus a margin of 135 basis points and a spread adjustment of 10 basis points. The interest rates on the line of credit are based on the consolidated leverage ratio, at the Company's option, on either the lender's base rate plus a margin, ranging from 25-80 basis points, or daily or term SOFR, plus a margin that ranges from 125-180 basis points based on with the consolidated leverage ratio as defined described under the First Amendment to Third Amended and Restated Credit Agreement. Agreement, as amended. Prior to the amendment, interest rates on the line of credit were based at the Company's option, on either the lender's base rate plus a margin, ranging from 25-80 basis points, or LIBOR , plus a margin that ranges from 125-180 basis points based on the consolidated leverage ratio as defined under applying the Third Amended and Restated Credit Agreement. same margins to LIBOR. The unsecured credit facility and unsecured senior notes are subject to customary financial covenants and limitations. The Company believes that it was in compliance with all such financial covenants and limitations as of September 30, 2023 March 31, 2024.

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Centerspace also has a $6.0 million operating line of credit. As of September 30, 2023 March 31, 2024, there was $357,000 outstanding on this line of credit. As of December 31, 2023, there was no outstanding balance on this line of credit. This operating line of credit is designed to enhance treasury management activities and more effectively manage cash balances. This operating line matures on September 30, 2024, with pricing based on SOFR.

Centerspace has a private shelf agreement with PGIM, Inc., an affiliate of Prudential Financial, Inc., and certain affiliates of PGIM, Inc. (collectively, "PGIM") with an aggregate amount of $225.0 million of under which the Company has issued $200.0 million in unsecured senior promissory notes ("unsecured senior notes") available for issuance. . The Company also has a separate note purchase agreement for the issuance of $125.0 million senior unsecured promissory notes, of which $25.0 million was issued under the private shelf agreement with PGIM. Under the private shelf agreement with PGIM, the Company has issued $200.0 million unsecured senior notes with $25.0 million remaining available as of September 30, 2023. The following table shows the notes issued under both private shelf agreements. agreements as of March 31, 2024 and December 31, 2023.

	(in thousands)		
	Amount	**Maturity Date**	**Interest Rate**
Series A	$ 75,000	September 13, 2029	3.84 %
Series B	$ 50,000	September 30, 2028	3.69 %
Series C	$ 50,000	June 6, 2030	2.70 %
Series 2021-A	$ 35,000	September 17, 2030	2.50 %
Series 2021-B	$ 50,000	September 17, 2031	2.62 %
Series 2021-C	$ 25,000	September 17, 2032	2.68 %
Series 2021-D	$ 15,000	September 17, 2034	2.78 %

In November 2022, the Company entered into a $100.0 million term loan agreement ("Term Loan") with PNC Bank, National Association as administrative agent. The interest rate on the Term Loan was based on SOFR, plus a margin that ranged from 120 to 175 basis points based on the consolidated leverage ratio. The Term Loan had a 364-day term with an option for an additional 364-day term. As of September 30, 2023, the term loan was paid in full. As of December 31, 2022, the term loan had a balance of $100.0 million.

Centerspace has a $198.9 million Fannie Mae Credit Facility Agreement (the "FMCF"). The FMCF is secured by mortgages on 12 11 apartment communities. The notes are interest-only, with varying maturity dates of 7, 10, and 12 years, and a blended, weighted average interest rate of 2.78%. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the FMCF had a balance of $198.9 million. The FMCF is included within mortgages payable on the Condensed Consolidated Balance Sheets.

As of September 30, 2023 March 31, 2024, Centerspace owned 13 14 apartment communities that served as collateral for mortgage loans, in addition to the apartment communities secured by the FMCF. All of these mortgage loans were non-recourse to the Company other than for standard carve-out obligations. As of September 30, 2023 March 31, 2024, the Company believes that there were no material defaults or instances of material noncompliance in regards regard to any of these mortgages payable. mortgage loans.

On April 26, 2023, Centerspace closed on a $90.0 million secured note payable, which is included in the mortgages payable discussion above, with an interest rate of 5.04% and a term of 12 years.

The aggregate amount of required future principal payments on all debt lines of credit, notes payable, and mortgages payable as of September 30, 2023 March 31, 2024, was as follows:

		(in thousands)
	2023 (remainder)	$ 1,486
	2024	6,369
	(in thousands)	*(in thousands)*
2024 (remainder)		
2025	2025	35,277
2026	2026	51,590
2027	2027	48,666
2028		
Thereafter	Thereafter	699,171
Total payments	Total payments	$ 842,559

NOTE 6 • DERIVATIVE INSTRUMENTS

Centerspace used interest rate derivatives to stabilize interest expense and to manage its exposure to interest rate fluctuations. To accomplish this objective, the Company primarily used interest rate swap contracts to fix variable interest rate debt.

Changes in the fair value of derivatives designated and that qualified as cash flow hedges were recorded in accumulated other comprehensive income (loss) (“OCI”). and subsequently reclassified into earnings in the period that the hedged transaction affects earnings. Amounts recorded reported in accumulated other comprehensive income (loss) will be reclassified to interest expense in the periods in which interest payments are incurred on variable rate debt. During the next twelve months, the Company estimates an additional $857,000 $690,000 will be reclassified as an increase to interest expense.

In February 2022, the Company paid $3.2 million to terminate terminated its $75.0 million interest rate swap and its $70.0 million forward swap. swaps. As of September 30, 2023 March 31, 2024 and December 31, 2022December 31, 2023 the Company had no remaining interest rate swaps.

Derivatives not designated as hedges were not speculative and were used to manage the Company’s exposure to interest rate movements and other identified risks but did not meet the strict hedge accounting requirements. Changes in fair value of derivatives not designated in hedging relationships were recorded directly to earnings within interest and other income (loss) in the Condensed Consolidated Statements of Operations. During the nine months ended September 30, 2022, the Company recorded a gain of $582,000, related to the interest rate swap not designated in a hedging relationship, prior to its termination.

The table below presents the effect of the Company’s derivative financial instruments on the Condensed Consolidated Statements of Operations as of September 30, 2023 March 31, 2024 and 2022. 2023.

	(in thousands)

Three months ended September 30,	Gain Recognized in OCI 2023	Gain Recognized in OCI 2022	Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Loss Reclassified from Accumulated OCI into Income (Loss) 2023	Loss Reclassified from Accumulated OCI into Income (Loss) 2022
Total derivatives in cash flow hedging relationships - Interest rate contracts	$ —	$ —	Interest expense	$ (324)	$ (204)
Nine months ended September 30,					
Total derivatives in cash flow hedging relationships - Interest rate contracts	$ —	$ 1,581	Interest expense	$ (621)	$ (696)

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	(in thousands)				
Three months ended March 31,	Gain Recognized in OCI 2024	Gain Recognized in OCI 2023	Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Loss Reclassified from Accumulated OCI into Income (Loss) 2024	Loss Reclassified from Accumulated OCI into Income (Loss) 2023
Total derivatives in cash flow hedging relationships - Interest rate contracts	$ —	$ —	Interest expense	$ (197)	$ (138)

NOTE 7 • FAIR VALUE MEASUREMENTS

Cash and cash equivalents, restricted cash, other assets, accounts payable, accrued expenses, and other liabilities are carried at amounts that reasonably approximate their fair value due to their short-term nature. For variable rate line of credit debt that re-prices frequently, fair values are based on carrying values.

In determining the fair value of other financial instruments, Centerspace applies FASB ASC 820, "*Fair Value Measurement and Disclosures.*" Fair value hierarchy under ASC 820 distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (Levels 1 and 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). Fair value estimates may differ from the amounts that may ultimately be realized upon sale or disposition of the assets and liabilities.

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Fair Value Measurements on a Recurring Basis

	(in thousands)				
	Balance Sheet Location	Total	Level 1	Level 2	Level 3
September 30, 2023					
Assets					
Notes receivable	Other assets	$ 5,455	—	—	$ 5,455
December 31, 2022					
Assets					
Notes receivable	Other assets	$ 5,871	—	—	$ 5,871

		(in thousands)			
	Balance Sheet Location	**Total**	**Level 1**	**Level 2**	**Level 3**
March 31, 2024					
Assets					
Real estate related notes receivable	Other assets	$ 14,103	—	—	$ 14,103
December 31, 2023					
Assets					
Real estate related notes receivable	Other assets	$ 7,039	—	—	$ 7,039

Centerspace utilizes an income approach with Level 3 inputs based on expected future cash flows to value the notes receivable. The unobservable inputs include market transactions for similar instruments, management estimates of comparable interest rates (range of 3.75% 5.00% to 5.50% 9.00%), and instrument specific credit risk (range of 0.5% to 1.0%). Changes in the fair value of these receivables from period to period are reported in interest and other income on the Condensed Consolidated Statements of Operations.

	(in thousands)			
	Fair Value Measurement	**Other Gains**	**Interest Income**	**Total Changes in Fair Value Included in Current-Period Earnings**
Nine months ended September 30, 2023				
Three months ended March 31, 2024				
Notes receivable				
Notes receivable	$ 5,455	$ 14	$ 197	$ 211
Nine months ended September 30, 2022				
Notes receivable				
Notes receivable	$ 5,865	$ 11	$ 600	$ 611
Notes receivable				

Three months ended March 31, 2023
Notes receivable
Notes receivable
Notes receivable

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, Centerspace had investments totaling $1.8 million and $1.6 million, respectively, $2.1 million in real estate technology venture funds consisting of privately held entities that develop technology related to the real estate industry. These investments appear within other assets on our Condensed Consolidated Balance Sheets. The investments are measured at net asset value ("NAV") as a practical expedient under ASC 820. As of September 30, 2023 March 31, 2024, the Company had total unfunded commitments of $1.2 million $1.0 million.

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Fair Value Measurements on a Nonrecurring Basis

There were no non-financial assets or liabilities measured at fair value on a nonrecurring basis at September 30, 2023 March 31, 2024. Non-financial assets measured at fair value on a nonrecurring basis at December 31, 2023 consisted of real estate investments that were written-down to estimated fair value during the year ended December 31, 2023.

		(in thousands)			
	Balance Sheet Location	**Total**	**Level 1**	**Level 2**	**Level 3**
December 31, 2023					
Assets					
Real estate investments measured at fair value	Property owned	$ 19,250	$ —	$ 19,250	$ —

As of December 31, 2023, the Company estimated the fair value of real estate investments using market offers to purchase and December 31, 2022. other market data.

Financial Assets and Liabilities Not Measured at Fair Value

The fair value of unsecured senior notes and mortgages payable are estimated based on the discounted cash flows of the loans using market research and management estimates of comparable interest rates, excluding any prepayment penalties (Level 3).

The estimated fair values of the Company's financial instruments as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, are as follows:

		(in thousands)			
		September 30, 2023		**December 31, 2022**	
	Balance Sheet Location	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**

	(in thousands)		*(in thousands)*
	March 31, 2024	**March 31, 2024**	**December 31, 2023**

		Balance Sheet Location			Balance Sheet Location	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS	FINANCIAL ASSETS				FINANCIAL ASSETS				
Cash and cash equivalents	Cash and cash equivalents					$ 29,701	$ 29,701	$ 10,458	$ 10,458
Restricted cash	Restricted cash					$ 22,496	$ 22,496	$ 1,433	$ 1,433
FINANCIAL LIABILITIES	FINANCIAL LIABILITIES								
FINANCIAL LIABILITIES									
FINANCIAL LIABILITIES									
Revolving lines of credit	Revolving lines of credit					$ —	$ —	$113,500	$113,500
Term loans		Notes payable				$ —	$ —	$100,000	$100,000
Unsecured senior notes	Unsecured senior notes	Notes payable				$300,000	$234,675	$300,000	$238,446
Mortgages payable - Fannie Mae		Mortgages payable				$198,850	$157,180	$198,850	$161,297
Unsecured senior notes									
Unsecured senior notes									
Mortgages payable - Fannie Mae credit facility									
Mortgages payable - other	Mortgages payable - other	Mortgages payable				$343,709	$306,678	$299,427	$274,029

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NOTE 8 • ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

Centerspace did not acquire new real estate during the three months ended September 30, 2023 compared to acquisitions of $95.0 million during the three months ended September 30, 2022. Centerspace did not acquire new real estate during the nine months ended September 30, 2023 compared to acquisitions of $211.9 million during the nine months ended September 30, 2022. The acquisitions during the nine months ended September 30, 2022 are detailed below.

Nine Months Ended September 30, 2022

Acquisitions	Date Acquired	Total Acquisition Cost(1)	Form of Consideration: Cash	Form of Consideration: Units(2)	Form of Consideration: Other(3)	Investment Allocation: Land	Investment Allocation: Building	Investment Allocation: Intangible Assets(4)	Investment Allocation: Other(5)
		(in thousands)							
191 homes - Martin Blu - Minneapolis, MN	January 4, 2022	$ 49,825	$ 3,031	$ 18,885	$ 27,909	$ 3,547	$ 45,212	$ 1,813	$ (747)
31 homes - Elements - Minneapolis, MN	January 4, 2022	9,066	1,290	1,748	6,028	941	7,853	335	(63)
45 homes - Zest - Minneapolis, MN	January 4, 2022	11,364	1,429	2,249	7,686	936	10,261	574	(407)
130 homes - Noko Apartments - Minneapolis, MN	January 26, 2022	46,619	3,343	—	43,276	1,915	42,754	1,950	—
215 homes - Lyra Apartments - Centennial, CO	September 30, 2022	95,000	95,000	—	—	6,473	86,149	2,378	—
Total Acquisitions		$ 211,874	$ 104,093	$ 22,882	$ 84,899	$ 13,812	$ 192,229	$ 7,050	$ (1,217)

(1) Excludes transaction costs.

(2) Fair value of operating partnership units issued on acquisition.

(3) Assumption of seller's debt upon closing for Martin Blu, Zest, March 31, 2024 and Elements. Mezzanine and construction loans, financed by Centerspace, exchanged as partial consideration for the acquisition of Noko Apartments.2023.

(4) Intangible assets consist of in-place leases valued at the time of acquisition. During the nine months ended September 30, 2023 and 2022, Centerspace recognized $941,000 and $11.1 million, respectively, of amortization expense related to intangibles, included within depreciation and amortization in the Condensed Consolidated Statement of Operations.

(5) Debt discount on assumed mortgage.

DISPOSITIONS

During the three months ended September 30, 2023 March 31, 2024, Centerspace disposed of four two apartment communities and associated commercial space, in one transaction for an aggregate sales price of $82.5 million. Centerspace did not dispose of any real estate during the three months ended September 30, 2022. During the nine months ended September 30, 2023, Centerspace disposed of 13 apartment communities and associated commercial space, in five two exchange transactions for an aggregate sales price of $226.8 million $19.0 million. Centerspace did not dispose of any real estate during During the nine three months ended September 30, 2022 March 31, 2023, Centerspace disposed of nine apartment communities, in four exchange transactions for an aggregate sales price of $144.3 million.The dispositions for the nine three months ended September 30, 2023 March 31, 2024 and 2023 are detailed below.

Nine Three Months Ended September 30, 2023 March 31, 2024

Dispositions	Date Disposed	Sale Price	Net Book Value and Transaction Cost	Gain/(Loss)
		(in thousands)		
115 homes - Boulder Court - Eagan, MN	March 8, 2023	$ 14,605	$ 4,970	$ 9,635
498 homes - 2 Nebraska apartment communities	March 14, 2023	$ 48,500	$ 14,975	$ 33,525
892 homes - 5 Minnesota apartment communities	March 15, 2023	$ 74,500	$ 55,053	$ 19,447
62 homes - Portage - Minneapolis, MN	March 15, 2023	$ 6,650	$ 9,098	$ (2,448)
712 homes - 4 North Dakota apartment communities	September 14, 2023	$ 82,500	$ 71,218	$ 11,282
Total Dispositions		$ 226,755	$ 155,314	$ 71,441

Dispositions	Date Disposed	Sale Price	Net Book Value and Transaction Costs	Gain/(Loss)
		(in thousands)		

69 homes - Southdale Parc - Richfield, MN	February 29, 2024	$ 6,200	$ 6,497	$ (297)
136 homes - Wingate - New Hope, MN	February 29, 2024	$ 12,800	$ 13,080	$ (280)
Total Dispositions		$ 19,000	$ 19,577	$ (577)

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Three Months Ended March 31, 2023

		(in thousands)		
Dispositions	**Date Disposed**	**Sale Price**	**Net Book Value and Transaction Costs**	**Gain/(Loss)**
115 homes - Boulder Court - Eagan, MN	March 8, 2023	$ 14,605	$ 4,970	$ 9,635
498 homes - 2 Nebraska apartment communities	March 14, 2023	$ 48,500	$ 14,975	$ 33,525
892 homes - 5 Minnesota apartment communities	March 15, 2023	$ 74,500	$ 55,053	$ 19,447
62 homes - Portage - Minneapolis, MN	March 15, 2023	$ 6,650	$ 9,098	$ (2,448)
Total Dispositions		$ 144,255	$ 84,096	$ 60,159

NOTE 9 • SEGMENTS

Centerspace operates in a single reportable segment which includes the ownership, management, development, redevelopment, and acquisition of apartment communities. Each of the operating properties is considered a separate operating segment because each property earns revenues, incurs expenses, and has discrete financial information. The chief operating decision-makers evaluate each property's operating results to make decisions about resources to be allocated and to assess performance and do not group the properties based on geography, size, or type for this purpose. The apartment communities have similar long-term economic characteristics and provide similar products and services to residents. No apartment community comprises more than 10% of consolidated revenues, profits, or assets. Accordingly, the apartment communities are aggregated into a single reportable segment. "All other" includes non-multifamily components of mixed-use properties and apartment communities the Company has disposed or designated as held for sale. During the nine three months ended September 30, 2023 March 31, 2024, 13 two sold apartment communities were reclassified from the multifamily segment to all other for all periods presented.

The members of the executive management team are the chief operating decision-makers. This team measures the performance of the reportable segment based on net operating income ("NOI"), a non-GAAP measure, which the Company defines as total real estate revenues less property operating expenses, including real estate taxes. Centerspace believes that NOI is an important supplemental measure of operating performance for real estate because it provides a measure of operations that excludes gain (loss) on the same sale of real estate and other assets, impairment, depreciation, amortization, financing, property management overhead, casualty losses, and general and administrative expense. NOI does not represent cash generated by operating activities in accordance with GAAP and should not be considered an alternative to net income (loss), net income (loss) available for common shareholders, or cash flow from operating activities as a measure of financial performance.

The following tables present NOI for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, along with reconciliations to net income (loss) in the Condensed Consolidated Financial Statements. Segment assets are also reconciled to total assets as reported in the Condensed Consolidated Financial Statements.

	(in thousands)		
Three Months Ended September 30, 2023	**Multifamily**	**All Other**	**Total**
Revenue	$ 61,505	$ 3,063	$ 64,568
Property operating expenses, including real estate taxes	25,375	1,370	26,745
Net operating income	$ 36,130	$ 1,693	$ 37,823

Property management		(2,197)
Casualty loss		(937)
Depreciation and amortization		(24,697)
General and administrative expenses		(3,832)
Gain on sale of real estate and other investments		11,235
Interest expense		(8,556)
Interest and other income		330
Net income	$	9,169

		(in thousands)		
Three Months Ended September 30, 2022		Multifamily	All Other	Total
		(in thousands)		
Three Months Ended March 31, 2024	Three Months Ended March 31, 2024	Multifamily	All Other	Total
Revenue	Revenue	$ 57,057	$ 8,381	$65,438
Property operating expenses, including real estate taxes	Property operating expenses, including real estate taxes	23,339	3,990	27,329
Net operating income	Net operating income	$ 33,718	$ 4,391	$38,109
Property management				(2,563)
Property management expense				
Casualty loss	Casualty loss			(276)
Depreciation and amortization	Depreciation and amortization			(23,720)
General and administrative expenses	General and administrative expenses			(4,519)
Loss on sale of real estate and other investments				
Interest expense	Interest expense			(7,871)
Interest expense				
Interest expense				
Interest and other income				
Interest and other income				

Interest and other income	Interest and other income	70
Net loss	Net loss	$ (770)
Net loss		
Net loss		

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			(in thousands)			
Nine Months Ended September 30, 2023		**Multifamily**		**All Other**		**Total**
Revenue	$	182,893	$	14,348	$	197,241
Property operating expenses, including real estate taxes		73,917		6,797		80,714
Net operating income	$	108,976	$	7,551	$	116,527
Property management						(7,012)
Casualty loss						(1,242)
Depreciation and amortization						(75,061)
General and administrative expenses						(15,717)
Gain on sale of real estate and other investments						71,327
Loss on litigation settlement						(2,864)
Interest expense						(27,516)
Interest and other income						674
Net income					$	59,116

			(in thousands)				(in thousands)	
Nine Months Ended September 30, 2022		**Multifamily**	**All Other**	**Total**				
Three Months Ended March 31, 2023					**Three Months Ended March 31, 2023**	**Multifamily**	**All Other**	**Total**
Revenue	Revenue	$ 164,823	$ 24,045	$ 188,868				
Property operating expenses, including real estate taxes	Property operating expenses, including real estate taxes	67,747	11,671	79,418				
Net operating income	Net operating income	$ 97,076	$ 12,374	$ 109,450				
Property management				(7,537)				
Property management expense								
Casualty loss	Casualty loss			(1,256)				

Depreciation and amortization	Depreciation and amortization	(79,489)
General and administrative expenses	General and administrative expenses	
General and administrative expenses	General and administrative expenses	(14,240)
Gain on sale of real estate and other investments	Gain on sale of real estate and other investments	27
Interest expense	Interest expense	(23,147)
Interest and other income	Interest and other income	1,116
Net loss		$ (15,076)
Net income		
Net income		
Net income		

Segment Assets and Accumulated Depreciation

Segment assets are summarized as follows as of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, respectively, along with reconciliations to the Condensed Consolidated Financial Statements:

		(in thousands)		
As of September 30, 2023		**Multifamily**	**All Other**	**Total**
Segment assets	Segment assets			
Property owned	Property owned	$2,308,818	$17,590	$2,326,408
Less accumulated depreciation	Less accumulated depreciation	(512,688)	(3,985)	(516,673)
Total property owned		$1,796,130	$13,605	$1,809,735

	(in thousands)		
As of March 31, 2024	**Multifamily**	**All Other**	**Total**
Segment assets			
Total real estate investments			
Cash and cash equivalents			
Cash and cash equivalents			

Cash and cash equivalents	Cash and cash equivalents			29,701
Restricted cash	Restricted cash			22,496
Other assets	Other assets			16,349
Total Assets	Total Assets			$1,878,281

		(in thousands)			*(in thousands)*			
As of December 31, 2022		**Multifamily**	**All Other**	**Total**				
As of December 31, 2023					**As of December 31, 2023**	**Multifamily**	**All Other**	**Total**
Segment assets	Segment assets				Segment assets			
Property owned	Property owned	$2,274,202	$259,922	$2,534,124				
Less accumulated depreciation	Less accumulated depreciation	(443,828)	(91,573)	(535,401)				
Total property owned		$1,830,374	$168,349	$1,998,723				
Total real estate investments								
Cash and cash equivalents								
Cash and cash equivalents								
Cash and cash equivalents	Cash and cash equivalents			10,458				
Restricted cash	Restricted cash			1,433				
Other assets	Other assets			22,687				
Total Assets	Total Assets			$2,033,301				

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NOTE 10 • COMMITMENTS AND CONTINGENCIES

Litigation. Centerspace was the named defendant in a lawsuit where the owner of a neighboring property claims a retaining wall at one of its properties is causing water damage to the neighboring property. The claim was for damage to the property and monetary losses. The original judgment was ordered on October 9, 2023 for $2.9 million which the Company immediately paid. In November 2023, the claimant filed motions requesting additional interest on the judgment and trial costs. During the three months ended March 31, 2024, the claimant was awarded an additional $1.0 million in a judgment related interest and costs. The additional $1.0 million was a recognizable subsequent event for the year ended December 31, 2023 so was recorded as a loss on litigation settlement of $2.9 million due to a trial judgment against Centerspace for property damage and monetary losses. Subsequent to September 30, 2023, during the judgement was ordered and the Company paid the settlement of $2.9 million year ended December 31, 2023. The Company cannot, with any level of certainty, predict or estimate if there will be additional costs incurred as a result of the lawsuit. lawsuit as the matter is ongoing. Centerspace is involved in various lawsuits arising in the normal course of business and believes that such matters will not have a material adverse effect on the condensed consolidated financial statements.

Environmental Matters. Under various federal, state, and local laws, ordinances, and regulations, a current or previous owner or operator of real estate may be liable for the costs of removal of, or remediation of, certain hazardous or toxic substances in,

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on, around, or under the property. While the Company currently has no knowledge of any material violation of environmental laws, ordinances, or regulations at any of the properties, there can be no assurance that areas of contamination will not be identified at any of its properties or that changes in environmental laws, regulations, or cleanup requirements would not result in material costs.

Restrictions Limitations on Taxable Dispositions. Twenty-eight Twenty-seven properties, consisting of 4,935 5,033 apartment homes, are subject to restrictions limitations on taxable dispositions under agreements entered into with certain of the sellers or contributors of the properties and are effective for varying periods. Centerspace does not believe that the agreements materially affect the conduct of its business or its decisions whether to dispose of restricted these properties during the restriction limitation period because it generally holds these and other properties for investment purposes rather than for sale. In addition, where the Company deems it to be in the shareholders' best interests to dispose of such properties, it generally seeks to structure sales of such properties as tax-deferred transactions under Section 1031 of the Internal Revenue Code. Otherwise, the Company may be required to provide tax indemnification payments to the parties to these agreements.

Unfunded Commitments. Centerspace has unfunded commitments of $1.2 million $1.0 million in two real estate technology venture funds. Refer to Note 7 - Fair Value Measurements for additional information regarding these investments.

NOTE 11 • SHARE-BASED COMPENSATION

Share-based awards are provided to officers, non-officer employees, and trustees under the 2015 Incentive Plan approved by shareholders on September 15, 2015, as amended and restated on May 18, 2021 (the "2015 Incentive Plan"), which allows for awards in the form of cash, unrestricted and restricted common shares, stock options, stock appreciation rights, and RSUs up to an aggregate of 775,000 shares over the ten-year period in which the plan is in effect. Under the 2015 Incentive Plan, officers and non-officer employees may earn share awards under a long-term incentive plan ("LTIP"), which is a forward-looking program that measures long-term performance over the stated performance period. These awards are payable to the extent deemed earned in shares. The terms of the long-term incentive awards granted under the revised program may vary from year to year. Through September 30, 2023 March 31, 2024, awards under the 2015 Incentive Plan consisted of restricted and unrestricted common shares, RSUs, and stock options. We account The Company accounts for forfeitures of restricted and unrestricted common shares, RSUs, and stock options when they occur instead of estimating the forfeitures.

2023 2024 LTIP Awards

Awards granted to employees on January 1, 2023 January 1, 2024, consisted of an aggregate of 14,256 21,059 time-based RSU awards 20,497 and 18,876 performance RSUs based on total shareholder return ("TSR"), and 45,955 stock options. . The time-based awards vest as to one-third of the shares on each of January 1, 2024, January 1, 2025, and January 1, 2026. The stock options vest as to 25% on each of January 1, 2024, January 1, 2025, January 1, 2026, and January 1, 2027. The fair value of stock options was $11.086 per share and was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

		2023
Exercise price	$	58.67
Risk-free rate		3.97 %
Expected term		6.25 years
Expected volatility		28.7 %
Dividend yield		4.977 %

The performance RSUs are earned based on the Company's TSR as compared to the FTSE Nareit Equity Index over a forward looking three-year period. The maximum number of performance RSUs eligible to be earned is 40,994 37,752 RSUs, which is 200% of the performance RSUs granted. Earned awards (if any) will fully vest as of the last day of the measurement period. These awards have market conditions in addition to service conditions that must be met for the awards to vest. Compensation expense is recognized ratably based on the grant date fair value, as determined using the Monte Carlo valuation model, regardless of whether the market conditions are achieved and the awards ultimately vest. Therefore, previously recorded compensation expense is not adjusted in the event that the market conditions are not achieved. The Company based the expected volatility on a weighted average of the historical volatility of the Company's daily closing share price and a select peer average volatility, the risk-free interest rate on the interest rates on U.S. treasury bonds bond rates with a maturity equal to the remaining performance period of the award, and the expected term on the performance period of the award. The assumptions used to value the TSR performance RSUs were an expected volatility of 37.20% 27.21%, a risk-free interest rate of 4.22% 4.01%, and an expected life of 3 years. The share price at the grant date, January 1, 2023 January 1, 2024, was $58.67 $58.20 per share.

On March 31, 2023, in connection with her appointment to President and Chief Executive Officer, Anne Olson received a one-time stock award of 5,492 RSUs, which will vest in full on March 31, 2026.

On March 31, 2023, in connection with the change in executive management, Bhairav Patel, CFO, received a one-time stock award of 2,746 RSUs. One-third of the RSUs will vest on March 31, 2025 and the remaining two-thirds will vest on March 31, 2026.

Awards granted to trustees on May 16, 2023 consist of 9,200 time-based RSUs, which vest on May 16, 2024. These awards are classified as equity awards.

Share-Based Compensation Expense

Share-based compensation expense recognized in the condensed consolidated financial statements for all outstanding share-based awards was $602,000 $749,000 and $709,000 $1.5 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $2.7 million and $1.9 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

On March 31, 2023, the Company accelerated the vesting of all unvested time-based RSUs and stock options in connection with the Separation Agreement with Mr. Decker. This resulted in the acceleration of share-based compensation expense for those awards resulting in an additional $737,000 in expense during for the nine three months ended September 30, 2023 March 31, 2023. Any performance-based RSUs were prorated, in accordance with the award agreement, and will vest at the end of performance period based on actual performance. The remaining performance-based RSUs were forfeited. Mr. Decker exercised stock options, prior to their expiration on June 30, 2023, in a cashless exercise with a net 425 shares issued.

NOTE 12 • SUBSEQUENT EVENTS

On October 11, 2023, the Company acquired Lake Vista Apartment Homes in Loveland, Colorado, for an aggregate purchase price of $94.5 million, which was financed through the assumption of $52.7 million in mortgage debt and cash.

Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations

The following discussion and analysis should be read in conjunction with the unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 (the "Report"), the audited

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financial statements for the year ended December 31, 2022 December 31, 2023, which are included in our Annual Report on Form 10-K filed with the SEC on February 21, 2023 February 20, 2024, and the risk factors in Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2022 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2023 December 31, 2023.

This discussion and analysis and other sections of this Report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") , and Section 21E of the Securities Exchange Act of 1934, as amended (the

“Exchange Act”), with respect to the expectations for future periods. Forward-looking statements do not discuss historical fact, but instead include statements related to expectations, projections, intentions or other items related to the future. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “will,” “assumes,” “may,” “projects,” “outlook,” “future,” and variations of those words and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements to be materially different from the results of operations, financial condition, or plans expressed or implied by the forward-looking statements. Although we believe the expectations reflected in these forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be achieved. Any statements contained herein that are not statements of historical fact should be deemed forward-looking statements. As a

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result, reliance should not be placed on these forward-looking statements, as these statements are subject to known and unknown risks, uncertainties, and other factors beyond our control and could differ materially from actual results and performance.

The following factors, among others, could cause our future results to differ materially from those expressed in the forward-looking statements:

- inflation and price volatility in the global economy;
- uncertain global macro-economic and political conditions;
- deteriorating economic conditions, including rising unemployment rates, energy costs, and inflation, in the markets where we own apartment communities or in which we may invest in the future;
- rental conditions in our markets, including occupancy levels and rental rates, potential inability to renew residents or obtain new residents upon expiration of existing leases, changes in tax and housing laws, include rent control laws, or other factors;
- timely access to material and labor required to renovate and maintain apartment communities;
- adverse changes in our markets, including future demand for apartment homes in those markets, barriers of entry into new markets, limitations on the ability to increase rental rates, our inability to identify and consummate attractive acquisitions and dispositions on favorable terms, our ability to reinvest sales proceeds successfully, and inability to accommodate any significant decline in the market value of real estate serving as collateral for debt and mortgage obligations;
- pandemics or epidemics, including the COVID-19 pandemic, and any effects on our business, financial condition, and results of operation;
- the impact of the Russian invasion of conflicts between Russia and Ukraine, including sanctions imposed on Russia by the U.S. as well as Israel, Gaza, and other countries, Iran, on inflation, trade, and general economic conditions;
- reliance on a single asset class (multifamily) and certain geographic areas (Midwest and Mountain West regions) of the U.S.;
- inability to expand operations into new or existing markets successfully;
- failure of new acquisitions to achieve anticipated results or be efficiently integrated;
- inability to complete lease-up of projects on schedule and on budget;
- inability to sell our non-core properties on terms that are acceptable;
- failure to reinvest proceeds from sales of properties into tax-deferred exchanges, which could necessitate special dividend and/or tax protection payments;
- inability to fund capital expenditures out of cash flow;
- inability to pay, or need to reduce, dividends on common shares;
- inability to raise additional equity capital, if needed;
- financing risks, including the potential inability to meet existing covenants in existing credit facilities or to obtain new debt or equity financing on favorable terms, or at all;
- level and volatility of interest or capitalization rates or capital market conditions;
- uninsured losses due to insurance deductibles, uninsured claims or casualties or losses in excess of applicable coverage;
- loss contingencies and the availability and cost of casualty insurance for losses;
- inability to continue to satisfy complex tax rules in order to maintain status as a REIT for federal income tax purposes, inability of the Operating Partnership to satisfy the rules to maintain its status as a partnership for federal income tax purposes, and the risk of changes in laws affecting REITs;

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- inability to attract and retain qualified personnel;
- cyber liability or potential liability for breaches of privacy or information security systems;
- recent developments in artificial intelligence, including software used to price rent in apartment communities;
- inability to address catastrophic weather, natural events, and climate change;
- inability to comply with laws and regulations, including those related to the environment, applicable to the business and any related investigations or litigation; and
- other risks identified in this Report, in other SEC reports, or in other documents that we publicly disseminate.

New factors may also arise from time to time that could have an adverse effect on our business and results of operations. Except as otherwise required by law, we undertake no obligation to publicly update or revise these forward-looking statements to reflect events, circumstances, or changes in expectations after the date on which this Report is filed. Readers also should review the risks and uncertainties detailed from time to time in filings with the SEC, including the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" contained in our Annual Report on Form 10-K for the year ended December 31, 2022 and contained in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2023 December 31, 2023.

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Executive Summary

We are a real estate investment trust, or REIT, that owns, manages, acquires, redevelops, and develops apartment communities. We primarily focus on investing in markets characterized by stable and growing economies, strong employment, and an attractive quality of life that we believe, in combination, lead to higher demand for apartment homes and retention of our residents. As of September 30, 2023 March 31, 2024, we owned interests in 71 70 apartment communities consisting of 12,785 12,883 apartment homes. Property owned, as presented in our Condensed Consolidated Balance Sheets at historical cost, was $2.3 billion $2.4 billion at September 30, 2023, compared to $2.5 billion March 31, 2024 and $2.4 billion at December 31, 2022 December 31, 2023.

Renting apartment homes is our primary source of revenue, and our business objective is to provide great homes for our residents. homes. We strive to maximize resident satisfaction and retention by investing in high-quality assets in desirable locations and creating vibrant apartment communities through resident-centered operations. We believe that delivering superior resident experiences will enhance resident satisfaction while also driving profitability for our business and shareholders. We have paid quarterly distributions continuously since our first distribution in 1971.

Overview of the Three Months Ended September 30, 2023 March 31, 2024

- During the three months ended September 30, 2023 March 31, 2024, we sold four two non-core apartment communities and associated commercial space for an aggregate sales price of $82.5 million and realized a gain on sale of $11.3 million $19.0 million. See Note 8 of the Notes to the Condensed Consolidated Financial Statements in the report for more details.

- For the three months ended September 30, 2023 March 31, 2024, revenue decreased by $870,000 $3.4 million or 1.3% 5.0% to $64.6 million $64.5 million, compared to $65.4 million $67.9 million for the three months ended September 30, 2022 March 31, 2023, due to decreased revenue from dispositions, offset by a 5.7% 3.5% increase from same-store communities and an increase from non-same-store communities.

- Total expenses remained substantially flat at $58.4 million Same-store revenues increased by 3.5% for the three months ended September 30, 2023 and 2022. March 31, 2024, compared to the same period of the prior year, driving a 7.5% increase in same-store NOI compared to the same period of the prior year.

- Total expenses decreased by $5.6 million or 8.6% to $59.9 million for the three months ended March 31, 2024, compared to $65.5 million for the three months ended March 31, 2023.

- Net income loss was $0.41 $0.37 per diluted share for the three months ended September 30, 2023 March 31, 2024, compared to net loss income of $0.14 $2.76 per diluted share for the same period of 2022. the prior year.

- Non-GAAP Core Funds from Operations ("Core FFO") applicable to common shares and Units for the three months ended September 30, 2023 March 31, 2024 increased by $262,000 $2.5 million or 12.8% to $21.7 million $22.0 million compared to $21.5 million $19.5 million for the three months ended September 30, 2022 March 31, 2023. See the description of Core FFO on page 31 25 and the reconciliation of net income (loss) available to common shareholders to FFO and Core FFO on page 33. 26. This increase was primarily due to increased NOI from same-store and non-same-store communities and expense savings in property management and general and administrative expenses, interest expense, offset by increased interest expense and decreased NOI from dispositions. The drivers of these changes are discussed in more detail in the "Results of Operations" section below.

- We repurchased 87,722 common shares for total consideration of $4.7 million and an average price of $53.62 per share.

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Results of Operations

GAAP and Non-GAAP Financial Measures

Net operating income ("NOI") is a non-GAAP financial measure, which we define as total real estate revenues less property operating expenses, including real estate taxes and is reconciled to operating income below. We believe that NOI is an important supplemental measure of operating performance for real estate because it provides a measure of operations that excludes gain (loss) on the sale is unaffected by sales of real estate and other investments, impairment, depreciation, amortization, financing costs, property management expenses, casualty losses, and general and administrative expenses. NOI does not represent cash generated by operating activities in accordance with GAAP and should not be considered an alternative to net income (loss), net income (loss) available for common shareholders, or cash flow from operating activities as a measure of financial performance.

We have provided certain information on a same-store and non-same-store basis. Same-store apartment communities are owned or in service for substantially all of the periods being compared, and, in the case of newly-constructed properties, have achieved a target level of physical occupancy of 90%. On the first day of each calendar year, we determine the composition of our same-store pool for that year as well as adjust the previous year, which allows us to evaluate the performance of existing apartment communities and their contribution to net income. We believe that measuring performance on a same-store basis is useful to investors because it enables evaluation of how a fixed pool of communities are performing year-over-year. We use this measure to assess whether or not we have been successful in increasing NOI, raising average rental revenue, renewing the leases with existing residents, controlling operating costs, and making prudent capital improvements. The discussion below focuses on the main factors affecting real estate revenue and expenses from same-store apartment communities because changes from one year to another in real estate revenue and expenses from non-same-store apartment communities are generally due to the addition of those properties to the real estate portfolio, and accordingly provide less useful information for evaluating ongoing operational performance of the real estate portfolio.

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For the comparison of the nine three months ended September 30, 2023 March 31, 2024 and 2022, five 2023, one apartment communities were community was non-same-store. Sold communities are included in "Dispositions," while "Other properties" includes non-multifamily properties and the non-multifamily components of mixed-use properties. During the three months ended March 31, 2024 and 2023, we disposed of two and nine apartment communities, respectively, consisting of 205 and 1,567 apartment homes, respectively.

Reconciliation of Operating Income to Net Operating Income (non-GAAP)

The following table provides a reconciliation of operating income to NOI (non-GAAP), which is defined above.

	(in thousands, except percentages)

(in thousands, except percentages)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
	2024							
	2024							
	2024							
Operating income								
Operating income								
Operating income	$17,395	$ 7,031	$ 10,364	147.4 %	$ 85,958	$ 6,955	$ 79,003	*
Adjustments:								
Adjustments:								
Adjustments:								
Property management expenses								
Property management expenses								
Property management expenses	2,197	2,563	(366)	(14.3) %	7,012	7,537	(525)	(7.0) %
Casualty loss	937	276	661	239.5 %	1,242	1,256	(14)	(1.1) %
Casualty loss								
Casualty loss								
Depreciation and amortization								
Depreciation and amortization								
Depreciation and amortization	24,697	23,720	977	4.1 %	75,061	79,489	(4,428)	(5.6) %
General and administrative expenses	3,832	4,519	(687)	(15.2) %	15,717	14,240	1,477	10.4 %
Gain on sale of real estate and other investments	(11,235)	—	(11,235)	*	(71,327)	(27)	(71,300)	*
Loss on litigation settlement	—	—	—	—	2,864	—	2,864	N/A
General and administrative expenses								
General and administrative expenses								
(Gain) loss on sale of real estate and other investments								
(Gain) loss on sale of real estate and other investments								
(Gain) loss on sale of real estate and other investments								
Net operating income	$37,823	$38,109	$ (286)	(0.8) %	$116,527	$109,450	$ 7,077	6.5 %
Net operating income								

Net operating income

* Not a meaningful percentage.

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The following consolidated results of operations, including GAAP and non-GAAP metrics, cover the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

(in thousands, except percentages)

	(in thousands, except percentages)							
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
Revenue **Revenue**								
Same-store(1)	$57,949	$54,838	$ 3,111	5.7 %	$172,071	$158,886	$ 13,185	8.3 %
Non-same-store(1)	3,556	2,219	1,337	60.3 %	10,822	5,937	4,885	82.3 %
Other properties(1)	676	685	(9)	(1.3) %	2,014	1,885	129	6.8 %
Dispositions(1)	2,387	7,696	(5,309)	(69.0) %	12,334	22,160	(9,826)	(44.3) %
Revenue								
Revenue								
Same-store								
Same-store								
Same-store								
Non-same-store								
Non-same-store								
Non-same-store								
Other properties								
Other properties								
Other properties								
Dispositions								
Dispositions								
Dispositions								
Total								
Total								
Total Total	64,568	65,438	(870)	(1.3) %	197,241	188,868	8,373	4.4 %
Property operating expenses, including real estate taxes **Property operating expenses, including real estate taxes**								
Same-store(1)	23,906	22,533	1,373	6.1 %	69,791	65,461	4,330	6.6 %
Non-same-store(1)	1,469	806	663	82.3 %	4,126	2,286	1,840	80.5 %

Other properties[1]	270	267	3	1.1 %	546	691	(145)	(21.0) %
Dispositions[1]	1,100	3,723	(2,623)	(70.5) %	6,251	10,980	(4,729)	(43.1) %
Property operating expenses, including real estate taxes								
Property operating expenses, including real estate taxes								
Same-store								
Same-store								
Same-store								
Non-same-store								
Non-same-store								
Non-same-store								
Other properties								
Other properties								
Other properties								
Dispositions								
Dispositions								
Dispositions								
Total								
Total								
Total								
Total	26,745	27,329	(584)	(2.1) %	80,714	79,418	1,296	1.6 %
Net operating income[1]								
Net operating income[1]								
Same-store[1]	34,043	32,305	1,738	5.4 %	102,280	93,425	8,855	9.5 %
Non-same-store[1]	2,087	1,413	674	47.7 %	6,696	3,651	3,045	83.4 %
Other properties[1]	406	418	(12)	(2.9) %	1,468	1,194	274	22.9 %
Dispositions[1]	1,287	3,973	(2,686)	(67.6) %	6,083	11,180	(5,097)	(45.6) %
Net operating income[1]								
Net operating income[1]								
Same-store								
Same-store								
Same-store								
Non-same-store								
Non-same-store								
Non-same-store								
Other properties								
Other properties								
Other properties								
Dispositions								
Dispositions								
Dispositions								

Total									
Total									
Total	Total	$37,823	$38,109	$ (286)	(0.8) %	$116,527	$109,450	$ 7,077	6.5 %
Property management expenses	Property management expenses	(2,197)	(2,563)	(366)	(14.3) %	(7,012)	(7,537)	(525)	(7.0) %
Property management expenses									
Property management expenses									
Casualty loss	Casualty loss	(937)	(276)	661	239.5 %	(1,242)	(1,256)	(14)	(1.1) %
Casualty loss									
Casualty loss									
Depreciation and amortization									
Depreciation and amortization									
Depreciation and amortization	Depreciation and amortization	(24,697)	(23,720)	977	4.1 %	(75,061)	(79,489)	(4,428)	(5.6) %
General and administrative expenses	General and administrative expenses	(3,832)	(4,519)	(687)	(15.2) %	(15,717)	(14,240)	1,477	10.4 %
Gain on sale of real estate and other investments		11,235	—	11,235	N/A	71,327	27	71,300	*
Loss on litigation settlement		—	—	—	—	(2,864)	—	(2,864)	N/A
General and administrative expenses									
General and administrative expenses									
Gain (loss) on sale of real estate and other investments									
Gain (loss) on sale of real estate and other investments									
Gain (loss) on sale of real estate and other investments									
Interest expense	Interest expense	(8,556)	(7,871)	685	8.7 %	(27,516)	(23,147)	4,369	18.9 %
Interest expense									
Interest expense									
Interest and other income									
Interest and other income									
Interest and other income	Interest and other income	330	70	260	*	674	1,116	(442)	(39.6) %
NET INCOME (LOSS)	NET INCOME (LOSS)	$ 9,169	$ (770)	$ 9,939	*	$ 59,116	$ (15,076)	$ 74,192	*
NET INCOME (LOSS)									
NET INCOME (LOSS)									
Dividends to Series D preferred unitholders									
Dividends to Series D preferred unitholders									
Dividends to Series D preferred unitholders	Dividends to Series D preferred unitholders	(160)	(160)	—	—	(480)	(480)	—	—

Net (income) loss attributable to noncontrolling interests – Operating Partnership and Series E preferred units	Net (income) loss attributable to noncontrolling interests – Operating Partnership and Series E preferred units	(1,204)	439	(1,643)	*	(9,058)	3,546	(12,604)	*
Net (income) loss attributable to noncontrolling interests – Operating Partnership and Series E preferred units									
Net (income) loss attributable to noncontrolling interests – Operating Partnership and Series E preferred units									
Net income attributable to noncontrolling interests – consolidated real estate entities									
Net income attributable to noncontrolling interests – consolidated real estate entities									
Net income attributable to noncontrolling interests – consolidated real estate entities	Net income attributable to noncontrolling interests – consolidated real estate entities	(31)	(32)	1	(3.1) %	(96)	(93)	(3)	3.2 %
Net income (loss) attributable to controlling interests	Net income (loss) attributable to controlling interests	7,774	(523)	8,297	*	49,482	(12,103)	61,585	*
Net income (loss) attributable to controlling interests									
Net income (loss) attributable to controlling interests									
Dividends to preferred shareholders									
Dividends to preferred shareholders									
Dividends to preferred shareholders	Dividends to preferred shareholders	(1,607)	(1,607)	—	—	(4,821)	(4,821)	—	—
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ 6,167	$ (2,130)	$ 8,297	*	$ 44,661	$ (16,924)	$ 61,585	*
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS									
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS									

(1) This is a Non-GAAP financial measure which is a component of NOI (non-GAAP), as defined above. Refer to the reconciliation of Operating Income (Loss) to Net Operating Income above. Non-GAAP financial measures should not be considered an alternative to net income (loss), net income (loss) available for common shareholders, or cash flow from operating activities as a measure of financial performance.

** Not a meaningful percentage.*

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		Three Months Ended September 30,				Nine Months Ended September 30,			
		Three Months Ended March 31,							
		Three Months Ended March 31,							
		Three Months Ended March 31,							
Weighted Average Occupancy(1)									
Weighted Average Occupancy(1)									
Weighted Average Occupancy(1)	**Weighted Average Occupancy(1)**	**2023**		**2022**		**2023**		**2022**	
Same-store	Same-store	94.7	%	94.5	%	94.9	%	94.5	%
Same-store									
Same-store									
Non-same-store									
Non-same-store									
Non-same-store	Non-same-store	93.5	%	94.5	%	94.9	%	92.8	%
Total	Total	94.6	%	94.5	%	94.9	%	94.5	%
Total									
Total									

(1) Weighted average occupancy is defined as the percentage resulting from dividing actual rental revenue by scheduled rental revenue. Scheduled rental revenue represents the value of all apartment homes, with occupied homes valued at contractual rental rates pursuant to leases and vacant apartment homes valued at estimated market rents. When calculating actual rents for occupied apartment homes and market rents for vacant homes, delinquencies and concessions are not taken into account. Market rates are determined using the currently offered effective rates on new leases at the community and are used as the starting point in determination of the market rates of vacant apartment homes. Centerspace believes that weighted average occupancy is a meaningful measure of occupancy because it considers the value of each vacant unit at its estimated market rate. Weighted average occupancy may not completely reflect short-term trends in physical occupancy, and the calculation of weighted average occupancy may not be comparable to that disclosed by other REITs. REITs and other real estate companies.

Number of Apartment Homes	**September 30, 2023**	**September 30, 2022**
Same-store	12,173	12,173
Non-same-store	612	612
Total	12,785	12,785

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Number of Apartment Homes	**as of March 31, 2024**	**as of March 31, 2023**
Same-store	12,580	12,580
Non-same-store	303	—
Dispositions	—	917
Total	12,883	13,497

Same-store analysis. Revenue from same-store communities increased 5.7% 3.5% or $3.1 million $2.1 million in the three months ended September 30, 2023 March 31, 2024, compared to the same period in the prior year. The increase was attributable to 5.5% 3.9% growth in average monthly revenue per occupied home for the three months ended September 30, 2023 and an increase March 31, 2024 offset by a decrease of 0.2% 0.3% in occupancy as weighted average occupancy increased decreased from 94.5% 94.9% in the three months ended

September 30, 2022 March 31, 2023 to 94.7% 94.6% for the three months ended September 30, 2023 March 31, 2024. Property operating expenses, including real estate taxes, at same-store communities increased decreased by 6.1% 2.2% or $1.4 million $531,000 in the three months ended September 30, 2023 March 31, 2024, compared to the same period in the prior year. At same-store communities, controllable expenses (which exclude insurance and real estate taxes) increased decreased by $501,000, $181,000, primarily due to compensation lower utilities costs and offset by decreases increases in repairs compensation costs and maintenance administrative and utilities. marketing costs. Non-controllable expenses at same-store communities increased decreased by $872,000, $350,000, due to successful real estate taxes tax appeals and offset by higher insurance premiums and claims. premiums. Same-store NOI increased by $1.7 million $2.6 million to $34.0 million $37.5 million for the three months ended September 30, 2023 March 31, 2024 compared to $32.3 million $34.9 million in the same period of the prior year.

Revenue from same-store communities increased 8.3% or $13.2 million in the nine months ended September 30, 2023, compared to the same period in the prior year. The increase was attributable to 7.9% growth in average monthly revenue per occupied home for the nine months ended September 30, 2023 and an increase of 0.4% in occupancy as weighted average occupancy increased from 94.5% in the nine months ended September 30, 2022 to 94.9% for the nine months ended September 30, 2023. Property operating expenses, including real estate taxes, at same-store communities increased by 6.6% or $4.3 million in the nine months ended September 30, 2023, compared to the same period in the prior year. At same-store communities, controllable expenses (which exclude insurance and real estate taxes) increased by $1.9 million, primarily due to compensation costs. Non-controllable expenses at same-store communities increased by $2.4 million, primarily due to real estate taxes and higher insurance premiums and claims. Same-store NOI increased by $8.9 million to $102.3 million for the nine months ended September 30, 2023 compared to $93.4 million in the same period of the prior year.

Non-same-store analysis. Revenue from non-same-store communities increased by $1.3 million $1.8 million in the three months ended September 30, 2023 March 31, 2024, compared to the same period in the prior year. Property operating expenses, including real estate taxes at non-same-store communities increased by $663,000. $566,000. NOI at non-same-store communities increased by $674,000 to $2.1 million $1.2 million for the three months ended September 30, 2023 March 31, 2024 compared to $1.4 million in the same period of the prior year. The increase in revenue, property operating expenses, and NOI from non-same-store communities is primarily due to the addition of an apartment community at during the end of the third fourth quarter of the prior year.

Revenue from non-same-store communities increased by $4.9 million in the nine months ended September 30, 2023, compared to the same period in the prior year. Property operating expenses, including real estate taxes at non-same-store communities increased by $1.8 million. NOI at non-same-store communities increased by $3.0 million to $6.7 million for the nine months ended September 30, 2023 compared to $3.7 million in the same period of the prior year. The increase in revenue, property operating expenses, and NOI from non-same-store communities is primarily due to the addition of four apartment communities in the first quarter of the prior year and one apartment community at the end of the third quarter of the prior year.

Other properties and dispositions analysis. Revenue from dispositions decreased by $7.3 million while revenue from other properties decreased by $9,000 while revenue from dispositions decreased by $5.3 million $37,000 in the three months ended September 30, 2023 March 31, 2024, compared to the same period in the prior year. Property operating expenses, including real estate taxes, at other properties increased by $3,000 $95,000 while they such expenses decreased by $2.6 million $4.0 million for dispositions, compared to the same period in the prior year. NOI at other properties decreased by $12,000 $132,000 and NOI

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on dispositions decreased $2.7 million $3.3 million, compared to the same period in the prior year. We disposed of nine apartment communities in the first quarter of 2023, and an additional four apartment communities and associated commercial space in the third quarter of 2023.

Revenue from other properties increased by $129,000 while revenue from dispositions decreased by $9.8 million in the nine months ended September 30, 2023, compared to the same period in the prior year. Property operating expenses, including real estate taxes at other properties decreased by $145,000 2023, and $4.7 million for dispositions, compared to the same period in the prior year. NOI at other properties increased by $274,000 while NOI on dispositions decreased $5.1 million, compared to the same period in the prior year. We disposed of nine two apartment communities in the first quarter of 2023 and an additional four apartment communities and associated commercial space in the third quarter of 2023. 2024.

Property management expenses. Property management expense, consisting of property management overhead and property management fees paid to third parties decreased by 14.3% 9.3% to $2.2 million $2.3 million in the three months ended September 30, 2023 March 31, 2024, compared to $2.6 million in the same period of the prior year. The decrease is primarily due to decreased costs for technology initiatives fewer properties and compensation costs combined with fewer properties a lower number of apartment homes due to dispositions.

Property management expense, consisting of property management overhead and property management fees paid to third parties decreased by 7.0% to $7.0 million in the nine months ended September 30, 2023, compared to $7.5 million in the same period of the prior year. The decrease is primarily due to decreased contract labor and technology initiatives, offset by increased compensation.

Casualty loss. Casualty loss increased to $937,000 $820,000 in the three months ended September 30, 2023 March 31, 2024, compared to $276,000 $252,000 in the same period of the prior year. The increase is primarily due to extensive damage to a pool at one apartment community. increased claim activity that was not in the same period of the prior year combined with revised loss estimates from previous casualty events. See Note 2 of the Notes to the Condensed Consolidated Financial Statements in the report for more details.

Casualty loss decreased to $1.2 million in the nine months ended September 30, 2023, compared to $1.3 million in the same period of the prior year. The decrease is due to larger casualty loss activity in the prior year.

Depreciation and amortization. Depreciation and amortization increased by 4.1% 3.9% to $24.7 million $27.0 million in the three months ended September 30, 2023 March 31, 2024, compared to $23.7 million $26.0 million in the same period of the prior year, primarily attributable to an increase in depreciation on same-store and non-same-store apartment communities driven by the addition of an apartment community at in the end of the third fourth quarter of the prior year and with in-place lease amortization along with value add and acquisition capital projects; offset by a decrease in depreciation from sold properties.

Depreciation and amortization decreased by 5.6% to $75.1 million in the nine months ended September 30, 2023, compared to $79.5 million in the same period of the prior year, primarily attributable to a decrease in amortization of in-place leases from the prior year and a decrease in depreciation from sold properties, offset by an increase in depreciation on same-store and non-same-store apartment communities driven by the addition of four apartment communities in the first quarter of the prior year and one apartment community at the end of the third quarter of the prior year along with value add and acquisition capital projects.

General and administrative expenses. General and administrative expenses decreased by 15.2% 40.1% to $3.8 million $4.6 million in the three months ended September 30, 2023 March 31, 2024, compared to $4.5 million in the same period of the prior year, primarily attributable to technology implementation costs from the prior year that did not occur in the current year and a decrease in compensation costs and legal fees.

General and administrative expenses increased by 10.4% to $15.7 million in the nine months ended September 30, 2023, compared to $14.2 million $7.7 million in the same period of the prior year, primarily attributable to $3.2 million in executive severance and transition related costs related to from the CEO departure and $371,000 transition in legal fees related to the loss on litigation settlement, offset by $1.1 million in abandoned pursuit costs and $784,000 in technology implementation costs from the prior year that did not occur in the current year. first quarter of 2024.

Gain (loss) on sale of real estate and other investments. Gain (loss) on sale of real estate and other investments increased decreased to a gain loss of $11.2 million $577,000 in the three months ended September 30, 2023 March 31, 2024, compared to no a gain of $60.2 million in the same period of the prior year. The increase decrease was primarily due to the sale of four two apartment communities and associated commercial space in the current quarter that did not occur in the prior quarter. Refer to Note 8 in the Notes to the Condensed Consolidated Financial Statements.

Gain on sale of real estate and other investments increased to $71.3 million in the nine months ended September 30, 2023, period for a loss compared to $27,000 in the same period of the prior year, primarily due to the sale of 13 nine apartment communities and associated commercial space in the current year that did not occur for a gain in the prior year. Refer to Note 8 in the Notes to the Condensed Consolidated Financial Statements.

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Loss on Litigation Settlement. Loss on litigation settlement was$2.9 million for the nine months ended September 30, 2023 due to a trial judgment against Centerspace for property damage and monetary losses to a neighboring property. Refer to Note 2 in the Notes to the Condensed Consolidated Financial Statements.

Interest expense. Interest expense increased decreased by 8.7% 10.8% to $8.6 million $9.2 million in the three months ended September 30, 2023 March 31, 2024, compared to $7.9 million $10.3 million in the same period of the prior year, primarily due to a higher interest rates.

Interest expense increased by 18.9% to $27.5 million in the nine months ended September 30, 2023, compared to $23.1 million in the same period of rate term loan held during the prior year primarily due that was paid off prior to higher interest rates. its original maturity date.

Interest and other income. Interest and other income increased to income of $330,000 $340,000 in the three months ended September 30, 2023 March 31, 2024, compared to $70,000 $49,000 in the same period of the prior year. The increase was primarily due to interest income on escrow funds and other cash balances and a note receivable in the first quarter of 2024 that did not exist in the same period of the prior year combined with a gain on investments in the current first quarter of 2024 compared to a loss on investments in the same period of the prior year.

Interest and other income decreased to income of $674,000 in the nine months ended September 30, 2023, compared to $1.1 million in the same period of the prior year. The decrease was primarily due to interest income on mortgages receivable that were outstanding in the prior year and a prior year gain on the mark to market adjustment for an interest rate swap contract, offset by interest income on escrow funds and other cash balances and a gain on investments in the current year.

Net income (loss)available to common shareholders. Net income loss available to common shareholders increased $8.3 million decreased $5.5 million for the three months ended March 31, 2024, compared to a net income of $6.2 million for the three months ended September 30, 2023, compared to a net loss of $2.1 million $42.0 million in the three months ended September 30, 2022 March 31, 2023.

Net income (loss) available to common shareholders increased $61.6 million to income of $44.7 million for the nine months ended September 30, 2023, compared to a net loss of $16.9 million in the nine months ended September 30, 2022.

Funds from Operations and Core Funds from Operations.

We believe that Funds from Operations ("FFO"), which is a non-GAAP financial measure used as a standard supplemental measure for equity real estate investment trusts, is helpful to investors in understanding operating performance, primarily because its calculation does not assume the value of real estate assets diminishes predictably over time, as implied by the historical cost convention of GAAP and the recording of depreciation and amortization.

We use the definition of FFO adopted by the National Association of Real Estate Investment Trusts, Inc. ("Nareit"). Nareit defines FFO as net income or loss calculated in accordance with GAAP, excluding:

- depreciation and amortization related to real estate;
- gains and losses from the sale of certain real estate assets;
- 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; and
- similar adjustments for partially owned consolidated real estate entities.

The exclusion in Nareit's definition of FFO of gains and losses from the sale of real estate assets and impairment write-downs helps to identify the operating results of the long-term assets that form the base of investments and assists management and investors in comparing those operating results between periods.

Due to limitations of the Nareit FFO definition, we have made certain interpretations in applying this definition. We believe that all such interpretations not specifically provided for in the Nareit definition are consistent with this definition. Nareit's FFO White Paper 2018 Restatement clarified that impairment write-downs of land related to a REIT's main business are excluded from FFO and a REIT has the option to exclude impairment write-downs of assets that are incidental to the main business.

While FFO is widely used by us as a primary performance metric, not all real estate companies use the same definition of FFO or calculate FFO the same way. Accordingly, FFO presented here is not necessarily comparable to FFO presented by other real estate companies. FFO should not be considered as an alternative to net income or any other GAAP measurement of performance, but rather should be considered as an additional, supplemental measure. FFO also does not represent cash generated from operating activities in accordance with GAAP, nor is it indicative of funds available to fund all of the our cash flow needs, including our ability to service indebtedness or make distributions to shareholders.

Core Funds from Operations ("Core FFO"), a non-GAAP measure, is FFO adjusted for non-routine items or items not considered core to business operations. By further adjusting for items that are not considered part of core business operations,

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we believe that Core FFO provides investors with additional information to compare core operating and financial performance between periods. Core FFO should not be considered as an alternative to net income or as any other GAAP measurement of performance, but rather should be considered an additional supplemental measure. Core FFO also does not represent cash generated from operating activities in accordance with GAAP, nor is it indicative of funds available to fund all cash flow needs, including the ability to service indebtedness or make distributions to shareholders. Core FFO is a non-GAAP and non-standardized financial measure that may be calculated differently by other REITs and that should not be considered a substitute for operating results determined in accordance with GAAP.

Net income loss available to common shareholders for the three months ended September 30, 2023 March 31, 2024, increased decreased to a net loss of $5.5 million compared to a net income of $6.2 million compared to a net loss of $2.1 million $42.0 million for the same period of the prior year. FFO applicable to common shares and Units for the three months ended September 30, 2023 March 31, 2024, decreased increased to $20.8 million $20.9 million compared to $21.0 million $16.3 million for the comparable period of the prior year, a decrease an increase of 1.3% 28.5%. This decrease increase was primarily due to decreased NOI from dispositions, increased casualty loss and interest expense, offset by increased NOI from same-store communities and non-same-store communities, and decreases in property management and general and administrative expenses.

Net income (loss) available to common shareholders for the nine months ended September 30, 2023, increased to net income of $44.7 million compared to a net loss of $16.9 million for the same period of the prior year. FFO applicable to common shares expenses and Units for the nine months ended September 30, 2023, decreased to $57.2 million compared to $58.7 million for the comparable period of the prior year, a decrease of 2.5%. This decrease was primarily due to $3.2 million in severance and transition expenses related to the departure of Mark Decker, former CEO, increased interest expense, loss on litigation settlement, offset by decreased NOI from dispositions, less interest and other income including a mark to market gain on an interest rate swap from the prior year, offset by increased NOI from same-store communities and non-same-store communities and $1.1 million in pursuit costs from the prior year that did not occur in the nine months ended September 30, 2023. dispositions.

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Reconciliation of Net Income (Loss) Available to Common Shareholders to Funds from Operations and Core Funds from Operations

	(in thousands, except per share and unit amounts)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022

(in thousands, except per share and unit amounts)

	Three Months Ended March 31,
	2024
	2024
	2024
Funds from operations:	
Funds from operations:	
Funds from operations:	

Net income (loss) available to common shareholders
Net income (loss) available to common shareholders
Adjustments:
Adjustments:
Noncontrolling interests – Operating Partnership and Series E preferred units
Noncontrolling interests – Operating Partnership and Series E preferred units
Depreciation and amortization
Depreciation and amortization
Less depreciation – non real estate
Less depreciation – non real estate
Less depreciation – partially owned entities
Less depreciation – partially owned entities

Net income (loss) available to common shareholders	$ 6,167	$ (2,130)	$ 44,661	$ (16,924)
Adjustments:				
Noncontrolling interests – Operating Partnership and Series E preferred units	1,204	(439)	9,058	(3,546)
Depreciation and amortization	24,697	23,720	75,061	79,489
Less depreciation – non real estate	(56)	(94)	(236)	(296)
Less depreciation – partially owned entities	(20)	(18)	(58)	(46)
Gain on sale of real estate and other assets	(11,235)	—	(71,323)	(27)

(Gain) loss on sale of real estate and other assets					
(Gain) loss on sale of real estate and other assets					
(Gain) loss on sale of real estate and other assets					
FFO applicable to common shares and Units					
FFO applicable to common shares and Units					
FFO applicable to common shares and Units	FFO applicable to common shares and Units	$ 20,757	$ 21,039	$ 57,163	$ 58,650
Adjustments to Core FFO:	Adjustments to Core FFO:				
Adjustments to Core FFO:					
Adjustments to Core FFO:					
Non-cash casualty loss	Non-cash casualty loss	854	46	815	234
Loss on extinguishment of debt		—	—	—	5
Technology implementation costs(1)		—	234	—	784
Non-cash casualty loss					
Non-cash casualty loss					
Interest rate swap termination, amortization, and mark-to-market		324	204	621	(204)
Interest rate swap amortization					
Interest rate swap amortization					
Interest rate swap amortization					
Amortization of assumed debt	Amortization of assumed debt	(116)	(116)	(348)	(347)
Pursuit costs		—	38	5	1,165
Amortization of assumed debt					
Amortization of assumed debt					
Severance and transition related costs	Severance and transition related costs	—	—	3,180	—
Loss on litigation settlement and one-time trial costs(2)		34	—	3,235	—
Other miscellaneous items(3)		(129)	17	(102)	113
Severance and transition related costs					

Severance and transition related costs

Loss on litigation settlement and associated trial costs(1)

Loss on litigation settlement and associated trial costs(1)

Loss on litigation settlement and associated trial costs(1)

Other miscellaneous items(2)

Other miscellaneous items(2)

Other miscellaneous items(2)

Core FFO applicable to common shares and Units

Core FFO applicable to common shares and Units

Core FFO applicable to common shares and Units	Core FFO applicable to common shares and Units	$ 21,724	$ 21,462	$ 64,569	$ 60,400
FFO applicable to common shares and Units	FFO applicable to common shares and Units	$ 20,757	$ 21,039	$ 57,163	$ 58,650
Dividends to preferred unitholders		160	160	480	480

FFO applicable to common shares and Units

FFO applicable to common shares and Units

Dividends to Series D preferred unitholders

Dividends to Series D preferred unitholders

Dividends to Series D preferred unitholders

FFO applicable to common shares and Units - diluted

FFO applicable to common shares and Units - diluted

FFO applicable to common shares and Units - diluted	FFO applicable to common shares and Units - diluted	$ 20,917	$ 21,199	$ 57,643	$ 59,130

Core FFO applicable to common shares and Units	Core FFO applicable to common shares and Units	$ 21,724	$ 21,462	$ 64,569	$ 60,400
Dividends to preferred unitholders		160	160	480	480
Core FFO applicable to common shares and Units					
Core FFO applicable to common shares and Units					
Dividends to Series D preferred unitholders					
Dividends to Series D preferred unitholders					
Dividends to Series D preferred unitholders					
Core FFO applicable to common shares and Units - diluted					
Core FFO applicable to common shares and Units - diluted					
Core FFO applicable to common shares and Units - diluted	Core FFO applicable to common shares and Units - diluted	$ 21,884	$ 21,622	$ 65,049	$ 60,880
Per Share Data	**Per Share Data**				
Net income (loss) per common share - diluted		$ 0.41	$ (0.14)	$ 2.96	$ (1.11)
Per Share Data					
Per Share Data					
Net income (loss) per common share - diluted[3]					
Net income (loss) per common share - diluted[3]					
Net income (loss) per common share - diluted[3]					
FFO per share and Unit - diluted	FFO per share and Unit - diluted	$ 1.15	$ 1.13	$ 3.15	$ 3.16
FFO per share and Unit - diluted					
FFO per share and Unit - diluted					

Core FFO per share and Unit - diluted

Core FFO per share and Unit - diluted

Core FFO per share and Unit - diluted	Core FFO per share and Unit - diluted	$ 1.20	$ 1.15	$ 3.56	$ 3.25
Weighted average shares - basic	Weighted average shares - basic	14,989	15,373	14,988	15,280
Effect of redeemable operating partnership Units		908	984	943	980
Effect of Series D preferred units		228	228	228	228
Effect of Series E preferred units		2,093	2,186	2,105	2,186
Effect of dilutive restricted stock units and stock options		28	30	23	48
Weighted average shares and Units - diluted		18,246	18,801	18,287	18,722

Weighted average shares - basic

Weighted average shares - basic

Effect of redeemable operating partnership Units for FFO and Core FFO

Effect of redeemable operating partnership Units for FFO and Core FFO

Effect of redeemable operating partnership Units for FFO and Core FFO

Effect of Series D preferred units for FFO and Core FFO

Effect of Series D preferred units for FFO and Core FFO

Effect of Series D preferred units for FFO and Core FFO

Effect of Series E preferred units for FFO and Core FFO

Effect of Series E preferred units for FFO and Core FFO

Effect of Series E preferred units for FFO and Core FFO

Effect of dilutive restricted stock units and stock options for FFO and Core FFO

Effect of dilutive restricted stock units and stock options for FFO and Core FFO

Effect of dilutive restricted stock units and stock options for FFO and Core FFO

Weighted average shares and Units for FFO and Core FFO - diluted	
Weighted average shares and Units for FFO and Core FFO - diluted	
Weighted average shares and Units for FFO and Core FFO - diluted	

(1) Costs are related to a two-year implementation.

(2) Consists of a $2.9 million loss on litigation settlement for a trial judgment entered against the Company and $371,000 $37,000 in one-time trial costs related to the litigation matter during the nine three months ended September 30, 2023 March 31, 2024.

(3) (2) Consists of (gain) loss on investments. investments and pursuit costs.

(3) Refer to Note 3 of the Notes to the Condensed Consolidated Financial Statements for additional details on net income (loss) per share.

Acquisitions and Dispositions

During the nine three months ended September 30, 2023 March 31, 2024, we disposed of 13 two apartment communities and associated commercial space in five transactions located in Minnesota Nebraska, and North Dakota in two transactions for an aggregate sales price of $226.8 million $19.0 million. We had no acquisitions during the nine three months ended September 30, 2023 March 31, 2024.

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Distributions Declared

Distributions of $0.75 and $0.73 per common share and Unit were declared during the three months ended September 30, 2023 March 31, 2024 and 2022 and $2.19 per common share and Unit during the nine months ended September 30, 2023 and 2022. 2023, respectively. Distributions of $0.4140625 per Series C preferred share were declared during the three months ended September 30, 2023 March 31, 2024 and 2022 and $1.2421875 per Series C shares for the nine months ended September 30, 2023 and 2022. 2023. Distributions of $0.9655 per Series D preferred unit were declared during the three months ended September 30, 2023

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March 31, 2024 and 2022 and $2.8965 per Series D preferred unit for the nine months ended September 30, 2023 and 2022. 2023. Distributions of $0.96875 per Series E preferred unit were declared during the three months ended September 30, 2023 March 31, 2024 and 2022 and 2.90625 per Series E preferred unit for the nine months ended September 30, 2023 and 2022. 2023.

Liquidity and Capital Resources

Overview

We strive to maintain a strong balance sheet and preserve financial flexibility, which we believe should enhance our ability to capitalize on appropriate investment opportunities as they may arise. We intend to continue to focus on core fundamentals, which include generating positive cash flows from operations, maintaining appropriate debt levels and leverage ratios, and controlling overhead costs.

Our primary sources of liquidity are cash and cash equivalents on hand and cash flows generated from operations. Other sources include availability under the unsecured lines of credit, proceeds from property dispositions, including restricted cash related to net tax deferred proceeds, offerings of preferred and common shares, under the shelf registration statement, including offerings of common shares under a 2021 at-the-market offering program ("2021 ATM Program"), and long-term unsecured debt and secured mortgages.

Our primary liquidity demands are normally-recurring operating and overhead expenses, debt service and repayments, capital improvements to communities, distributions to the holders of preferred shares, common shares, Series D and Series E preferred units, and Units, value-add redevelopment, common and preferred share buybacks and Unit redemptions, funding of mezzanine loans, and acquisitions of additional communities.

Although we believe that our financial condition and liquidity are sufficient to meet our reasonably anticipated liquidity demands, factors that could impact our future liquidity include, but are not limited to, volatility in capital and credit markets, interest rate increases, the ability to access capital and credit markets, the minimum REIT dividend requirements, and our ability to complete asset purchases, sales, or developments.

As of September 30, 2023 March 31, 2024, we had total liquidity of approximately $285.7 million $228.3 million, which included $256.0 million $215.6 million available on the lines of credit based on the value of unencumbered properties and $29.7 million $12.7 million of cash and cash equivalents. As of December 31, 2022 December 31, 2023, we had total liquidity of approximately $153.0 million $234.6 million, which included $142.5 million $226.0 million available on the lines of credit based on the value of unencumbered properties and $10.5 million $8.6 million of cash and cash equivalents.

Debt

As of September 30, 2023 March 31, 2024, we had a multibank, revolving line of credit with total commitments and borrowing capacity of $250.0 million, based on the value of unencumbered properties. As of September 30, 2023 March 31, 2024, there was no $40.0 million outstanding balance on this line of credit therefore the and additional borrowing availability was $250.0 million $210.0 million. At December 31, 2022 December 31, 2023, the line of credit borrowing capacity was $250.0 million based on the value of unencumbered properties, of which $113.5 million $30.0 million was drawn on the line. The line of credit is utilized to refinance existing indebtedness, to finance property acquisitions, to finance capital expenditures, and for general corporate purposes. This credit facility matures in September 2025, with an option to extend maturity for up to two additional six-month periods and has an accordion option to increase borrowing capacity up to $400.0 million.

On May 31, 2023, this unsecured credit facility was further amended to replace the London Interbank Offered Rate ("LIBOR") with the Secured Overnight Financing Rate ("SOFR") as the benchmark alternative reference rate under the credit facility. Loans under the credit facility outstanding as of the effective date of the Amendment that accrue interest at a rate determined by reference to LIBOR will continue to accrue interest at a rate determined by reference to LIBOR for the interest period applicable to such loans. The line of credit has an interest rate equal to daily SOFR plus a margin of 135 basis points and a spread adjustment of 10 basis points. The interest rates on the line of credit are based on the consolidated leverage ratio, at the Company's option, on either the lender's base rate plus a margin, ranging from 25-80 basis points, or the daily or term SOFR, Secured Overnight Financing Rate ("SOFR"), plus a margin that ranges from 125-180 basis points, based on with the consolidated leverage ratio as defined under the First Amendment to Third Amended and Restated Credit Agreement. Prior to the amendment, interest rates on the line of credit is based, at the Company's option, on either the lender's base rate plus a margin, ranging from 25-80 basis points, or LIBOR, plus a margin that ranges from 125-180 basis points based on the consolidated leverage ratio, as defined described under the Third Amended and Restated Credit Agreement.

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Agreement, as amended.

We also have a $6.0 million operating line of credit. As of September 30, 2023 March 31, 2024, there was $357,000 outstanding on this line of credit. As of December 31, 2023, there was no balance outstanding balance on this line of credit. This operating line of credit is designed to enhance treasury management activities and more effectively manage cash balances. This operating line matures on September 30, 2024, with pricing based on SOFR.

Centerspace has We have a private shelf agreement with PGIM, Inc., an affiliate of Prudential Financial, Inc., and certain affiliates of PGIM, Inc. (collectively, "PGIM") with an aggregate amount of $225.0 million of under which we have issued $200.0 million in unsecured senior promissory notes ("unsecured senior notes") available for issuance. The Company. We also has have a separate note purchase agreement for the issuance of $125.0 million senior unsecured promissory notes, of which $25.0 million was issued under the private shelf agreement with PGIM. Under the private shelf agreement with PGIM, the Company has issued $200.0 million unsecured senior notes with $25.0 million remaining available as of September 30, 2023. The following table shows the notes issued under both private shelf agreements. agreements as of March 31, 2024 and December 31, 2023.

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(in thousands)		Amount	Maturity Date	Interest Rate
Series A	$	75,000	September 13, 2029	3.84 %
Series B	$	50,000	September 30, 2028	3.69 %
Series C	$	50,000	June 6, 2030	2.70 %
Series 2021-A	$	35,000	September 17, 2030	2.50 %
Series 2021-B	$	50,000	September 17, 2031	2.62 %
Series 2021-C	$	25,000	September 17, 2032	2.68 %
Series 2021-D	$	15,000	September 17, 2034	2.78 %

In November 2022, the Company entered into a $100.0 million term loan agreement ("Term Loan") with PNC Bank, National Association as administrative agent. The interest rate on the Term Loan was based on SOFR, plus a margin that ranged from 120 to 175 basis points based on the consolidated leverage ratio. The Term Loan had a 364-day term with an option for an additional 364-day term. As of September 30, 2023, the term loan was paid in full. As of December 31, 2022, the term loan had a balance of $100.0 million.

We have a $198.9 million Fannie Mae Credit Facility Agreement (the "FMCF"). The FMCF is currently secured by mortgages on 12 11 apartment communities. The notes are interest-only, have varying maturity dates of 7, 10, and 12 years, and a blended, weighted average interest rate of 2.78%. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the FMCF had a balance of $198.9 million. The FMCF is included within mortgages payable on the Condensed Consolidated Balance Sheets.

Mortgage loan indebtedness, excluding the FMCF, was $343.7 million $389.9 million and $299.4 million $391.1 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, on 13 and 15 14 apartment communities, respectively. communities. All of our mortgage debt is collateralized by apartment communities and is non-recourse at fixed rates of interest, with staggered maturities. This decreases the exposure to changes in interest rates, which reduces the effect of interest rate fluctuations on our results of operations and cash flows. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the weighted average interest rate on mortgage debt was 4.14% and 3.85%, respectively.

On April 26, 2023, Centerspace closed on a $90.0 million secured note payable, which is included 4.05%. Further information can be found in Note 5 - Debt in the mortgages payable discussion above, with an interest rate of 5.04% and a term of 12 years. Condensed Consolidated notes.

Equity

We have an equity distribution agreement in connection with the 2021 ATM Program through which we may offer and sell common shares having an aggregate gross sales price of up to $250.0 million, in amounts and at times determined by management. The proceeds from the sale of common shares under the 2021 ATM program may be used for general corporate purposes, including the funding of acquisitions, construction or mezzanine loans, community renovations, and the repayment of indebtedness. As of September 30, 2023 March 31, 2024, common shares having an aggregate offering price of up to $126.6 million remained available under the 2021 ATM Program. Further information can be found in Note 4 - Equity and Mezzanine Equity in the Condensed Consolidated notes.

On March 10, 2022, the Board of Trustees approved We have a new share repurchase program (the "Share Repurchase Program"), providing for the repurchase of up to an aggregate of $50.0 million of the Company's our outstanding common shares. Under the Share Repurchase Program, the Company is authorized to repurchase common shares through open market purchases, privately-negotiated transactions, block trades or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Securities and Exchange Act of 1934, as amended. The repurchases have no time limit and may be suspended or discontinued completely at any time. The specific timing and amount of repurchases will vary based on available capital resources or other financial and operational performance, market conditions,

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securities law limitations, and other factors. The table below provides details on the shares repurchased during the three and nine months ended September 30, 2023. March 31, 2024 and 2023. As of September 30, 2023 March 31, 2024, the Company had $14.2 million $4.7 million remaining authorized for purchase under this program.

	(in thousands, except per share amounts)		
Three Months Ended September 30,	**Number of Common Shares**	**Aggregate Cost(1)**	**Average Price Per Share(1)**
2023	—	$ —	$ —
2022	5	359	$ 65.97
Nine Months Ended September 30,			
2023	124	$ 6,718	$ 54.19
2022	5	359	$ 65.97

	(in thousands, except per share amounts)		
Three Months Ended March 31,	**Number of Common Shares**	**Aggregate Cost(1)**	**Average Price Per Share(1)**
2024	88	$ 4,703	$ 53.62
2023	19	1,022	$ 52.51

(1) Amount includes commissions.

Changes in Cash, Cash Equivalents, and Restricted Cash

As of March 31, 2024, we had cash and cash equivalents of $12.7 million and restricted cash consisting of $1.1 million of escrows held by lenders for real estate taxes, insurance, and capital additions.

The following discussion relates to changes in consolidated cash, cash equivalents, and restricted cash which are presented in the Condensed Consolidated Statements of Cash Flows in Part I, Item 1 above.

In addition to cash flow from operations, during the nine three months ended September 30, 2023 March 31, 2024, we generated capital from various activities, including:

- Receiving $223.3 million $18.3 million in net proceeds from the sale of 13 two apartment communities and associated commercial space; communities;

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- Receiving $10.4 million in net draws on the line of credit; and
- Receiving $90.0 million $1.6 million in net insurance proceeds from a new mortgage on Parkhouse. primarily due to one large casualty event that was settled during the quarter.

During the nine three months ended September 30, 2023 March 31, 2024, we used capital for various activities, including:

- Repaying $100.0 million on a variable rate term loan;
- Net repayments Funding of $113.5 million on the line mezzanine loan of credit; $7.3 million;
- Repaying $46.8 million $1.5 million of mortgage principal;
- Paying distributions on common shares, Series E preferred units, Units, and Series C preferred shares of $44.8 million $14.8 million;
- Repurchasing 124,000 87,722 common shares for $6.7 million $4.7 million; and
- Funding capital improvements for apartment communities of approximately $39.4 million $21.8 million.

Contractual Obligations and Other Commitments

Contractual obligations and other commitments were disclosed in our Form 10-K for the year ended December 31, 2022 December 31, 2023. Refer to Note 10 of the Notes to the Condensed Consolidated Financial Statements for additional details. There have been no material changes to our contractual obligations and other commitments since that report was filed.

Inflation, and Supply Chain, and Capital Markets

Our apartment leases generally have terms of one year or less, which means that, in an inflationary environment, we would have the ability, subject to market conditions, to increase rents upon the commencement of new leases or renewal of existing leases to manage the impact of inflation on our business. However, the cost to operate and maintain communities could increase at a rate greater than our ability to increase rents, which could adversely affect our results of operations. High inflation could have a negative impact on our residents and their ability to absorb rent increases.

We also continue to monitor pressures surrounding supply chain challenges. Supply chain and inflationary pressures are likely to result in increasing operating expenses, specifically, increases in energy costs, salary labor related costs, and construction materials for repairs and maintenance or capital projects. A worsening of the current environment could contribute to delays in obtaining construction materials and result in higher than anticipated costs, which could prevent us from obtaining expected returns on value add projects.

We continue to have access to the financial markets; however, a prolonged disruption of the markets or a decline in credit and financing conditions could negatively affect our ability to access capital necessary to fund our operations or refinance maturing

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debt in the future. Additionally, rising interest rates could negatively impact our borrowing costs for any variable rate borrowings or refinancing activity.

Off-Balance Sheet Arrangements

As of September 30, 2023 March 31, 2024, we had no significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Critical Accounting Policies

In preparing the Condensed Consolidated Financial Statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. A summary of critical accounting policies is included in our Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the SEC on February 21, 2023 February 20, 2024 under the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Refer to Note 2 of the Notes to Condensed Consolidated Financial Statements in this report for additional information. There have been no other significant changes to the critical accounting policies during the nine three months ended September 30, 2023 March 31, 2024.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk refers to the risk of loss from adverse changes in market prices and interest rates. The Company’s future revenue, cash flows, and fair values of certain financial instruments are dependent upon prevailing market prices and interest rates.

Centerspace’s exposure to market risk is primarily related to fluctuations in the general level of interest rates on the current and future fixed and variable rate debt obligations. Our operating results are, therefore, affected by changes in interest rates, including LIBOR and SOFR. The Company does not enter into derivative instruments for trading or speculative purposes.

See our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the SEC on February 21, 2023 February 20, 2024, under the heading “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” for a more complete discussion of the Company's interest rate sensitivity.

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Item 4. Controls and Procedures

Disclosure Controls and Procedures:

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Report. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2023 March 31, 2024, such disclosure controls and procedures were effective 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, and is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting:

In connection with the evaluation required by Rule 13a-15(d), management, with the participation of the Chief Executive Officer and Chief Financial Officer, has identified no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2023 March 31, 2024 and that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of the Company's operations, the Company becomes involved in litigation. At this time, the Company knows of no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which any of the Company's property is the subject.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors previously disclosed in Item 1A in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and disclosed in Item 1A in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2023 December 31, 2023.

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

Sales of Securities

The Company On January 31, 2024 and February 29, 2024, we issued 8,553 2,746 and 2,737 unregistered Common Shares common shares, respectively, to limited partners of the Operating Partnership in exchange Centerspace, LP upon exercise of their Exchange Rights for their Units, on July 31, 2023, in reliance on the an equal number of Units. All such issuances of our common shares were exempt from registration as private offering exemption placements under Section 4(a)(2) of the Securities Act Act. We have registered the resale of 1933, as amended, in part because such common shares under the issuances were made to a limited number of limited partners through privately negotiated transactions not involving any public offer or solicitation. Securities Act.

Issuer Purchases of Equity Securities

	Total Number of Shares	Maximum Dollar Amount of Shares That

Period	Total Number of Shares and Units Purchased(1)		Average Price Paid per Share and Unit(2)	Purchased as Part of Publicly Announced Plans or Programs		May Yet Be Purchased Under the Plans or Programs(3)
July 1 - 31, 2023	—	$	—	—	$	14,234,010
August 1 - 31, 2023	60		61.27	—		14,234,010
September 1 - 30, 2023	380		63.70	—		14,234,010
Total	440	$	63.37	—		

Period	Total Number of Shares and Units Purchased(1)		Average Price Paid per Share and Unit(2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Maximum Dollar Amount of Shares That May Yet Be Purchased Under the Plans or Programs(3)
January 1 - 31, 2024	7,590	$	53.96	7,590	$	9,005,467
February 1 - 29, 2024	80,132		53.58	80,132		4,713,230
March 1 - 31, 2024	—		—	—		4,713,230
Total	87,722	$	53.62	87,722		

(1) Includes Units redeemed for cash pursuant to the exercise of exchange rights.

(2) Amount is based on market prices and includes commissions paid.

(3) On March 10, 2022, the board authorized a new $50.0 million share repurchase program.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

During the fiscal quarter ended September 30, 2023 March 31, 2024, none of our trustees or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement.”

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Item 6. Exhibits

The following exhibits are filed as part of this Report.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Amendment and Third Restated Declaration of Trust of Investors Real Estate Trust adopted on September 23, 2003, as amended on September 18, 2007 (incorporated herein by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed with the Commission on June 30, 2014).
3.2	Seventh Restated Trustee's Regulations (Bylaws) of Investors Real Estate Trust, adopted on April 27, 2020 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 1, 2020).
3.3	Articles Supplementary to the Company's Articles of Amendment and Third Restated Declaration of Trust designating the Company's 6.625% Series C Cumulative Redeemable Preferred Shares, no par value per share (incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form 8-A filed with the SEC on September 28, 2017).
10.1	Employment Agreement, effective February 20, 2024, by and between Centerspace and Bhairav Patel (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on February 20, 2024).
31.1*	Section 302 Certification of Chief Executive Officer
31.2*	Section 302 Certification of Executive Vice President and Chief Financial Officer
32.1*	Section 906 Certifications of Chief Executive Officer
32.2*	Section 906 Certifications of Executive Vice President and Chief Financial Officer
101 INS**	INSTANCE DOCUMENT
101 SCH**	SCHEMA DOCUMENT
101 CAL**	CALCULATION LINKBASE DOCUMENT
101 LAB**	LABELS LINKBASE DOCUMENT
101 PRE**	PRESENTATION LINKBASE DOCUMENT
101 DEF**	DEFINITION LINKBASE DOCUMENT
104**	COVER PAGE INTERACTIVE DATA FILE - THE COVER PAGE XBRL TAGS ARE EMBEDDED WITHIN THE INLINE XBRL DOCUMENT

* Filed herewith

** Submitted electronically herewith. Attached as Exhibit 101 are the following materials from Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, formatted in Inline eXtensible Business Reporting Language ("iXBRL"): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Equity; (iv) the Condensed Consolidated Statements of Cash Flows; (v) notes to these Condensed Consolidated Financial Statements; and (vi) the Cover Page to Quarterly Report on our Form 10-Q.

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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.

Centerspace
(Registrant)

/s/ Anne Olson

Anne Olson

President and Chief Executive Officer

/s/ Bhairav Patel

Bhairav Patel

Executive Vice President and Chief Financial Officer

Date: October 30, 2023 April 29, 2024

Exhibit 31.1

Certifications

I, Anne Olson, certify that:

1 I have reviewed this quarterly report on Form 10-Q of Centerspace;

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 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 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: October 30, 2023 April 29, 2024

By: /s/ Anne Olson

Anne Olson, President and Chief Executive Officer

Exhibit 31.2

Certifications

I, Bhairav Patel, certify that:

1 I have reviewed this quarterly report on Form 10-Q of Centerspace;

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 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 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: October 30, 2023 April 29, 2024

By: /s/ Bhairav Patel

Bhairav Patel, Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Centerspace (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anne Olson, Jr., President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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/ Anne Olson

Anne Olson

President and Chief Executive Officer

October 30, 2023 April 29, 2024

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification is furnished, and shall not be deemed filed, as provided by Rule 13a-14(b) promulgated under the Securities Act of 1934 and Item 601(b) (32) (ii) of Regulation S-K.

Exhibit 32.2

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

In connection with the Quarterly Report of Centerspace (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bhairav Patel, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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/ Bhairav Patel

Bhairav Patel

Executive Vice President and Chief Financial Officer

October 30, 2023 April 29, 2024

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification is furnished, and shall not be deemed filed, as provided by Rule 13a-14(b) promulgated under the Securities Act of 1934 and Item 601(b) (32) (ii) of Regulation S-K.

DISCLAIMER

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