

REFINITIV

## DELTA REPORT

### 10-K

NXRT - NEXPOINT RESIDENTIAL TRUS

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS 6915

 CHANGES 310

 DELETIONS 4516

 ADDITIONS 2089

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549**  
**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, **2022**

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 **001-36663**

**NexPoint Residential Trust, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

Maryland

**47-1881359**

(State or other Jurisdiction of

(I.R.S. Employer

Incorporation or Organization)

Identification No.)

**300 Crescent Court, Suite 700, Dallas, Texas**

**75201**

(Address of Principal Executive Offices)

(Zip Code)

**(214)276-6300**

(Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol	Name of each exchange on which registered
<b>Common Stock, par value \$0.01 per share</b>	<b>NXRT</b>	<b>New York Stock Exchange</b>

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934:

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large Accelerated Filer  Accelerated Filer

Non-Accelerated Filer  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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

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

The aggregate market value of the shares of common stock of the registrant held by non-affiliates of the registrant, based upon the closing price of such shares on **June 30, 2022** **June 30, 2023** was approximately **\$1,402,000,000** **\$987,000,000**.

As of **February 23, 2023** **February 27, 2024**, the registrant had **25,549,319** **25,774,730** shares of its common stock, par value \$0.01 per share, outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the registrant's **2023** **2024** Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

Auditor Firm Id:	185	Auditor Name:	KPMG, LLP	Auditor Location:	Dallas, Texas, United States
------------------	-----	---------------	-----------	-------------------	------------------------------

---

### NEXPOINT RESIDENTIAL TRUST, INC.

#### Form 10-K

Year Ended **December 31, 2022** **December 31, 2023**

#### INDEX

		Page
<a href="#">Cautionary Statement Regarding Forward-Looking Statements</a>		ii
<b>PART I</b>		
Item 1.	<a href="#">Business</a>	5
Item 1A.	<a href="#">Risk Factors</a>	2017
Item 1B.	<a href="#">Unresolved Staff Comments</a>	4442
Item 2.1C.	<a href="#">Cybersecurity</a>	42
Item 2.	<a href="#">Properties</a>	4544
Item 3.	<a href="#">Legal Proceedings</a>	4645
Item 4.	<a href="#">Mine Safety Disclosures</a>	4645
<b>PART II</b>		
Item 5.	<a href="#">Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	4746
Item 6.	<a href="#">[Reserved]</a>	4847
Item 7.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	4948
Item 7A.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	7473
Item 8.	<a href="#">Financial Statements and Supplementary Data</a>	7574
Item 9.	<a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	7574
Item 9A.	<a href="#">Controls and Procedures</a>	7574
Item 9B.	<a href="#">Other Information</a>	7675
<b>PART III</b>		
Item 10.	<a href="#">Directors, Executive Officers and Corporate Governance</a>	7776
Item 11.	<a href="#">Executive Compensation</a>	7776
Item 12.	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	7776
Item 13.	<a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	7776
Item 14.	<a href="#">Principal Accountant Fees and Services</a>	7776
<b>PART IV</b>		
Item 15.	<a href="#">Exhibits and Financial Statement Schedules</a>	7877
	<a href="#">Index to Consolidated Financial Statements</a>	F-1

---

#### Cautionary Statement Regarding Forward-Looking Statements

This annual report (the "Annual Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. In particular, statements relating to our liquidity and capital resources, the performance of our properties and results of operations contain forward-looking statements. Furthermore, all of the statements regarding future financial performance (including market conditions and demographics) are forward-looking statements. We caution investors that any forward-looking statements presented in this annual report Annual Report are based on management's current beliefs and assumptions made by, and information currently available to, management. When used, the words "anticipate," "believe," "expect," "intend," "may," "might," "plan," "estimate," "project," "should," "will," "would," "result" and similar expressions that do not relate solely to historical matters are intended to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements are subject to risks, uncertainties and assumptions and may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. We caution you therefore against relying on any of these forward-looking statements.

Some of the risks and uncertainties that may cause our actual results, performance, liquidity or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

- unfavorable changes in market and economic conditions in the United States and globally and in the specific markets where our properties are located; market and economic conditions in the United States and globally and in the specific markets where our properties are located;
- macroeconomic trends including inflation and high interest rates may adversely affect our financial conditions and results of operations;
- risks associated with ownership of real estate;
- limited ability to dispose of assets because of the relative illiquidity of real estate investments;
- our multifamily properties are concentrated in certain geographic

markets in the Southeastern and Southwestern United States, which makes us more susceptible to adverse developments in those markets;

- increased risks associated with our strategy of acquiring value enhancement multifamily properties rather than more conservative investment strategies;

- failure to succeed in new markets may have adverse consequences on our performance;

- potential reforms to the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Federal National Mortgage Association ("Fannie Mae");

- competition could limit our ability to acquire attractive investment opportunities, which could adversely affect our profitability and impede our growth;

- competition and any increased affordability of residential homes could limit our ability to lease our apartments or increase or maintain rents;

- the relatively

low residential mortgage rates may result in potential renters purchasing residences rather than leasing them, and as a result, cause a decline in our occupancy rates;

- the risk that we may fail to consummate future property acquisitions;

- failure of acquisitions to yield anticipated results;

- risks associated with increases in interest rates and our ability to issue additional debt or equity securities in the future;

- risks associated with selling apartment communities, which could limit our operational and financial flexibility;

- contingent or unknown liabilities related to properties or businesses that we have acquired or may acquire;

- lack of or insufficient amounts of insurance;

- the risk that our environmental assessments may not identify all potential environmental liabilities and our remediation

actions may be insufficient;

- high costs associated with the investigation or remediation of environmental contamination, including asbestos, lead-based paint, chemical vapor, subsurface contamination and mold growth;
- high costs associated with the compliance with various accessibility, environmental, building and health and safety laws and regulations, such as the Americans with Disabilities Act of 1990 and the Fair Housing Act;

ii

---

risks associated with limited warranties we may obtain when purchasing properties;

exposure to decreases in market rents due to our short-term leases;

risks associated with operating through joint ventures and funds;

our dependence on

information systems;

•risks associated with breaches of our data security;

•costs associated with being a public company, including compliance with securities laws;

•the risk that our business could be adversely impacted if there are deficiencies in our disclosure controls and procedures or internal control over financial reporting;

•risks associated with our substantial current indebtedness and indebtedness we may incur in the future;

•risks associated with derivatives or hedging activity;

•risks associated with representations and warranties made by us in connection with sales of our properties may subject us to liability that could result in losses and could harm our operating results and, therefore, distributions we make to our stockholders;

•loss of key personnel of NexPoint Advisors, L.P. (our "Sponsor"), NexPoint Real

Estate  
Advisors, L.P.  
(“our Adviser”)  
and our  
property  
manager;

•the risk that we  
may not  
replicate the  
historical  
results  
achieved by  
other entities  
managed or  
sponsored by  
affiliates of our  
Adviser,  
members of our  
Adviser’s  
management  
team or by our  
Sponsor or its  
affiliates;

•risks  
associated with  
our Adviser’s  
ability to  
terminate the  
Advisory  
Agreement (as  
defined below);

•our ability to  
change our  
major policies,  
operations and  
targeted  
investments  
without  
stockholder  
consent;

•the substantial  
fees and  
expenses we  
pay to our  
Adviser and its  
affiliates;

•risks  
associated with  
any potential  
internalization  
of our  
management  
functions;

•conflicts of  
interest and  
competing  
demands for  
time faced by  
our Adviser, our  
Sponsor and  
their officers  
and employees;

•the risk that we  
may compete  
with other

entities affiliated with our Sponsor or property manager for properties and residents;

•failure to maintain our status as a REIT;

•failure of our operating partnership to be taxable as a partnership for U.S. federal income tax purposes, possibly causing us to fail to qualify for or to maintain REIT status;

•compliance with REIT requirements, which may limit our ability to hedge our liabilities effectively and cause us to forgo otherwise attractive opportunities, liquidate certain of our investments or incur tax liabilities;

•risks associated with our ownership of interests in TRSS;

•the recognition of taxable gains from the sale of properties as a result of the inability to complete certain like-kind exchanges in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code");

•the risk that the Internal

Revenue  
Service (the  
"IRS") may  
consider certain  
sales of  
properties to be  
prohibited  
transactions,  
resulting in a  
100% penalty  
tax on any  
taxable gain;

- the risk that we  
may be subject  
to other tax  
liabilities that  
may reduce our  
cash flows and  
distributions on  
our shares;

- the ineligibility  
of dividends  
payable by  
REITs for the  
reduced tax  
rates available  
for some  
dividends;

- risks  
associated with  
the stock  
ownership  
restrictions of  
the Code for  
REITs and the  
stock  
ownership limit  
imposed by our  
charter;

- the ability of our  
board of  
directors to  
revoke our  
REIT  
qualification  
without  
stockholder  
approval;

- recent and  
potential  
legislative or  
regulatory tax  
changes or  
other actions  
affecting REITs;

- foreign  
investors may  
be subject to  
U.S. federal  
income tax or  
withholding tax  
on distributions  
received from  
us or on  
proceeds and

the disposition  
of our current  
common stock;

•risks  
associated with  
the market for  
our common  
stock and the  
general  
volatility of the  
capital and  
credit markets;

•failure to  
generate  
sufficient cash  
flows to service  
our outstanding  
indebtedness  
or pay  
distributions at  
expected  
levels;

iii

---

•risks  
associated with  
limitations of  
liability for and  
our  
indemnification  
of our directors  
and officers;

•the risk that  
legal  
proceedings we  
become  
involved in from  
time to time  
could adversely  
affect our  
business;

•the risk that  
acts of violence  
could decrease  
the value of our  
assets and  
have an  
adverse effect  
on our business  
and results of  
operations;

•risks  
associated with  
the Highland  
Capital  
Management,  
L.P. bankruptcy,  
including

related litigation and potential conflicts of interest; and any other risks included under the heading "Risk Factors" in this Annual Report.

•

- macroeconomic trends including inflation and rising interest rates may adversely affect our financial conditions and results of operations;
- risks associated with ownership of real estate;
- limited ability to dispose of assets because of the relative illiquidity of real estate investments;
- our multifamily properties are concentrated in certain geographic markets in the Southeastern and Southwestern United States, which makes us more susceptible to adverse developments in those markets;
- increased risks associated with our strategy of acquiring value enhancement multifamily properties rather than more conservative investment strategies;
- failure to succeed in new markets may have adverse consequences on our performance;
- potential reforms to the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Federal National Mortgage Association ("Fannie Mae");
- competition could limit our ability to acquire attractive investment opportunities, which could adversely affect our profitability and impede our growth;
- competition and any increased affordability of residential homes could limit our ability to lease our apartments or increase or maintain rents;
- the relatively low residential mortgage rates may result in potential renters purchasing residences rather than leasing them, and as a result, cause a decline in our occupancy rates;
- the risk that we may fail to consummate future property acquisitions;
- failure of acquisitions to yield anticipated results;
- risks associated with increases in interest rates and our ability to issue additional debt or equity securities in the future;
- risks associated with selling apartment communities, which could limit our operational and financial flexibility;
- contingent or unknown liabilities related to properties or businesses that we have acquired or may acquire;
- lack of or insufficient amounts of insurance;
- the risk that our environmental assessments may not identify all potential environmental liabilities and our remediation actions may be insufficient;
- high costs associated with the investigation or remediation of environmental contamination, including asbestos, lead-based paint, chemical vapor, subsurface contamination and mold growth;
- high costs associated with the compliance with various accessibility, environmental, building and health and safety laws and regulations, such as the Americans with Disabilities Act of 1990 and the Fair Housing Act;

ii

---

- risks associated with limited warranties we may obtain when purchasing properties;
- exposure to decreases in market rents due to our short-term leases;
- risks associated with operating through joint ventures and funds;
- our dependence on information systems;
- risks associated with breaches of our data security;
- costs associated with being a public company, including compliance with securities laws;
- the risk that our business could be adversely impacted if there are deficiencies in our disclosure controls and procedures or internal control over financial reporting;
- risks associated with our substantial current indebtedness and indebtedness we may incur in the future;

- risks associated with derivatives or hedging activity;
- risks associated with representations and warranties made by us in connection with sales of our properties may subject us to liability that could result in losses and could harm our operating results and, therefore, distributions we make to our stockholders;
- loss of key personnel of NexPoint Advisors, L.P. (our "Sponsor"), NexPoint Real Estate Advisors, L.P. ("our Adviser") and our property manager;
- the risk that we may not replicate the historical results achieved by other entities managed or sponsored by affiliates of our Adviser, members of our Adviser's management team or by our Sponsor or its affiliates;
- risks associated with our Adviser's ability to terminate the Advisory Agreement (as defined below);
- our ability to change our major policies, operations and targeted investments without stockholder consent;
- the substantial fees and expenses we pay to our Adviser and its affiliates;
- risks associated with any potential internalization of our management functions;
- conflicts of interest and competing demands for time faced by our Adviser, our Sponsor and their officers and employees;
- the risk that we may compete with other entities affiliated with our Sponsor or property manager for properties and tenants;
- failure to maintain our status as a REIT;
- failure of our operating partnership to be taxable as a partnership for U.S. federal income tax purposes, possibly causing us to fail to qualify for or to maintain REIT status;
- compliance with REIT requirements, which may limit our ability to hedge our liabilities effectively and cause us to forgo otherwise attractive opportunities, liquidate certain of our investments or incur tax liabilities;
- risks associated with our ownership of interests in TRSs;
- the recognition of taxable gains from the sale of properties as a result of the inability to complete certain like-kind exchanges in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code");
- the risk that the Internal Revenue Service (the "IRS") may consider certain sales of properties to be prohibited transactions, resulting in a 100% penalty tax on any taxable gain;
- the ineligibility of dividends payable by REITs for the reduced tax rates available for some dividends;
- risks associated with the stock ownership restrictions of the Code for REITs and the stock ownership limit imposed by our charter;
- the ability of our board of directors to revoke our REIT qualification without stockholder approval;
- recent and potential legislative or regulatory tax changes or other actions affecting REITs;
- risks associated with the market for our common stock and the general volatility of the capital and credit markets;
- failure to generate sufficient cash flows to service our outstanding indebtedness or pay distributions at expected levels;
- risks associated with limitations of liability for and our indemnification of our directors and officers;
- the risk that legal proceedings we become involved in from time to time could adversely affect our business;

iii

---

- the risk that acts of violence could decrease the value of our assets and have an adverse effect on our business and results of operations;
- risks associated with the Highland Capital Management, L.P. bankruptcy, including related litigation and potential conflicts of interest; and
- any other risks included under the heading "Risk Factors" in this annual report.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. They are based on estimates and assumptions only as of the date of this **annual report**. **Annual Report**. We undertake no obligation to update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes, except as required by law.

iv

## PART I

## ITEM 1. BUSINESS

## General

NexPoint Residential Trust, Inc. (the "Company," "we," "our") was incorporated in Maryland on September 19, 2014, and has elected to be taxed as a REIT. The Company is focused on "value-add" multifamily investments primarily located in the Southeastern and Southwestern United States. Substantially all of the Company's business is conducted through NexPoint Residential Trust Operating Partnership, L.P. (the "OP"), the Company's operating partnership. The Company owns its properties (the "portfolio") through the OP and its wholly owned TRS. The OP owns approximately 99.9% of the portfolio; the TRS owns approximately 0.1% of the portfolio. The Company's wholly owned subsidiary, NexPoint Residential Trust Operating Partnership GP, LLC (the "OP GP"), is the sole general partner of the OP. As of December 31, 2022, there were 26,050,945 common units in the OP ("OP Units") outstanding, of which 25,951,154, or 99.6%, were owned by the Company and 99,791,102,834, or 0.4%, were owned by noncontrolling limited partners (see Note 10 to our consolidated financial statements).

The Company is externally managed by the Adviser, through an agreement dated March 16, 2015, as amended, and renewed on February 22, 2023 February 26, 2024 for a one-year term (the "Advisory Agreement"), by and among the Company, the OP and the Adviser. The Adviser conducts substantially all of the Company's operations and provides asset management services for its real estate investments. The Company expects it will only have accounting employees while the Advisory Agreement is in effect. All of the Company's investment decisions are made by the Adviser, subject to general oversight by the Adviser's investment committee and the Company's board of directors (the "Board"). The Adviser is wholly owned by the Sponsor.

The Company's investment objectives are to maximize the cash flow and value of properties owned, acquire properties with cash flow growth potential, provide quarterly cash distributions and achieve long-term capital appreciation for its stockholders through targeted management and a value-add program. Consistent with the Company's policy to acquire assets for both income and capital gain, the Company intends to hold at least majority interests in its properties for long-term appreciation and to engage in the business of directly or indirectly acquiring, owning, and operating well-located multifamily properties with a value-add component in large cities and suburban submarkets of large cities primarily in the Southeastern and Southwestern United States consistent with its investment objectives. Economic and market conditions may influence the Company to hold properties for different periods of time. From time to time, the Company may sell a property if, among other deciding factors, the sale would be in the best interest of its stockholders.

The Company may allocate up to 30% of the portfolio to investments in real estate-related debt and securities with the potential for high current income or total returns. These allocations may include first and second mortgages and subordinated, bridge, mezzanine, construction and other loans, as well as debt securities related to or secured by multifamily real estate and common and preferred equity securities, which may include securities of other REITs or real estate companies.

As of December 31, 2022 December 31, 2023, the Company, through the OP and the wholly owned TRS, owned 4038 properties representing 15,127 14,133 units in seven states, as further described under Item 2, "Properties" and Notes 3 4 and 5 4 to our consolidated financial statements.

2022 2023 Highlights

Key highlights and transactions completed in 2022/2023 include the following:

<b>• Dispositions:</b> We sold two properties totaling 994 units in 2023. Details of the dispositions are in the table below (in thousands):	<b>2020 ATM Program:</b> On March 4, 2020, the Company, the OP and the Adviser entered into separate equity distribution agreements with each of Jefferies LLC ("Jefferies"), Raymond James & Associates, Inc. ("Raymond James"), KeyBanc Capital Markets Inc. ("KeyBanc") and Truist Securities, Inc. f/k/a SunTrust Robinson Humphrey, Inc. ("Truist", and together with Jefferies, Raymond James and KeyBanc, the "2020 ATM Sales Agents"), pursuant to which the Company may issue and sell from time to time shares of the Company's common stock, par value \$0.01 per share, having an aggregate sales price of up to \$225,000,000 (the "2020 ATM Program"). Sales of shares of common stock, if any, may be made in transactions that are deemed to be "at the market" offerings, as defined in Rule 415 under the Securities Act, including, without limitation, sales made by means of ordinary brokers' transactions on the New York Stock Exchange, to or through a market maker at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices based on prevailing market prices. In addition to the issuance and sale of shares of common stock, the Company may enter into forward sale agreements with each of Jefferies, KeyBanc and Raymond James, Truist, or their respective affiliates, through the 2020 ATM Program. During the year ended December 31, 2022, the Company issued 52,091 shares of common stock at an average price of \$83.16 per share for gross proceeds of \$4.3 million under the 2020 ATM Program. The Company paid approximately \$0.1 million in fees to the 2020 ATM Sales Agents with respect to such sales and incurred other issuance costs of approximately \$0.3 million, both of which were netted against the gross proceeds and recorded in additional paid in capital. The following table contains summary information of the 2020 ATM Program since inception:
P L D Sa O Ne G r o a l e ut t ai o c t s st Ca n p a e Pr an sh on e t i o n ic di Pr Sa r o f e n g oc le t n S Pr ee of y a in ds Re N I ci (2) al a e pa Es m I tat e (1) e	common stock, if any, may be made in transactions that are deemed to be "at the market" offerings, as defined in Rule 415 under the Securities Act, including, without limitation, sales made by means of ordinary brokers' transactions on the New York Stock Exchange, to or through a market maker at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices based on prevailing market prices. In addition to the issuance and sale of shares of common stock, the Company may enter into forward sale agreements with each of Jefferies, KeyBanc and Raymond James, Truist, or their respective affiliates, through the 2020 ATM Program. During the year ended December 31, 2022, the Company issued 52,091 shares of common stock at an average price of \$83.16 per share for gross proceeds of \$4.3 million under the 2020 ATM Program. The Company paid approximately \$0.1 million in fees to the 2020 ATM Sales Agents with respect to such sales and incurred other issuance costs of approximately \$0.3 million, both of which were netted against the gross proceeds and recorded in additional paid in capital. The following table contains summary information of the 2020 ATM Program since inception:

G  
 r  
 a  
 n S  
 d e  
 p  
 P t  
 r e  
 a m  
 S i b  
 il r e  
 v i r  
 e e 2  
 r , 2 7 4 6 4  
 b T , 0 6 9 3  
 r e 2 , , ,  
 o x 0 0 0 4 1  
 o a 2 0 8 3 0  
 k s 3 \$0 \$8 \$1 \$7  
 C  
 h  
 a  
 r  
 l  
 o  
 t  
 t  
 e D  
 , e  
 N c  
 o e  
 T r m  
 i t b  
 m h e  
 b r  
 e C 1  
 r a 3 4 2 4 2  
 Cr , 9 4 8 4  
 r o 2 , , ,  
 e li 0 0 1 3 8  
 e n 2 0 0 4 1  
 k a 3 0 0 8 9  
 \_\_\_\_\_  
 1 1  
 1 7 1 6  
 9 0 7 7  
 , , ,  
 0 1 7 9  
 0 8 7 2  
 \$0 \$8 \$9 \$6

(Represents the outstanding principal balance when the loan was repaid.

(Represents sales price,

net of closing costs.

5

---

**•Renovations:** For the properties in our portfolio as of December 31, 2023, we completed full and partial renovations on 2,073 units at an average cost of \$12,303 per renovated unit. Since inception, for the properties in our portfolio as of December 31, 2023, we have completed full and partial renovations on 8,534 units at an average cost of \$9,715 per renovated unit that has been leased as of December 31, 2023. We have achieved average rent growth of 14.5%, or a \$169 average monthly rental increase per unit, on all units renovated and leased as of December 31, 2023, resulting in a return on investment on capital expended for interior renovations of 20.9%.

**•Dividends:** We declared dividends totaling \$45.2 million, or \$1.722 per share for the year ended December 31, 2023. During the fourth quarter of 2023, we increased our quarterly dividend for the sixth time since the Spin-Off (as defined below) to \$0.46242 per share, which was an increase of \$0.04242 per share, or a 10.1% increase, over our previous quarterly dividends declared in 2023. The

increase in our quarterly dividend to \$0.46242 per share is an increase of \$0.26 per share, or a 124.5% increase, over our quarterly dividends declared from the Spin-Off. Our fourth quarter dividend equates to a 5.4% annualized yield based on our closing share price of \$34.43 on December 31, 2023.

**• Results of Operations and Non-GAAP Measures:** We reported the following net income (loss), net operating income ("NOI"), funds from operations ("FFO"), core funds from operations ("Core FFO") and adjusted funds from operations ("AFFO") for the year ended December 31, 2023 as compared to the year ended December 31, 2022 (dollars in thousands):

For the	Year	Ended	Decembe	r 31,	—	%
					\$	C
					Ch	ha
	20	20	an	n		
	23	22	ge	ge		
N						
et						
in						
co	4	(	5	-		
m	4	9	3	5		
e	,	,	,	7		
(lo	4	2	7	( 8		
ss	3	9	2	1 .		
)	\$3	\$1)	\$4	) 2%		

N ( 1 ( 1 9 6%  
OI 2 6 3 5 , .  
) 7 ) 7 9 3  
, , 8  
4 4 0  
0 2  
4 4

FF  
O  
att  
rib  
ut  
ab  
le  
to  
co  
m  
m  
on  
st 7 7 (   
oc 1 3 1  
kh , , , -  
ol ( 4 3 9 2  
de 2 2 9 7 .  
rs ) 0 7 7) 7%  
C  
or  
e  
FF  
O  
att  
rib  
ut  
ab  
le  
to  
co  
m  
m  
on  
st 7 8 (   
oc 3 1 8 -  
kh , , , 1  
ol ( 5 7 2 0  
de 2 3 9 6 .  
rs ) 4 6 2) 1%

A ( 8 9 () -%  
FF 2 4 1 6 7  
O ) , , , .  
att 4 3 9 6  
rib 0 6 6  
ut 4 6 2  
ab  
le  
to  
co  
m  
m  
on  
st  
oc  
kh  
ol  
de  
rs

(The change in our net income (loss) between the periods primarily relates to an increase in gain on sales of real estate of \$53.2 million and increases in property operating expenses of \$0.4 million and depreciation and amortization expense of \$2.4 million, partially offset by an increase in total revenues of \$13.5 million.

(See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion regarding the non-GAAP measures of NOI, FFO, Core FFO and AFFO provided above, including reconciliations to net income in accordance with U.S. generally accepted accounting principles ("GAAP").

(Prior year NOI was updated to include current year NOI add backs.

**• Same Store Growth:**

There are 33 properties encompassing 12,378 units of apartment space in our same store pool for the years ended December 31,

2023 and 2022 (our "2022-2023 Same Store" properties). Our 2022-2023 Same Store properties exclude the following 5 properties in our portfolio as of December 31, 2023: Old Farm, Stone Creek at Old Farm, The Adair, Estates on Maryland and Radbourne Lake as well as the 45 units that are currently down (see Note 4 to our consolidated financial statements). For our 2022-2023 Same Store properties, we recorded the following operating metrics for the year ended December 31, 2023 as compared to the year ended December 31, 2022:

	2023	2022	% Change
Operating Units	9	9	
Occupancy (%)	44	40	
Average Occupancy (%)	7%	1%	6%
Effective蒙特利尔租金	1.1	1.1	
Rent per Unit (\$)	5.0	5.0	
(2) Rent per Unit (\$)	\$9.0	\$8.0	1%
Rental Income (\$)	2.2	2.1	
Same (in thousands)	9.4	4.6	
Rental Income (\$)	8.6	6.7	
Rental Income (\$)	0.6	0.6	
Rental Income (\$)	\$1.4	\$4.0	1%

Other	\$ 5	\$ 5	7%
,	,	.	
income	6	2	4
me	6	7	
(in	1	1	
thousand			
ands			
)			
	1	1	
	4	3	
NOI	4	4	
(in	,	,	
thousand	9	0	8
ands	9	2	.
)	\$ 9	\$ 0	2%

(1) Occupancy is calculated as the number of units occupied as of December 31 for the respective year, divided by the total number of units, expressed as a percentage.

(2) Average effective monthly rent per unit is equal to the average of the contractual rent for commenced leases as of December 31 for the respective year minus any tenant concessions over the term of the lease, divided by the number of units under commenced leases as of December 31 for the respective year.

6

---

**Corporate Credit**

**Facility:** On February 2, 2023, the Company made a \$17.5 million principal payment on the Corporate Credit Facility. On September 25, 2023, the Company made a \$16.0 million principal payment on the

Corporate Credit Facility. On December 15, 2023, the Company made a \$17.0 million principal payment on the Corporate Credit Facility, reducing the outstanding principal balance to \$24.0 million as of December 31, 2023.

**Cash Position:** At December 31, 2023, we had \$45.3 million of cash on our balance sheet, of which \$2.9 million was reserved for future renovations, and \$30.0 million was reserved for lender-required escrows and security deposits. We believe we have adequate cash on hand, in addition to our expected cash flows from operations, to meet our near-term obligations, service our debt, pay distributions and make opportunistic acquisitions.

Gross proceeds	\$	62,310,967
Common shares issued		1,120,910
Gross average sale price per share	\$	55.59
Sales commissions	\$	934,665
Offering costs		1,353,015
Net proceeds		60,023,287
Average price per share, net	\$	53.55

**Acquisitions:** We completed two acquisitions in 2022. Details of the acquisition are in the table below (dollars in thousands):

Property Name	Location	Date of Acquisition	Purchase Price	Mortgage Debt (1)	# Units	Effective Ownership
The Adair	Sandy Springs, Georgia	April 1, 2022	\$ 65,500	\$ 35,115	232	100%
Estates on Maryland	Phoenix, Arizona	April 1, 2022	\$ 77,900	\$ 43,157	330	100%
			\$ 143,400	\$ 78,272	562	

(1) For additional information regarding our debt, see Note 6 to our consolidated financial statements.

**Dispositions:** We sold one property totaling 260 units in 2022. Details of the dispositions are in the table below (in thousands):

Property Name	Location	Date of Sale	Sales Price	Outstanding Principal (1)	Net Cash Proceeds (2)	Gain on Sale of Real Estate
Hollister Place	Houston, Texas	December 29, 2022	\$ 36,750	\$ 14,811	\$ 21,496	\$ 14,684

- (1) Represents the outstanding principal balance when the loan was repaid.
- (2) Represents sales price, net of closing costs.

- **Renovations:** For the properties in our portfolio as of December 31, 2022, we completed full and partial renovations on 2,409 units at an average cost of \$10,888 per renovated unit. Since inception, for the properties in our portfolio as of December 31, 2022, we have completed full and partial renovations on 7,633 units at an average cost of \$8,151 per renovated unit that has been leased as of December 31, 2022. We have achieved average rent growth of 13.8%, or a \$149 average monthly rental increase per unit, on all units renovated and leased as of December 31, 2022, resulting in a return on investment on capital expended for interior renovations of 22.0%.
- **Dividends:** We declared dividends totaling \$40.8 million, or \$1.560 per share for the year ended December 31, 2022. During the fourth quarter of 2022, we increased our quarterly dividend for the sixth time since the Spin-Off to \$0.42 per share, which was an increase of \$0.04 per share, or a 10.5% increase, over our previous quarterly dividends declared in 2022. The increase in our quarterly dividend to \$0.42 per share is an increase of \$0.21 per share, or a 103.9% increase, over our quarterly dividends declared from the Spin-Off. Our fourth quarter dividend equates to a 3.9% annualized yield based on our closing share price of \$43.52 on December 31, 2022.
- **Results of Operations and Non-GAAP Measures:** We reported the following net income, net operating income ("NOI"), funds from operations ("FFO"), core funds from operations ("Core FFO") and adjusted funds from operations ("AFFO") for the year ended December 31, 2022 as compared to the year ended December 31, 2021 (dollars in thousands):

	For the Year Ended December 31,			\$ Change	% Change
	2022	2021			
Net income (loss)	\$ (9,291)	\$ 23,106		\$ (32,397) (1)	-140.2%
NOI	(2)	157,424 (3)	128,763	28,661	22.3%
FFO attributable to common stockholders	(2)	73,397	63,579	9,818	15.4%
Core FFO attributable to common stockholders	(2)	81,800	62,487	19,313	30.9%
AFFO attributable to common stockholders	(2)	91,370	70,919	20,451	28.8%

- (1) The change in our net income (loss) between the periods primarily relates to a decrease in gain on sales of real estate of \$31.5 million and increases in property operating expenses of \$10.5 million and depreciation and amortization expense of \$10.7 million, partially offset by an increase in total revenues of \$44.8 million.
- (2) See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion regarding the non-GAAP measures of NOI, FFO, Core FFO and AFFO provided above, including reconciliations to net income in accordance with U.S. generally accepted accounting principles ("GAAP").
- (3) Prior year NOI was updated to include current year NOI add backs.

- **Same Store Growth:** There are 31 properties encompassing 12,210 units of apartment space in our same store pool for the years ended December 31, 2022 and 2021 (our "2021-2022 Same Store" properties). Our 2021-2022 Same Store properties exclude the following 9 properties in our portfolio as of December 31, 2022: Cutter's Point, Old Farm, Stone Creek at Old Farm, The Verandas at Lake Norman, Creekside at Matthews, Six Forks Station, High House at Cary, The Adair, and Estates on Maryland as well as the 106 units that are currently down (see Note 5 to our consolidated financial statements). For our 2021-2022 Same Store properties, we recorded the following operating metrics for the year ended December 31, 2022 as compared to the year ended December 31, 2021:

Operating Metric	2022	2021	% Change
Occupancy (1)	94.1%	94.3%	-0.2%
Average Effective Monthly Rent Per Unit (2)	\$ 1,493	\$ 1,267	17.8%
Rental income (in thousands)	\$ 210,179	\$ 183,696	14.4%
Other income (in thousands)	\$ 5,455	\$ 5,428	0.5%
NOI (in thousands)	\$ 129,279	\$ 111,265	16.2%

- (1) Occupancy is calculated as the number of units occupied as of December 31 for the respective year, divided by the total number of units, expressed as a percentage.
- (2) Average effective monthly rent per unit is equal to the average of the contractual rent for commenced leases as of December 31 for the respective year minus any tenant concessions over the term of the lease, divided by the number of units under commenced leases as of December 31 for the respective year.

- **Amended and Restated Corporate Credit Facility:** On June 30, 2021, the Company, through the OP, entered into a secured \$250.0 million credit facility with Truist Bank ("Truist Bank"), as administrative agent, and the lenders from time to time party thereto (the "Amended and Restated Corporate Credit Facility"). \$225 million of the Amended and Restated Corporate Credit Facility was a revolving credit facility and \$25 million of the Amended and Restated Corporate Credit Facility was a term loan. In addition, on June 30, 2021, in connection with entering into the Amended and Restated Corporate Credit Facility, the Company, through the OP, terminated its prior \$225.0 million revolving credit facility with Truist Bank, as administrative agent, and the lenders from time to time party thereto, prior to the maturity date of January 28, 2022. Subject to conditions provided in the Amended and Restated Corporate Credit Facility, the Amended and Restated Corporate Credit Facility may be increased up to an additional \$100.0 million (the "Accordion Feature") if the lenders agree to increase their commitments or if the lenders agree for the increase to be funded by any additional lender proposed by the Company, through the OP. The Amended and Restated Corporate Credit Facility will mature on June 30, 2025 with respect to the revolving commitments, unless the Company exercises its option to voluntarily and permanently reduce all of the revolving commitments before the maturity date or elects to exercise its right and option to extend the facility with respect to the revolving commitments for a single one-year term. On December 30, 2022, the Company used proceeds from the sale of Hollister Place and the 19-property mortgage debt refinance to pay down \$25.5 million of the Corporate Credit Facility. See Note 6 to our consolidated financial statements.
- **Refinance of 19 Properties in the Fourth Quarter of 2022:** During the fourth quarter of 2022, the Company completed a cash out refinance on 19 of its properties. The refinance decreased the spread on 17 of the refinanced properties that were previously variable rates by an average spread of approximately 14 basis points, and transitioned two properties that were previously fixed rate mortgages to floating rate mortgages with a spread of 1.55%. The Company secured a spread rate of 1.55% on 18 of the properties, and 2.09% for one property. For all 19 of the refinanced properties, the Company transitioned from one-month LIBOR or fixed rates to one-month Term SOFR as the reference rate and pushed the maturity dates to December of 2032. The increase in maturity dates averaged over 7.5 years for the 19 refinanced properties.
- **Cash Position:** At December 31, 2022, we had \$51.8 million of cash on our balance sheet, of which \$11.9 million was reserved for future renovations, and \$23.1 million was reserved for lender-required escrows and security deposits. We believe we have adequate cash on hand, in addition to our expected cash flows from operations, to meet our near-term obligations, service our debt, pay distributions and make opportunistic acquisitions.

#### Our Real Estate Portfolio

As of December 31, 2022 December 31, 2023, we owned 4038 properties representing 15,127 14,133 units that we lease in seven states that were approximately 94.1% 94.7% occupied with a weighted average monthly effective rent per occupied apartment unit of \$1,480. \$1,502. For additional information regarding our portfolio, see Item 2, "Properties" and Notes 3 4 and 5 4 to our consolidated financial statements.

We evaluate our operating performance on an individual property level and view our real estate assets as one industry segment and, accordingly, our properties are aggregated into one reportable segment.

#### Our Business Objectives and Strategies

Our primary business objectives are to:

- deliver stable, attractive yields and long-term capital appreciation to our stockholders;
- deliver stable, attractive yields and long-term capital appreciation to our stockholders;
- acquire multifamily properties in markets with attractive job growth and household formation fundamentals primarily in the Southeastern and Southwestern United States;
- acquire multifamily properties in markets with attractive job growth and household formation fundamentals primarily in the Southeastern and Southwestern United States;
- acquire assets at discounts to replacement cost;
- acquire assets at discounts to replacement cost;

- implement a value-add program to increase returns to our stockholders;
- implement a value-add program to increase returns to our stockholders;
- own assets that provide lifestyle amenities and upgraded living spaces for low and moderate income renters; and
- own assets that provide lifestyle amenities and upgraded living spaces for low and moderate income renters; and
- recycle capital from dispositions when economic and market conditions present opportunities that we believe are in the best interest of our stockholders.

We intend to accomplish these objectives by:

**Focusing on Acquiring Class B Properties in Our Core Markets.** We will continue to seek opportunities to acquire primarily Class B multifamily properties at prices that we believe represent discounts to replacement cost, provide the potential for significant long-term value appreciation and that we expect will generate attractive yields for our stockholders. We will focus on these types of opportunities in our core markets, which we consider to be primarily major metropolitan areas in the Southeastern and Southwestern United States.

We will continue to seek opportunities to acquire primarily Class B multifamily properties at prices that we believe represent discounts to replacement cost, provide the potential for significant long-term value appreciation and that we expect will generate attractive yields for our stockholders. We will focus on these types of opportunities in our core markets, which we consider to be primarily major metropolitan areas in the Southeastern and Southwestern United States.

**Focusing on Multifamily Properties**

with a Value-Add Component. We will continue to seek opportunities to acquire multifamily properties that have a value-add component. Due to a lack of reinvestment by many prior owners, we believe these types of properties provide us the opportunity to make relatively modest capital expenditures that result in a significant increase in rents, thereby generating NOI growth, and thus higher yields and capital appreciation for our stockholders.

**Prudently Using Leverage to Increase Stockholder Value.** We will typically finance new property acquisitions at a target leverage level of approximately 50-60% loan-to-value (outstanding principal balance to

enterprise value). Given that we intend for the majority of our acquisitions to have a value-add component in the first three years of ownership, we will generally seek leverage with the optionality to refinance (such as floating rate debt). In the management team's experience, this leverage strategy allows for the opportunity to maximize returns for our stockholders while providing maximum flexibility. We are currently targeting to reduce our leverage to 40-45% loan-to-value (outstanding principal balance to enterprise value) over time by increasing the value of our properties, refinancing properties we intend to hold longer term and strategically paying down debt with excess cash

flows from operations or future equity offerings.

- **Focusing on Multifamily Properties with a Value-Add Component.** We will continue to seek opportunities to acquire multifamily properties that have a value-add component. Due to a lack of reinvestment by many prior owners, we believe these types of properties provide us the opportunity to make relatively modest capital expenditures that result in a significant increase in rents, thereby generating NOI growth, and thus higher yields and capital appreciation for our stockholders.
- **Prudently Using Leverage to Increase Stockholder Value.** We will typically finance new property acquisitions at a target leverage level of approximately 50-60% loan-to-value (outstanding principal balance to enterprise value). Given that we intend for the majority of our acquisitions to have a value-add component in the first three years of ownership, we will generally seek leverage with the optionality to refinance (such as floating rate debt). In the management team's experience, this leverage strategy allows for the opportunity to maximize returns for our stockholders while providing maximum flexibility. We are currently targeting to reduce our leverage to 40-45% loan-to-value (outstanding principal balance to enterprise value) over time by increasing the value of our properties, refinancing properties we intend to hold longer term and strategically paying down debt with excess cash flows from operations or future equity offerings.

Our Adviser's investment approach combines its management team's experience with a structure that emphasizes thorough market research, local market knowledge, underwriting discipline and risk management in evaluating potential investments with a goal of maximizing long-term stockholder value and a philosophy of thoughtful capital allocation and balance sheet management.

#### **Acquisition and Operating Strategy**

We seek primarily Class B multifamily properties that are priced at a discount to replacement cost. We believe that through the implementation of our value-add program we will be able to grow the NOI of these types of properties significantly in the first three years of ownership and thus these types of acquisitions will be accretive over the long-term to our FFO, Core FFO and AFFO. As we progress through the real estate life cycle, these opportunities will become more difficult to find. However, we will continue to take a disciplined approach to acquisitions by primarily pursuing these types of opportunities.

At times, we may acquire properties from affiliates, including from Delaware statutory trusts managed by affiliates of our Adviser ("Advised DSTs"). On or about March 1, 2022, through our operating partnership, we sent an offer to acquire two properties from Advised DSTs. One property was a Class B apartment community consisting of 232 units located in the Atlanta, Georgia MSA ("Adair"). The other property was a Class A apartment community consisting of 330 units located in the Phoenix, Arizona MSA ("Estates"). The Operating Partnership acquired Adair and Estates through exchange rights granted to the Operating Partnership in the respective trust agreements for Adair and Estates. The total consideration for Adair was \$65.5 million. The total consideration for Estates was \$77.9 million. Affiliates of our Adviser own less than 2% of the Adair trust units and less than 1% of the Estates trust units and participated in the sales on the same terms as other holders. Under the exchange rights, the owners of the Advised DSTs were permitted to elect to receive either units of the Operating Partnership or cash for their proportionate share of the consideration. The transaction closed in the second quarter of 2022.

Our Adviser's investment approach includes active management of each property acquired. Our Adviser believes that active management is critical to creating value. Prior to the purchase of a property, BH Management Services, LLC ("BH") and our Adviser generally tour each property and develop a business strategy for the property. This includes a forecast of the action items to be taken and the capital needed to achieve the anticipated returns. Our Adviser reviews such property-level business strategies on an ongoing basis to anticipate changes or opportunities in the market. In an effort to keep properties in compliance with our underwriting standards and management strategies, our Adviser remains involved throughout the investment life cycle of each acquired property and actively consults with BH throughout the holding period.

#### **Value-Add Strategy**

We will continue to implement our value-add strategy at our properties where we believe we can achieve a significant increase in rents above what would otherwise be the case with purely organic market increases. Our value-add program has three components: 1) improvement of exteriors and common areas, 2) improvement of interiors and 3) management and cost improvements.

We invest in exterior and common areas improvements at our properties in an effort to enhance asset quality, to improve "curb appeal"/market positioning, and expand or enhance our amenity offerings, all of which we believe will improve tenant retention and modestly drive rent and NOI growth. Renovations to the exteriors and common areas include structural improvements that enhance the physical condition, value and/or useful life of our properties, as well as aesthetic improvements to, among others, landscape and signage. We also seek to improve our competitive positioning by adding to, redecorating or otherwise enhancing our common areas and amenity offerings. As of December 31,

2022 December 31, 2023, with the exception of the properties we acquired in 2022, we have renovated the exteriors and common areas at a majority of the properties in our portfolio.

We expect interior renovations, along with organic growth in rents, to be the primary drivers of rent and NOI growth at our properties. Our interior renovations include: 1) aesthetic design enhancements such as kitchen and/or bath remodeling, 2) replacement of outdated appliances, equipment and fixtures, 3) addition of washer/dryer appliances, 4) private yards, 5) fiber internet and 6) smart technologies such as Bluetooth locks, networked climate control systems and USB electrical outlets. We also seek to achieve cost improvements through investment in longer-lived materials, energy conservation projects, and other strategic initiatives. Since inception, for the properties in our portfolio as of December 31, 2022 December 31, 2023, we have completed full and partial renovations on 7,633 8,534 units out of our 15,127 14,133 total units with an average monthly rental increase per unit of \$149 \$169 and an average cost of \$8,151 \$9,715 per renovated unit that has been leased as of December 31, 2022 December 31, 2023. In cases where we believe rents will grow significantly in a market organically, we will implement the value-add program more strategically in order to capture significant rent and NOI growth without expending additional capital. Additionally, to the extent we believe rents at a property are maximized regardless of the level of additional renovations, we may opt not to further renovate units at that property. As of December 31, 2022 December 31, 2023, we had reserved approximately \$11.9 million \$2.9 million for our planned capital expenditures and other expenses to implement our value-add program, which will complete approximately 14,203 13,209 planned interior rehabs, eliminating the need for us to raise additional capital in order to carry out our currently planned value-add program.

#### **Disposition Strategy**

In general, we intend to hold our multifamily properties for production of rental income for a period of at least three years from the date of acquisition. Economic and market conditions may influence us to hold our investments for different periods of time. From time to time, we may sell an asset before the end of the expected holding period, particularly if we receive a bona fide unsolicited offer with attractive terms, have an upcoming liquidity need, such as a debt maturing, are strategically exiting a certain market or sub-market or the sale of the asset would otherwise be in the best interest of our stockholders. When reviewing whether a sale is in the best interest of our stockholders, we take into consideration whether market conditions and asset positioning have maximized the value of the property to us and any potential adverse tax consequences of a sale.

#### **Financing Strategy**

We intend to use leverage in making our investments with an objective of maintaining a strong balance sheet and providing liquidity to grow our portfolio. We are currently targeting to reduce our leverage to 40-45% loan-to-value (outstanding principal balance to enterprise value) over time by increasing the value of our properties and refinancing properties we intend to hold longer-term. However, we are not subject to any limitations on the amount of leverage we may use, and, accordingly, the amount of leverage we use may be significantly less or greater than what we currently anticipate. We are currently meeting our short-term liquidity needs through our cash and cash equivalents and cash flows from operations.

When interest rates are high or financing is otherwise unavailable on a timely basis, we may purchase certain properties and other assets for cash with the intention of obtaining a loan for a portion of the purchase price at a later time. We will refinance properties during the term of a loan only under certain circumstances, such as when a decline in interest rates makes it beneficial to prepay an existing mortgage, an existing mortgage matures, the value of the property has increased significantly and we can obtain more attractive terms through refinancing the property, or an attractive investment becomes available and the proceeds from the refinancing can be used to purchase such investment.

We typically use floating rate debt with interest rate swaps and interest rate caps as opposed to using fixed rate debt. We believe this is a more sensible and flexible way to utilize leverage, while limiting our interest rate risk in our strategy as we attempt to increase the value of each property over the course of three years after acquisition through our value-add program. Fixed rate financing is typically more expensive and less flexible since there are typically high prepayment penalties, yield maintenance payments and/or defeasance penalties when refinancing the debt prior to maturity. To the extent we intend to hold a property long-term, we will reassess the use of refinancing with fixed rate debt.

#### **Property Management Strategy**

We seek to achieve long-term earnings growth through superior property management. To achieve this, we have partnered with BH to manage all of our properties as an external manager. In order to align our property manager's interests with those of our stockholders, BH (through an affiliate) is a noncontrolling limited partner of the OP. We believe BH provides the following benefits:

- manages manages approximately 106,000 multifamily units in 27 states and has managed multifamily communities for 30 years;
- approximately
- 104,000
- multifamily
- units in 27
- states and has

managed  
multifamily  
communities  
for 31 years;

•brings a scale  
of operations  
we could not  
otherwise  
achieve for  
approximately  
3% of gross  
income,  
which is the  
contracted  
amount we  
pay for its  
property  
management  
services;

•has  
operations in  
all of our  
current and  
desired  
markets,  
allowing us  
greater scale  
when entering  
new markets  
or make  
investments  
in non-core  
markets  
without  
making  
substantial  
investments  
in  
management  
infrastructure  
in those  
markets;

•has a  
construction  
management  
operation and  
substantial  
experience in  
renovating  
Class B  
multifamily  
units;

•its scale  
allows it to  
obtain highly  
competitive  
pricing as it  
pertains to  
the costs of  
our value-add  
program,  
increasing our  
return on  
investment for  
renovations;

- helps us source and underwrite opportunities as well as assist in due diligence of properties prior to closing;
- assists in locating potential buyers for our properties;
- its size, scale and experience allows it to keep costs low and maximize rents and occupancy; and
- has proved successful in driving other revenue growth at properties it manages.

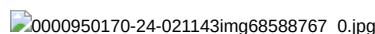
9

---

- brings a scale of operations we could not otherwise achieve for approximately 3% of gross income, which is the contracted amount we pay for its property management services;
- has operations in all of our current and desired markets, allowing us greater scale when entering new markets or make investments in non-core markets without making substantial investments in management infrastructure in those markets;
- has a construction management operation and substantial experience in renovating Class B multifamily units;
- its scale allows it to obtain highly competitive pricing as it pertains to the costs of our value-add program, increasing our return on investment for renovations;
- helps us source and underwrite opportunities as well as assist in due diligence of properties prior to closing;
- assists in locating potential buyers for our properties;
- its size, scale and experience allows it to keep costs low and maximize rents and occupancy; and
- has proved successful in driving other revenue growth at properties it manages.

## Our Structure

The following chart shows our ownership structure.



□ An affiliate of BH Equities, LLC is the property manager for all of our properties.  
affiliate of BH Equities, LLC is the property manager for all of our properties.

\*

#### Our Adviser

We are externally managed by our Adviser pursuant to the Advisory Agreement, by and among the OP, our Adviser, and us. Our Adviser was organized on September 5, 2014 and is an affiliate of our Sponsor. Our Adviser has contractual and fiduciary responsibilities to us and our stockholders as further described under "—Our Advisory Agreement" below. The members of our Adviser's management team are Jim Dondero, Brian Mitts, Matt McGraner and D.C. Sauter, and Matthew Goetz, all of whom are employed by our Adviser or its affiliates.

#### Our Advisory Agreement

Below is a summary of the terms of our Advisory Agreement:

**Duties of Our Adviser.** Our Advisory Agreement provides that our Adviser manage our business and affairs in accordance with the policies and guidelines established by our Board and that our Adviser be under the supervision of our Board. The agreement requires our Adviser to provide us with all services necessary or appropriate to conduct our business, including the following:

- locating, presenting and recommending to us real estate investment opportunities consistent with our investment policies, acquisition and disposition strategies and objectives, including our conflicts of interest policies; to us real estate investment opportunities consistent with our investment policies, acquisition and disposition strategies and objectives, including our conflicts of interest policies;

10

---

- structuring the terms and conditions of transactions pursuant to which acquisitions and

dispositions of properties will be made;

•acquiring and disposing properties on our behalf in compliance with our investment objectives, strategies and applicable tax regulations;

•arranging for the financing and refinancing of properties;

•administering our bookkeeping and accounting functions;

•serving as our consultant in connection with policy decisions to be made by our Board, managing our properties or causing our properties to be managed by another party;

•monitoring our compliance with regulatory requirements, including the Securities Act of 1933, as amended, (the "Securities Act") and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder, the New York Stock Exchange ("NYSE")

rules and regulations of the Code to maintain our status as a REIT; performing administrative services; and rendering other services as our Board deems appropriate.

•

- structuring the terms and conditions of transactions pursuant to which acquisitions and dispositions of properties will be made;
- acquiring and disposing properties on our behalf in compliance with our investment objectives, strategies and applicable tax regulations;
- arranging for the financing and refinancing of properties;
- administering our bookkeeping and accounting functions;
- serving as our consultant in connection with policy decisions to be made by our Board, managing our properties or causing our properties to be managed by another party;
- monitoring our compliance with regulatory requirements, including the Securities Act of 1933, as amended, (the "Securities Act") and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder, New York Stock Exchange ("NYSE") rules and regulations of the Code to maintain our status as a REIT;
- performing administrative services; and
- rendering other services as our Board deems appropriate.

Our Adviser is required to obtain the prior approval of our Board in connection with:

•any investment for which the portion of the consideration paid out of our equity equals or exceeds \$50,000,000; for which the portion of the consideration paid out of our equity equals or exceeds \$50,000,000;

any investment that is inconsistent with the publicly disclosed investment guidelines as in effect from time to time, or, if none are then publicly disclosed,

as otherwise adopted by our Board from time to time; or

any engagement of affiliated service providers on behalf of us or the OP, which engagement terms will be negotiated on an arm's length basis.

•

any investment that is inconsistent with the publicly disclosed investment guidelines as in effect from time to time, or, if none are then publicly disclosed, as otherwise adopted by our Board from time to time; or

any engagement of affiliated service providers on behalf of us or the OP, which engagement terms will be negotiated on an arm's length basis.

For these purposes, "equity" means the purchase price of the investment, exclusive of the proceeds of any debt financing incurred or to be incurred in connection with the relevant investment and anticipated closing and other acquisition costs.

Our Adviser will be prohibited from taking any action, in its sole judgment, or in the sole judgment of our Board, that:

would adversely affect our qualification as a REIT under the Code, unless our Board had determined that REIT qualification is not in the best interest of us and our stockholders;

qualification as a REIT under the Code, unless our Board had determined

that REIT qualification is not in the best interest of us and our stockholders;

would subject us to regulation under the Investment Company Act of 1940 (the "1940 Act"), except to the extent that we and our Adviser have undertaken in the Advisory Agreement and our charter to comply with Section 15 of the 1940 Act in connection with the entry into,

continuation of, or amendment of the Advisory Agreement or any advisory agreement;

is contrary to or inconsistent with our investment guidelines; or

would violate any law, rule, regulation or statement of policy of any governmental body or agency having jurisdiction over us or our shares of common stock, or otherwise not be permitted by our charter or bylaws.

•

- would subject us to regulation under the Investment Company Act of 1940 (the "1940 Act"), except to the extent that we and our Adviser have undertaken in the Advisory Agreement and our charter to comply with Section 15 of the 1940 Act in connection with the entry into, continuation of, or amendment of the Advisory Agreement or any advisory agreement;
- is contrary to or inconsistent with our investment guidelines; or
- would violate any law, rule, regulation or statement of policy of any governmental body or agency having jurisdiction over us or our shares of common stock, or otherwise not be permitted by our charter or bylaws.

**Advisory Fee.** Our Advisory Agreement requires that we pay our Adviser an annual advisory fee of 1.00% of our Average Real Estate Assets.

"Average Real Estate Assets" means the average of the aggregate book value of Real Estate Assets (see below) before reserves for depreciation or other non-cash reserves, computed by taking the average of the book value of real estate assets at the end of each month (1) for which any fee under the Advisory Agreement is calculated or (2) during the year for which any expense reimbursement

under the Advisory Agreement is calculated. "Real Estate Assets" is defined broadly in the Advisory Agreement to include, among other things, investments in real estate-related securities and mortgages and reserves for capital expenditures (the value-add program).

11

---

In calculating the advisory fee, we categorize our Average Real Estate Assets into either "Contributed Assets" or "New Assets." The advisory fee on Contributed Assets may not exceed \$4.5 million in any calendar year. This cap is intended to limit the fees paid to our Adviser on the Contributed Assets following the Spin-Off (the "Spin-Off") to the fees that would have been paid by NHF to its adviser had the Spin-Off not occurred. The advisory fee on New Assets is not subject to this limitation but is subject to the expense cap mentioned below.

"Contributed Assets" means all of the real estate assets we owned upon the completion of the Spin-Off and is not reduced for dispositions of such assets subsequent to the Spin-Off.

"New Assets" means all of the Average Real Estate Assets other than Contributed Assets. New Assets includes proceeds from the sale of a Contributed Asset that are used to purchase a new investment.

The advisory fee is payable monthly in arrears in cash, unless our Adviser elects, in its sole discretion, to receive all or a portion of such fee in shares of our common stock, subject to the limitations set forth below under "—Limitations on Receiving Shares." The number of shares issued to our Adviser as payment for the advisory fee will be equal to the dollar amount of the portion of such fee that is payable in shares divided by the volume-weighted average closing price of shares of our common stock for the ten trading days prior to the end of the month for which such fee will be paid, which we refer to as the fee VWAP. Our Adviser computes each installment of the advisory fee as promptly as possible after the end of the month with respect to which such installment is payable.

The accrued fees are payable monthly as promptly as possible after the end of each month during which the Advisory Agreement is in effect. A copy of the computations made by our Adviser to calculate such installment is delivered to our Board for informational purposes only.

**Administrative Fee.** Our Advisory Agreement requires that we pay our Adviser an annual administrative fee of 0.20% of the Average Real Estate Assets.

In calculating the administrative fee, we categorize our Average Real Estate Assets into either Contributed Assets or New Assets. The administrative fee on Contributed Assets may not exceed \$890,000 in any calendar year. This cap is intended to limit the fees paid to our Adviser on the Contributed Assets following the Spin-Off to the fees that would have been paid by NHF to its adviser had the Spin-Off not occurred. The administrative fee on New Assets is not subject to this limitation but is subject to the expense cap described below.

The administrative fee is payable monthly in arrears in cash, unless our Adviser elects, in its sole discretion, to receive all or a portion of such fee in shares of our common stock, subject to the limitations set forth below under "—Limitations on Receiving Shares." The number of shares issued to our Adviser as payment for the administrative fee will be equal to the dollar amount of the portion of such fee that is payable in shares divided by the fee VWAP. Our Adviser computes each installment of the administrative fee as promptly as possible after the end of each month with respect to which such installment is payable. The accrued fees are payable monthly as promptly as possible after the end of each month during which the Advisory Agreement is in effect. A copy of the computations made by our Adviser to calculate such installment is delivered to our Board for informational purposes only.

**Reimbursement of Expenses.** Our Advisory Agreement requires that we reimburse our Adviser for all of its out-of-pocket expenses in performing its services, including legal, accounting, financial, due diligence and other services performed by our Adviser that outside professionals or outside consultants would otherwise perform and also pay our pro rata share of rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of our Adviser required for our operations ("Adviser Operating Expenses"). Adviser Operating Expenses do not include expenses for the advisory and administrative services provided under the Advisory Agreement. We will also reimburse our Adviser for any and all expenses (other than underwriters' discounts) in connection with an offering, including, without limitation, legal, accounting, printing, mailing and filing fees and other documented offering expenses.

When applicable, our Adviser prepares a statement documenting all expenses incurred during each month, and delivers such statement to us within 15 business days after the end of each month. When submitted for reimbursement, such expenses are reimbursed by us no later than the 15th business day immediately following the date of delivery of such statement of expenses to us. All expenses payable by us or reimbursable to our Adviser pursuant to the agreement will not be in amounts greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's length basis. Our Adviser may, at its discretion and at any time, waive its right to reimbursement for eligible out-of-pocket

expenses paid on our behalf. Once waived, these expenses are considered permanently waived and become non-recoupable in the future.

**Expense Cap.** Reimbursement of Adviser Operating Expenses under the Advisory Agreement, advisory and administrative fees paid to our Adviser and corporate general and administrative expenses such as audit, legal, listing and Board fees and equity-based compensation expense recognized under a long-term incentive plan will not exceed 1.5% of Average Real Estate Assets per calendar year (or part thereof that the Advisory Agreement is in effect) (the "Expense Cap"). The Expense Cap does not limit the reimbursement by us of expenses related to securities offerings paid by our Adviser. The Expense Cap also does not apply to legal, accounting, financial, due diligence and other service fees incurred in connection with mergers and acquisitions, extraordinary litigation or other events outside our ordinary course of business or any out-of-pocket acquisition or due diligence expenses incurred in connection with the acquisition or disposition of real estate assets.

**Term of the Advisory Agreement.** The Advisory Agreement has a one-year term. The Advisory Agreement shall continue in full force and effect so long as the Advisory Agreement is approved at least annually by our Board. On February 22, 2023 February 26, 2024, our Board, including the independent directors, unanimously approved the renewal of the Advisory Agreement with the Adviser for a one-year term.

The Advisory Agreement may be terminated at any time, without payment of any penalty to our Adviser, by vote of our Board or stockholders, or by our Adviser, in each case on not more than 60 days' nor less than 30 days' prior written notice to the other party. The Advisory Agreement shall automatically and immediately terminate in the event of its "assignment" (as defined in the 1940 Act).

**Amendment.** The Advisory Agreement may only be amended, waived, discharged or terminated in writing signed by the party against which enforcement of the amendment, waiver, discharge or termination is sought.

**Limitations on Receiving Shares.** The ability of our Adviser to receive shares of our common stock as payment for all or a portion of the advisory and administrative fees due under the terms of our Advisory Agreement will be subject to the following limitations: (1) the ownership of shares of common stock by our Adviser may not violate the ownership limitations set forth in our charter, after giving effect to any exception from such ownership limitations that our Board may grant to our Adviser or its affiliates and (2) compliance with all applicable restrictions under the U.S. federal securities laws and the NYSE rules. To the extent that payment of any fee in shares of our common stock would result in a violation of the ownership limits set forth in our charter (taking into account any applicable waiver or any restrictions imposed under the U.S. federal securities laws or NYSE rules), all or a portion of such fee payable to our Adviser will be payable in cash to the extent necessary to avoid such violation.

**Registration Rights.** We entered into a registration rights agreement with our Adviser with respect to any shares of our common stock that our Adviser receives as payment for any fees owed under our Advisory Agreement. These registration rights will require us to file a registration statement with respect to such shares. We agreed to pay all of the expenses relating to registering these securities. The costs associated with registering these securities will not be deducted from the compensation owed to our Adviser.

**Liability and Indemnification of our Adviser.** Under the Advisory Agreement, we are also required to indemnify our Adviser and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding with respect to certain of our Adviser's acts or omissions.

**Other Activities of our Adviser and its Affiliates.** Our Adviser and its affiliates expect to engage in other business ventures, and as a result, their resources will not be dedicated exclusively to our business. However, pursuant to the Advisory Agreement, our Adviser will be required to devote sufficient resources to our administration to discharge its obligations.

**Potential Acquisition of our Adviser.** Many REITs that are listed on a national stock exchange are considered “self-managed” or “internally managed,” since the employees of such REITs perform all significant management functions. In contrast, REITs that are not self-managed, like us, are referred to as “externally managed” and typically engage a third party, such as our Adviser, to perform management functions on its behalf. Our independent directors may determine that we should become self-managed through the acquisition of our Adviser, which we refer to as an internalization transaction. See “Risk Factors—if we internalize our management functions, the percentage of our outstanding common stock owned by our other stockholders could be reduced, and we could incur other significant costs associated with being self-managed.”

## Our Property Manager

The entities through which we own the properties in our portfolio have entered into management agreements with BH. BH (the "Management Agreements"). Pursuant to these agreements, BH operates and leases the underlying properties in our portfolio. In addition to property management and leasing services, BH also provides us with market research, acquisition advice, a pipeline of investment opportunities and construction

management services. We utilize BH for property and construction management services and leasing, paying BH a management fee of approximately 3% of the monthly gross income from each property managed, as well as construction supervision fees and certain other fees described under “—Property Management Agreements” below.

13

## Property Management Agreements

Under these agreements, BH operates, coordinates and supervises the ordinary and usual business and affairs pertaining to the operation, maintenance, leasing, licensing, and management of each property. The following summarizes the terms of the [management agreements](#). [Management Agreements](#).

**Term.** The terms of the **management agreements** Management Agreements will continue until the last day of the calendar month following the second anniversary of the **agreement** Management Agreement. Upon the expiration of the original term, the **agreements** Management Agreements will automatically renew on a month-to-month basis until terminated. The **agreements** Management Agreements may be terminated at any time with 60 days written notice.

**Proposed Management Plans.** Each management agreement Management Agreement requires that BH prepare and submit a proposed management plan and operating budget for the marketing, operation, repair and maintenance, and renovation of the property for the year the agreement Management Agreement is entered into. BH must submit subsequent proposed management plans 45 days prior to the beginning of the next year.

**Amounts Payable under the Management Agreements.** The entities that own the properties pay BH monthly for its services. Pursuant to the management agreements, BH may pay itself out of each property's operating account. Any sums not paid within 10 days after becoming due bear interest at the rate of 18% per annum. Compensation under the management agreements consists of the following components:

**Management Fee.** The management fee is approximately 3% of the monthly gross income from each property. For the purposes of calculating the management fee, "monthly gross income" is defined as all receipts of every kind and nature actually collected from the operation of the property, determined on a cash basis, including, without limitation, rental or lease payments, late charges, service charges, forfeited security deposits, proceeds of vending machine collections, resident utility payment collections, and all other forms of miscellaneous income (but excluding the collection of any insurance or condemnation awards).

cash basis,  
including,  
without  
limitation, rental  
or lease  
payments, late  
charges, service  
charges,  
forfeited security  
deposits,  
proceeds of  
vending  
machine  
collections,  
resident utility  
payment  
collections, and  
all other forms of  
miscellaneous  
income (but  
excluding the  
collection of any  
insurance or  
condemnation  
awards).

**•Set-**

**Up/Inspection**

**Fees.** BH  
receives a one-  
time set-  
up/inspection  
fee per unit  
upon  
commencement  
of management  
of each  
property.

**•Construction**

**Supervision**

**Fee.** BH  
receives a  
construction  
supervision fee  
of 5-6% of total  
project costs if  
BH performs  
these services.

**•Renter's**

**Insurance**

**Program Fee;**

**Other Fees.** In  
the event that  
the entities that  
own the  
properties  
direct BH to  
implement a  
renter's  
insurance  
program at a

property, the entities pay BH a fee in connection with running such program. In consideration for any additional services other than the services required under the Management Agreements, the entities pay BH an hourly rate.

•

- **Set-Up/Inspection Fees.** BH receives a one-time set-up/inspection fee per unit upon commencement of management of each property.
- **Construction Supervision Fee.** BH receives a construction supervision fee of 5-6% of total project costs if BH performs these services.
- **Renter's Insurance Program Fee; Other Fees.** In the event that the entities that own the properties direct BH to implement a renter's insurance program at a property, the entities pay BH a fee in connection with running such program. In consideration for any additional services other than the services required under the management agreements, the entities pay BH an hourly rate.

Additionally, BH also acts as a paymaster for the properties and is reimbursed at cost for various operating expenses it pays on behalf of the properties.

**Termination.** A management agreement Management Agreement will terminate automatically in the event that the entity that owns the property is sold or if all or substantially all of the property to which the agreement applies is otherwise disposed of. Additionally, a management agreement Management Agreement may be terminated if certain other events occur, including:

• a default by a default by BH or the entity that owns the property that is not cured prior to the expiration of any applicable cure periods; BH or the entity that owns the property that is not cured prior to the expiration of any applicable cure periods;

• upon written notice by either party if a petition for bankruptcy, reorganization or arrangement is filed by the other party, or if any such petition shall be filed against the other party and is not dismissed within 60 days of the date of such filing, or in the event the other party shall make an assignment for the benefit of creditors, or take advantage of any insolvency statute or similar law;

• upon 15 days written notice in the event that all or substantially all of the property is destroyed by a casualty, or taken by means of eminent domain or condemnation; or

• upon 60 days written notice by either party.

• upon written notice by either party if a petition for bankruptcy, reorganization or arrangement is filed by the other party, or if any such petition shall be filed against the other party and is not dismissed within 60 days of the date of such filing, or in the event the other party shall make an assignment for the benefit of creditors, or take advantage of any insolvency statute or similar law;

- upon 15 days written notice in the event that all or substantially all of the property is destroyed by a casualty, or taken by means of eminent domain or condemnation; or
- upon 60 days written notice by either party.

If a **management agreement** **Management Agreement** is terminated by the entity that owns the property for any reason, or if it is terminated by BH due to our default or due to the destruction, condemnation or taking by eminent domain of a property, the entity that owns the property will be required to pay damages to BH. Such damages will be equal to the management fee earned by BH for the calendar month immediately

14

---

preceding the month in which the notice of termination is given, multiplied by the number of months and/or portions thereof remaining from the termination date until the end of the initial term or term year in which the termination occurred.

Additionally, for the month or the partial month after the date of the termination of BH's on-site property management responsibilities, BH will be paid a close-out management fee equivalent to 50% of the last month's full management fee.

**Insurance.** The entities that own the properties are required to maintain property and liability insurance for each property, and its liability insurance policy must include BH as an "Additional Insured." BH is required to maintain, at the entities' expense, workers' compensation insurance covering all employees of BH employed in, on, or about each property so as to provide statutory benefits required by state and federal laws.

**Assignment.** BH may not assign the **management agreements** **Management Agreements** without the prior written consent of the entities that own the properties.

**Indemnification.** The entities that own the properties are required to indemnify, defend and hold harmless BH and its agents and employees from and against all claims, liabilities, losses, damages, and/or expenses arising out of (1) BH's performance under the **management agreements**, **Management Agreements**, or (2) facts, occurrences, or matters first arising before the date of the **management agreements**, **Management Agreements**. The entities that own the properties are not required to indemnify BH against damages or expenses suffered as a result of the gross negligence, willful misconduct, or fraud on the part of BH, its agents, or employees.

BH is required to indemnify, defend, and hold harmless the entities that own the properties and their agents and employees from and against all claims, liabilities, losses, damages, and/or expenses arising out of the gross negligence, willful misconduct, or fraud on the part of BH, its agents, or employees, and shall at its own cost and expense defend any action or proceeding against us arising therefrom.

## Regulation

Multifamily properties are subject to various laws, ordinances and regulations, including regulations relating to common areas, such as swimming pools, activity centers, and recreational facilities. We believe that each of our properties has the necessary permits and approvals to operate its business.

## Americans with Disabilities Act

The properties in our portfolio must comply with Title III of the Americans with Disability Act of 1990 (the "ADA"), to the extent that such properties are "public accommodations" as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe that our properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in imposition of fines or an award of damages to private litigants. The obligation to make readily accessible accommodations is an ongoing one, and we will continue to assess our properties and make alterations as appropriate in this respect.

## Fair Housing Act

The Fair Housing Act (the "FHA"), its state law counterparts and the regulations promulgated by the U.S. Department of Housing and Urban Development and various state agencies, prohibit discrimination in housing on the basis of race or color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women and people securing custody of children under 18) or handicap (disability) and, in some states, financial capability or other bases. A failure to comply with these laws in our operations could result in litigation, fines, penalties or other adverse claims, or could result in limitations or restrictions on our ability to operate, any of which could materially and adversely affect us. We believe that we operate our properties in substantial compliance with the FHA.

## Environmental Matters

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under, or migrating from such property, including costs to investigate and clean up such contamination and liability for natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines, or other costs could exceed the value of the property and/or our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation and/or personal or property damage or materially adversely affect our ability to sell, lease

or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures.

Independent environmental consultants have conducted Phase I Environmental Site Assessments at all of the properties in our portfolio using the American Society for Testing and Materials Standard E 1527-05. A Phase I Environmental Site Assessment is a report that identifies potential or existing environmental contamination liabilities. Site assessments are intended to discover and evaluate information regarding the environmental condition of the assessed property and surrounding properties. These assessments do not generally include soil samplings, subsurface investigations or an asbestos survey. None of the site assessments identified any known past or present contamination that we believe would have a material adverse effect on our business, assets or operations. However, the assessments are limited in scope and may have failed to identify all environmental conditions or concerns. A prior owner or operator of a property or historic operations at our properties, or operations and conditions at nearby properties, may have created a material environmental condition that is not known to us or the independent consultants preparing the site assessments. Material environmental conditions may have arisen after the review was completed or may arise in the future, and future laws, ordinances or regulations may impose material additional environmental liability. Moreover, conditions identified in environmental assessments that did not appear material at that time, may in the future result in material liability.

Environmental laws also govern the presence, maintenance and removal of hazardous materials in building materials (e.g., asbestos and lead), and may impose fines and penalties for failure to comply with these requirements or expose us to third-party liability (e.g., liability for personal injury associated with exposure to asbestos). Such laws require that owners or operators of buildings containing hazardous materials properly manage and maintain certain hazardous materials, adequately notify or train those who may come into contact with certain hazardous materials, and undertake special precautions, including removal or other abatement, if certain hazardous materials would be disturbed during renovation or demolition of a building. In addition, the properties in our portfolio are subject to various federal, state, and local environmental and health and safety requirements, such as state and local fire requirements.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants or others if property damage or personal injury occurs. We are not presently aware of any material adverse indoor air quality issues at our properties.

We believe that there are no compliance issues with laws and regulations that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, that have adversely affected, or are reasonably expected to adversely affect, our business, financial condition and results of operations, and we do not currently

anticipate material capital expenditures arising from environmental regulation. We believe that climate change could present risks to our business. Some of the potential impacts of climate change to our business include increased operating costs due to additional regulatory requirements and the risk of disruptions to our business. We do not believe these risks are material to our business at this time. Our currently anticipated capital expenditures for environmental control facility matters are not material.

The cost of future environmental compliance may materially and adversely affect us. See "Risk Factors—We may face high costs associated with the investigation or remediation of environmental contamination, including asbestos, lead-based paint, chemical vapor, subsurface contamination and mold growth."

#### **Insurance**

We carry comprehensive general liability coverage on the properties in our portfolio, with limits of liability customary within the industry to insure against liability claims and related defense costs. Similarly, we are insured against the risk of direct physical damage in amounts necessary to reimburse us on a replacement-cost basis for costs incurred to repair or rebuild each property, including loss of rental income during the reconstruction period. The majority of our property policies for all U.S. operating and development communities include coverage for the perils of flood, tornado and earthquake shock with limits and deductibles customary in the industry and specific to the project. We will also obtain title insurance policies when acquiring new properties, which insure fee title to the properties in our portfolio. We have obtained coverage for losses incurred in connection with both domestic and foreign terrorist-related activities. These policies include limits and terms we consider commercially reasonable. There are certain losses (including, but not

---

limited to, losses arising from environmental conditions, acts of war or certain kinds of terrorist attacks) that are not insured, in full or in part, because they are either uninsurable or the cost of insurance makes it, in our belief, economically impractical to maintain such coverage. Should an uninsured loss arise against us, we would be required to use our own funds to resolve the issue, including litigation costs. In addition, for the properties in our portfolio, we could self-insure certain portions of our insurance program and therefore, use our own funds to satisfy those limits. We believe the policy specifications and insured limits are adequate given the relative risk of loss, the cost of the coverage and industry practice. In the opinion of our management team, the properties in our portfolio are adequately insured.

### Competition

In attracting and retaining residents to occupy the properties in our portfolio, we compete with numerous other housing alternatives. The properties in our portfolio compete directly with other rental apartments as well as condominiums and single-family homes that are available for rent or purchase in the sub-markets in which our properties are located. Principal factors of competition include rent or price charged, attractiveness of the location and property and quality and breadth of services and amenities. If our competitors offer leases at rental rates below current market rates, or below the rental rates that the tenants of the properties in our portfolio pay, we may lose potential tenants and we may be pressured to reduce rental rates below those currently charged or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain tenants when the tenants' leases expire.

The number of competitive properties relative to demand in a particular area has a material effect on our ability to lease apartment units at our properties and on the rents we charge. In addition, we compete with numerous other investors for suitable properties. This competition affects our ability to acquire properties and the price that we pay in such acquisitions.

### Human Capital Disclosure

As of **December 31, 2022** December 31, 2023, we had three employees. We endeavor to maintain workplaces that are free from discrimination or harassment on the basis of color, race, sex, national origin, ethnicity, religion, age, disability, sexual orientation, gender identification or expression or any other status protected by applicable law. The basis for recruitment, hiring, development, training, compensation and advancement is a person's qualifications, performance, skills and experience. Our employees are fairly compensated, without regard to gender, race and ethnicity, and routinely recognized for outstanding performance.

Our Adviser conducts substantially all of our operations and provides asset management for our real estate investments. We expect we will only have accounting employees while the Advisory Agreement is in effect.

### Corporate Information

Our Adviser's offices are located at 300 Crescent Court, Suite 700, Dallas, Texas 75201. Our Adviser's telephone number is (214) 276-6300. We maintain a website at [nxrt.nexpoint.com](http://nxrt.nexpoint.com). We make our **annual report Annual Report** on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act available on our website as soon as reasonably practicable after we file such material with, or furnish it to, the SEC. Information contained on, or accessible through our website, is not incorporated by reference into and does not constitute a part of this **annual report Annual Report** or any other report or documents we file with or furnish to the **SEC. Securities and Exchange Commission ("SEC")**. These documents may also be found on the SEC's website at [www.sec.gov](http://www.sec.gov).

### Item 1A. Risk Factors

*You should carefully consider the following risks and other information in this **annual report Annual Report** in evaluating us and our capital stock. Any of the following risks, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially and adversely affect our business, financial condition or results of operations, and could, in turn, impact the trading price of our capital stock.*

#### Summary Risk Factors

The following is a summary of some of the risks and uncertainties that could materially adversely affect our business, financial condition and results of operations. You should read this summary together with the more detailed description of each risk factor contained below.

- unfavorable changes in market and economic conditions in the United States and globally and in the specific markets where our properties are located;
- changes in market and economic conditions in the United States and globally and in the specific markets where our properties are located;

17

---

- macroeconomic trends including inflation and high interest rates may adversely affect our financial conditions and results of operations;
- risks associated with the ownership of real estate;
- limited ability to dispose of assets because of the relative illiquidity of real estate investments;
- our multifamily properties are concentrated in certain geographic markets in the Southeastern and Southwestern United States, which makes us more susceptible to adverse developments in those markets;
- increased risks associated with our strategy of acquiring value enhancement.

multifamily properties rather than more conservative investment strategies;

• failure to succeed in new markets may have adverse consequences on our performance;

• competition for attractive investment opportunity and any increased affordability of residential homes could limit our ability to lease our apartments or increase or maintain rents;

• high costs associated with the compliance with various accessibility, environmental, building and health and safety laws and regulations;

• risks associated with buying owning and selling apartment communities, including contingent or unknown liabilities related to the properties and the risk that we may not be able to yield anticipated results or sell certain properties;

• risks associated with operating through joint ventures and funds;

• our dependence on

information systems;

•risks associated with breaches of our data security;

•costs associated with being a public company, including compliance with securities laws;

•the risk that our business could be adversely impacted if there are deficiencies in our disclosure controls and procedures or internal control over financial reporting;

•risks associated with our substantial current indebtedness and indebtedness we may incur in the future;

•risks associated with derivatives or hedging activity;

•risks associated with representations and warranties made by us in connection with sales of our properties may subject us to liability that could result in losses and could harm our operating results and, therefore, distributions we make to our stockholders;

•loss of key personnel of our Sponsor, our Adviser and our property manager;

- the risk that we may not replicate the historical results achieved by other entities managed or sponsored by affiliates of our Adviser, members of our Adviser's management team or by our Sponsor or its affiliates;

- risks associated with our Adviser's ability to terminate the Advisory Agreement (as defined below);

- our ability to change our major policies, operations and targeted investments without stockholder consent;

- the substantial fees and expenses we pay to our Adviser and its affiliates;

- risks associated with any potential internalization of our management functions;

- conflicts of interest and competing demands for time faced by our Adviser, our Sponsor and their officers and employees;

- the risk that we may compete with other entities affiliated with our Sponsor or property manager for

properties and residents;

•failure to maintain our status as a REIT;

•failure of our operating partnership to be taxable as a partnership for U.S. federal income tax purposes, possibly causing us to fail to qualify for or to maintain REIT status;

•compliance with REIT requirements, which may limit our ability to hedge our liabilities effectively and cause us to forgo otherwise attractive opportunities, liquidate certain of our investments or incur tax liabilities;

•risks associated with our ownership of interests in TRSs;

18

---

•the recognition of taxable gains from the sale of properties as a result of the inability to complete certain like-kind exchanges in accordance with Section 1031 of the Code

•the risk that the IRS may

consider certain sales of properties to be prohibited transactions, resulting in a 100% penalty tax on any taxable gain;

- the risk that we may be subject to other tax liabilities that may reduce our cash flows and distributions on our shares;

- the ineligibility of dividends payable by REITs for the reduced tax rates available for some dividends;

- risks associated with the stock ownership restrictions of the Code for REITs and the stock ownership limit imposed by our charter;

- the ability of our board of directors to revoke our REIT qualification without stockholder approval;

- recent and potential legislative or regulatory tax changes or other actions affecting REITs;

- foreign investors may be subject to U.S. federal income tax or withholding tax on distributions received from us or on proceeds and the disposition of our current common stock;

■

•risks associated with the market for our common stock and the general volatility of the capital and credit markets;

•failure to generate sufficient cash flows to service our outstanding indebtedness or pay distributions at expected levels;

•risks associated with limitations of liability for and our indemnification of our directors and officers;

•the risk that legal proceedings we become involved in from time to time could adversely affect our business; and

•the risk that acts of violence could decrease the value of our assets and have an adverse effect on our business and results of operations.

- macroeconomic trends including inflation and rising interest rates may adversely affect our financial conditions and results of operations;
- risks associated with the COVID-19 pandemic, including unpredictable variants and the future outbreak of other highly infectious or contagious diseases;
- risks associated with the ownership of real estate;
- limited ability to dispose of assets because of the relative illiquidity of real estate investments;
- our multifamily properties are concentrated in certain geographic markets in the Southeastern and Southwestern United States, which makes us more susceptible to adverse developments in those markets;
- increased risks associated with our strategy of acquiring value enhancement multifamily properties rather than more conservative investment strategies;
- failure to succeed in new markets may have adverse consequences on our performance;
- competition for attractive investment opportunity and any increased affordability of residential homes could limit our ability to lease our apartments or increase or maintain rents;
- high costs associated with the compliance with various accessibility, environmental, building and health and safety laws and regulations;
- risks associated with buying owning and selling apartment communities, including contingent or unknown liabilities related to the properties and the risk that we may not be able to yield anticipated results or sell certain properties;

- risks associated with operating through joint ventures and funds;
- our dependence on information systems;
- risks associated with breaches of our data security;
- costs associated with being a public company, including compliance with securities laws;
- the risk that our business could be adversely impacted if there are deficiencies in our disclosure controls and procedures or internal control over financial reporting;
- risks associated with our substantial current indebtedness and indebtedness we may incur in the future;
- risks associated with derivatives or hedging activity;
- risks associated with representations and warranties made by us in connection with sales of our properties may subject us to liability that could result in losses and could harm our operating results and, therefore, distributions we make to our stockholders;
- loss of key personnel of our Sponsor, our Adviser and our property manager;
- the risk that we may not replicate the historical results achieved by other entities managed or sponsored by affiliates of our Adviser, members of our Adviser's management team or by our Sponsor or its affiliates;
- risks associated with our Adviser's ability to terminate the Advisory Agreement (as defined below);
- our ability to change our major policies, operations and targeted investments without stockholder consent;
- the substantial fees and expenses we pay to our Adviser and its affiliates;
- risks associated with any potential internalization of our management functions;
- conflicts of interest and competing demands for time faced by our Adviser, our Sponsor and their officers and employees;
- the risk that we may compete with other entities affiliated with our Sponsor or property manager for properties and tenants;
- failure to maintain our status as a REIT;
- failure of our operating partnership to be taxable as a partnership for U.S. federal income tax purposes, possibly causing us to fail to qualify for or to maintain REIT status;
- compliance with REIT requirements, which may limit our ability to hedge our liabilities effectively and cause us to forgo otherwise attractive opportunities, liquidate certain of our investments or incur tax liabilities;
- risks associated with our ownership of interests in TRSs;
- the recognition of taxable gains from the sale of properties as a result of the inability to complete certain like-kind exchanges in accordance with Section 1031 of the Code;
- the risk that the IRS may consider certain sales of properties to be prohibited transactions, resulting in a 100% penalty tax on any taxable gain;
- the ineligibility of dividends payable by REITs for the reduced tax rates available for some dividends;
- risks associated with the stock ownership restrictions of the Code for REITs and the stock ownership limit imposed by our charter;
- the ability of our board of directors to revoke our REIT qualification without stockholder approval;
- recent and potential legislative or regulatory tax changes or other actions affecting REITs;
- risks associated with the market for our common stock and the general volatility of the capital and credit markets;
- failure to generate sufficient cash flows to service our outstanding indebtedness or pay distributions at expected levels;
- risks associated with limitations of liability for and our indemnification of our directors and officers;
- the risk that legal proceedings we become involved in from time to time could adversely affect our business; and
- the risk that acts of violence could decrease the value of our assets and have an adverse effect on our business and results of operations.

#### Risks Related to Our Business and Industry

*Unfavorable market and economic conditions in the United States and globally and in the specific markets or submarkets where our properties are located could adversely affect occupancy levels, rental rates, rent collections, operating expenses and the overall market value of our assets, and impair our ability to sell, recapitalize or refinance our assets.*

Unfavorable market conditions in the areas in which we operate and unfavorable economic conditions in the United States and globally may significantly affect our occupancy levels, our rental rates, rent collections, operating expenses, the market value of our properties and our ability to strategically acquire, dispose, recapitalize or refinance our multifamily properties on economically favorable terms or at all. Our ability to lease our properties at favorable rates is adversely affected by increases in supply of multifamily communities in our markets and is dependent upon overall economic conditions, which are adversely affected by, among other things, COVID-19 inflation, interest rates, a recession, personal debt levels, a downturn in the housing market, stock market volatility and uncertainty about the future. Some of our major expenses, including debt service and real estate taxes, generally do not decline when related rents decline. We expect that any declines in our occupancy levels, rental revenues and/or the values of our multifamily properties would cause us to have less cash available to pay our indebtedness, fund necessary capital expenditures and to make distributions to our stockholders, which could negatively affect our financial condition and the market value of our assets. Factors that may affect our occupancy levels, our revenues, our NOI and/or the value of our properties include the following, among others:

- downturns in global, national, regional and local economic conditions;
  - downturns in global, national, regional and local economic conditions;
  - declines in the financial condition of our residents, which may make it more difficult for us to collect rents from these residents;
  - the inability or unwillingness of our residents to pay rent increases;
  - a decline in household formation;
  - a decline in employment or lack of employment growth;
  - an oversupply of, or a reduced demand for, apartment homes;
  - changes in market rental rates in our core markets;
  - our ability to renew leases or re-lease space on favorable terms;

19

the timing and costs associated with property improvements, repairs and renovations, including supply chain issues, inflation and labor shortages;

declines in mortgage interest rates, making home and condominium ownership more affordable;

changes in home loan lending practices, including the easing of credit underwriting standards, increasing the availability of home loans and thereby reducing demand for apartment homes;

government or builder incentives which enable first-time homebuyers to put little or no money down, making alternative housing options more attractive;

rent control or rent stabilization laws, or other laws regulating housing, that could prevent us from raising rents to offset increases in

operating costs; and

• economic conditions that could cause an increase in our operating expenses, such as increases in property taxes (particularly as a result of increased local, state and national government budget deficits and debt and potentially reduced federal aid to state and local governments), utilities, insurance, compensation of on-site associates and routine maintenance.

- declines in the financial condition of our residents, which may make it more difficult for us to collect rents from these residents;
- the inability or unwillingness of our residents to pay rent increases;
- a decline in household formation;
- a decline in employment or lack of employment growth;
- an oversupply of, or a reduced demand for, apartment homes;
- changes in market rental rates in our core markets;
- our ability to renew leases or re-lease space on favorable terms;
- the timing and costs associated with property improvements, repairs and renovations, including supply chain issues, inflation and labor shortages;
- declines in mortgage interest rates, making home and condominium ownership more affordable;
- changes in home loan lending practices, including the easing of credit underwriting standards, increasing the availability of home loans and thereby reducing demand for apartment homes;
- government or builder incentives which enable first-time homebuyers to put little or no money down, making alternative housing options more attractive;
- rent control or rent stabilization laws, or other laws regulating housing, that could prevent us from raising rents to offset increases in operating costs; and
- economic conditions that could cause an increase in our operating expenses, such as increases in property taxes (particularly as a result of increased local, state and national government budget deficits and debt and potentially reduced federal aid to state and local governments), utilities, insurance, compensation of on-site associates and routine maintenance.
- the COVID-19 pandemic and the effectiveness of actions taken, or actions that may be taken, by governmental authorities to contain the outbreak or treat its impact of COVID-19.

**Macroeconomic trends including inflation, rising high interest rates or recession may adversely affect our financial condition and results of operations.**

Macroeconomic trends, including increases in or high inflation and rising high interest rates, may adversely impact our business, financial condition and results of operations. Inflation in the United States has recently accelerated to historically high levels and may continue at an elevated level in the near-term. Rising inflation could have an adverse impact on general and administrative expenses, as these costs could increase at a rate higher than our rental revenue, interest income or other revenue. Inflationary

pressures have increased our direct and indirect operating and investment costs. Inflationary pressures have also increased or may have the effect of increasing our costs related to property management, third-party contractors and vendors, insurance, transportation and taxes, and our residents

may also be adversely impacted by higher cost of living expenses, including food, energy and transportation, which may increase our rate of **tenant****resident** defaults and harm our operating results.

**The****In** response to high inflation, the U.S. Federal Reserve began rapidly raising **raised** the federal funds rate to decade-high levels in 2022 to combat inflation and restore price stability, and has signaled that the federal funds rate may continue to rise in 2023. **stability**. In addition, the Federal Reserve began a quantitative tightening program in June of 2022. The combination of these actions have resulted in an increase in prevailing interest rates. To the extent our exposure to increases in **or** **high** interest rates on any of our debt is not eliminated through interest rate swaps and interest rate protection agreements that we may utilize for hedging purposes, such increases will result in higher debt service costs which will adversely affect our cash flows. We cannot assure you that our access to capital and other sources of funding will not become constrained, which could adversely affect the availability and terms of future borrowings, renewals or refinancings. Such future constraints could increase our borrowing costs, which would make it more difficult or expensive to obtain additional financing or refinance existing obligations and commitments, which could slow or deter future growth.

In addition, these actions by the Federal Reserve, as well as efforts by other central banks globally to combat inflation and restore price stability and other global events, may raise the prospect or severity of a recession. The war in Ukraine and the Israel-Hamas war adds, and other international tensions or escalations of conflict may add, instability to the uncertainty driving socioeconomic forces, which may continue to have an impact on global trade and result in inflation or economic instability. **The COVID-19 pandemic or the future outbreak of other highly infectious or contagious diseases may also generally impair the performance of investments, increase funding costs, limit access to the capital markets or result in decisions by lenders not to extend credit.** Present conditions and the state of the U.S and global economies make it difficult to predict whether and/or when and to what extent a recession will occur in the near future. Should a recession occur it could negatively impact the value of commercial and residential real estate and the value of our investments, potentially materially. While the Company has taken steps to prepare for a potential downturn in the economy, should a recession occur there can be no guaranty that the Company's efforts will prevent any negative impacts to the value of the Company's investments.

**The current COVID-19 pandemic and the future outbreak of other highly infectious or contagious diseases could materially and adversely impact or disrupt our financial condition, results of operations, cash flows and performance.**

**The COVID-19 pandemic has had, and other pandemics in the future could have, repercussions across regional and global economies and financial markets. The outbreak of COVID-19 has significantly adversely impacted global economic activity and has contributed to significant volatility and negative pressure in financial markets. The global impact of the outbreak evolved rapidly and continues to evolve. Additionally, the emergence of new variants of COVID-19 are unpredictable and current vaccines and treatments may not be effective against new variants.**

**The COVID-19 pandemic, and other future pandemics, could also materially and adversely impact or disrupt our financial condition, results of operations, cash flows and performance due to, among other factors:**

- **reduced economic activity may cause certain of our tenants to be unable to meet their rent obligations to us in full, or at all, or to otherwise seek modifications of such obligations;**
- **federal, state, local and industry-initiated efforts that may adversely affect the ability of landlords, including us, to collect rent and customary fees, adjust rental rates and enforce remedies for the failure to pay rent, such as the order issued by the CDC to temporarily halt residential evictions to prevent further spread of COVID-19;**
- **reduced economic activity could result in a prolonged recession, which could negatively impact our prospects for leasing additional apartment units and/or renewing leases with existing tenants;**
- **difficulty accessing debt and equity capital on attractive terms, or at all, impacts to our credit ratings, and a severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect our access to capital necessary to fund business operations or address maturing liabilities on a timely basis, or at all;**
- **the financial impact of the COVID-19 pandemic could negatively impact our future compliance with financial covenants of our Amended and Restated Corporate Credit Facility and other debt agreements and result in a default and potentially an acceleration of indebtedness, which non-compliance could negatively impact our ability to request further increases to our Amended and Restated Corporate Credit Facility and pay dividends, among other things;**
- **weaker economic conditions due to the COVID-19 pandemic could require us to recognize future impairment losses;**
- **a general decline in business activity and demand for real estate transactions could adversely affect our ability to sell or purchase properties;**
- **a change in housing trends, including tenants seeking properties with yards or larger outdoor spaces; our ability to lease or relet units due to social distancing or other restrictions intended to prevent the spread of COVID-19 that may frustrate our leasing activities;**
- **our ability to continue our apartment unit redevelopment programs and attain increased rental rates for renovated or upgraded units due to social distancing or other restrictions intended to prevent the spread of COVID-19;**
- **the possibility that one or more of our apartment communities could become a cluster site for COVID-19 infections, which could negatively impact our reputation and occupancy levels and result in operational losses due to reduced rental demand;**
- **the potential negative impact on the health of the employees of our Adviser and our property manager, particularly if a significant number of them are impacted, could result in a deterioration in our ability to ensure business continuity during this disruption; and**

- the timing of the development and distribution of effective treatments for COVID-19 and future pandemics.

We are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business. New outbreaks or variants may cause our Adviser's employees to return to working remotely. An extended period of remote work arrangements could introduce operational risk, including, but not limited to, cybersecurity risks, impair our ability to manage our business and negatively impact our internal controls over financial reporting.

The extent to which COVID-19 impacts our business will depend on future developments, which are highly uncertain and cannot be predicted, including additional actions taken to contain COVID-19 or treat its impact, among others. The COVID-19 pandemic presents material uncertainty and risk with respect to our financial condition, results of operations, cash flows and performance. Moreover, many risk factors set forth in our Annual Report should be interpreted as heightened risks as a result of the impact of the COVID-19 pandemic.

**We are subject to risks inherent in ownership of real estate.**

Real estate cash flows and values are affected by a number of factors, including competition from other available properties and the ability to provide adequate property maintenance and insurance and to control operating costs. Real estate cash flows and values are also affected by such factors as government regulations (including zoning, usage and tax laws) limitations on rent and rent increases, interest rate levels, the availability of financing, property tax rates, utility expenses, potential liability under environmental and other laws and changes in environmental and other laws.

**Real estate investments are relatively illiquid and may limit our flexibility.**

Equity real estate investments are relatively illiquid, which tends to limit our ability to react promptly to changes in economic or other market conditions. Our ability to dispose of assets in the future will depend on prevailing economic and market conditions. Our inability to sell our properties on favorable terms or at all could have a material adverse effect on our sources of working capital and our

ability to satisfy our debt obligations. In addition, real estate can at times be difficult to sell quickly at prices we find acceptable. These potential difficulties in selling real estate in our markets may limit our ability to change or reduce the number of multifamily properties in our portfolio promptly in response to changes in economic or other conditions.

**Our multifamily properties are concentrated in certain geographic markets, which makes us more susceptible to adverse developments in those markets.**

Our most significant geographic investment concentrations are primarily in the Southeastern and Southwestern United States. We are, therefore, subject to increased exposure from economic and other competitive factors specific to markets within these geographic areas. To the extent general economic conditions worsen in one or more of these markets, or if any of these areas experience a natural disaster, the value of our portfolio and our market rental rates could be adversely affected. As a result, our results of operations, cash flow, cash available for distribution, including cash available to pay distributions to our stockholders, and our ability to satisfy our debt obligations could be materially adversely affected.

**Failure to succeed in new markets may have adverse consequences on our performance.**

We may make acquisitions outside of our existing market areas if appropriate opportunities arise. Our historical experience in our existing markets does not ensure that we will be able to operate successfully in new markets, should we choose to enter them. We may be exposed to a variety of risks if we choose to enter new markets, including an inability to accurately evaluate local market conditions, to identify appropriate acquisition opportunities, to hire and retain key personnel and a lack of familiarity with local

governmental and permitting procedures. In addition, we may abandon opportunities to enter new markets that we have begun to explore for any reason and may, as a result, fail to recover expenses already incurred.

**Our strategy for acquiring value-enhancement multifamily properties involves greater risks than more conservative investment strategies.**

Our primary strategy is a value-add strategy. Therefore, for a majority of our portfolio, we intend to execute a "value-enhancement" strategy whereby we will acquire under-managed assets in high-demand neighborhoods, invest additional capital, and reposition the properties to increase both average rental rates and resale value. Our strategy for acquiring value-enhancement multifamily properties involves greater risks than more conservative investment strategies. The risks related to these value-enhancement investments include risks related to delays in the repositioning or improvement process, higher than expected capital improvement costs, the additional capital needed to execute our value-add program, including possible borrowings or raising additional equity necessary to fund such costs, and ultimately that the repositioning process may not result in the higher rents and occupancy rates anticipated. In addition, our value-enhancement properties may not produce revenue while undergoing capital improvements. Furthermore, we may also be unable to complete the improvements of these properties and may be forced to hold or sell these properties at a loss. For these and other reasons, we cannot assure you that we will realize growth in the value of our value-enhancement multifamily properties, and as a result, our ability to make distributions to our stockholders could be adversely affected.

**Potential reforms or changes to Freddie Mac and Fannie Mae could adversely affect our business.**

As of December 31, 2022 December 31, 2023, we had approximately \$1.5 billion \$1.4 billion and \$119.5 million of outstanding consolidated indebtedness under our Freddie Mac and Fannie Mae mortgage loans, respectively. We rely on national and regional institutions, including Freddie Mac and Fannie Mae, to provide financing for our acquisitions and permanent financing on properties we may develop in the future. Currently, there is uncertainty regarding the futures of Freddie Mac and Fannie Mae. Should

Freddie Mac and Fannie Mae have their mandates changed or reduced, be disbanded or reorganized by the government, privatized or otherwise discontinue providing liquidity to our sector, it could significantly reduce our access to debt capital and/or increase borrowing costs and could significantly reduce our sales of assets and/or the values realized upon sale.

***Competition could limit our ability to acquire attractive investment opportunities, which could adversely affect our profitability and impede our growth.***

We compete with numerous real estate companies and other owners of real estate in seeking multifamily properties for acquisition and pursuing buyers for dispositions. We expect that other real estate investors, including insurance companies, private equity funds, sovereign wealth funds, pension funds, other REITs and other well-capitalized investors, will compete with us to acquire existing properties and to develop new properties, and many of these investors will have greater sources of capital to acquire properties. This competition could increase prices for properties of the type we would likely pursue and adversely affect our profitability and impede our growth.

---

***Competition and any increased affordability of residential homes could limit our ability to lease our apartments or increase or maintain rents.***

Our multifamily properties compete with other housing alternatives to attract residents, including other rental apartments, condominiums and single-family homes that are available for rent, as well as new and existing condominiums and single-family homes for sale. All of our multifamily properties are located in developed areas that include other multifamily properties and/or condominiums. The number of competitive multifamily properties and/or condominiums in a particular area, and any increased affordability of owner occupied single and multifamily homes caused by declining housing prices, low mortgage interest rates and government programs to promote home ownership, could have a material adverse effect on our ability to lease our apartments and the rents we are able to obtain. In addition, single-family homes and other residential properties provide housing alternatives to residents and potential residents of our multifamily properties.

***A decrease in residential mortgage rates may result in potential renters purchasing residences rather than leasing them, and as a result, cause a decline in occupancy rates.***

A decrease in residential mortgage interest rates and government-sponsored programs to promote home ownership may encourage potential renters to purchase residences rather than lease them, thereby causing a decline in the occupancy rates of our properties.

***We depend on our tenants residents for substantially all of our revenues. Poor tenantresident selection and defaults and nonrenewals by our tenants residents may adversely affect our reputation, financial performance and ability to make distributions.***

We depend on rental income from tenants residents for substantially all of our revenues. As a result, our success depends in large part upon our ability to attract and retain qualified tenants residents for our properties. Our reputation, financial performance and ability to make distributions to our shareholders would be adversely affected if a significant number of our tenants residents fail to meet their lease obligations or fail to renew their leases. For example, tenants residents may default on rent payments, make unreasonable and repeated demands for service or improvements, make unsupported or unjustified complaints to regulatory or political authorities, use our properties for illegal purposes, damage or make unauthorized structural changes to our properties that are not covered by security deposits, refuse to leave the property upon termination of the lease, engage in domestic violence or similar disturbances, disturb nearby residents with noise, trash, odors or eyesores, fail to comply with HOA regulations, sublet to less desirable individuals in violation of our lease or permit unauthorized persons to live with them. Damage to our properties may delay re-leasing after eviction, necessitate expensive repairs or impair the rental income or value of the property resulting in a lower than expected rate of return. Increases in unemployment levels and other adverse changes in the economic conditions in our markets could result in substantial tenantresident defaults. In the event of a tenantresident default or bankruptcy, we may experience delays in enforcing our rights as landlord at that property and will incur costs in protecting our investment and re-leasing the property. In addition, we rely on information supplied by prospective residents in making tenantresident selections, which may in some cases be false.

***We may fail to consummate future property acquisitions, and we may not be able to find suitable alternative investment opportunities.***

When acquiring properties in the future, we may be subject to various closing conditions, and there can be no assurance that we can satisfy these conditions or that the acquisitions will close. If we fail to consummate future acquisitions, there can be no assurance that we will be able to find suitable alternative investment opportunities.

***Acquisitions may not yield anticipated results, which could negatively affect our financial condition and results of operations.***

We intend to actively acquire multifamily properties for rental operations as market conditions, including access to the debt and equity markets, dictate. We may also acquire multifamily properties that are unoccupied or in the early stages of lease-up. We may be unable to lease-up these multifamily properties on schedule, resulting in decreases in expected rental revenues and/or lower yields as the result of lower occupancy and rental rates as well as higher than expected concessions. We may underestimate the costs necessary to bring an acquired property up to standards established for its intended market position or to complete a development project. We may be unable to integrate the existing operations of newly acquired multifamily properties and over time such communities may not perform as well as existing communities or as we initially anticipated in terms of occupancy and/or rental rates. Additionally, we expect that other major real estate investors with significant capital will compete with us for attractive investment opportunities or may also develop properties in markets where we focus our development efforts. This competition may increase acquisition costs for multifamily properties. We may not be in a position or have the opportunity in the future to make suitable property acquisitions on favorable terms.

---

***We are subject to certain risks associated with selling apartment communities, which could limit our operational and financial flexibility.***

We periodically dispose of apartment communities that no longer meet our strategic objectives, but adverse market conditions may make it difficult to sell apartment communities like the ones we own. We cannot predict whether we will be able to sell any property for the price or on the terms we set, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. These conditions may limit our ability to dispose of properties and to change our portfolio promptly in order to meet our strategic objectives, which may in turn have a material adverse effect on our financial condition and the market value of our assets. We are also subject to the following risks in connection with sales of our apartment communities:

- a significant portion of the proceeds from our overall property sales may be held by intermediaries in order for some sales to qualify as an exchange under Section 1031 of the Code ("1031 Exchanges") so that any related capital gain can be deferred for U.S. federal income tax purposes. As a result, we may not have immediate access to all of the cash proceeds generated from our property sales; and
 

from our overall property sales may be held by intermediaries in order for some sales to qualify as an exchange under Section 1031 of the Code ("1031 Exchanges") so that any related capital gain can be deferred for U.S. federal income tax purposes. As a result, we may not have immediate access to all of the cash proceeds generated from our property sales; and

U.S. federal income tax laws limit our ability to profit on the sale of communities that we have owned for less than two years, and this limitation may prevent us from selling communities when market conditions are favorable.
- U.S. federal income tax laws limit our ability to profit on the sale of communities that we have owned for less than two years, and this limitation may prevent us from selling communities when market conditions are favorable.

*We may be subject to contingent or unknown liabilities related to properties or businesses that we have acquired or may acquire for which we may have limited or no recourse against the sellers.*

The properties or businesses that we have acquired or may acquire, may be subject to unknown or contingent liabilities for which we have limited or no recourse against the sellers. Unknown liabilities might include liabilities for, among other things, cleanup or remediation of undisclosed environmental conditions, liabilities under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), claims of residents, vendors or other persons dealing with the entities prior to the acquisition of such property, tax liabilities, and accrued but unpaid liabilities whether incurred in the ordinary course of business or otherwise. Because many liabilities, including tax liabilities, may not be identified within the applicable contractual indemnification period, we may have no recourse against any of the owners from whom we acquire such properties for these liabilities. The existence of such liabilities could significantly and adversely affect the value of the property subject to such liability. As a result, if a liability were asserted against us based on ownership of any of such properties, then we might have to pay substantial sums to settle it, which could adversely affect our cash flows.

***We are subject to losses that are either uninsurable, not economically insurable or that are in excess of our insurance coverage.***

There are certain types of losses (including, but not limited to, losses arising from environmental conditions, earthquakes, tornados and hurricanes, acts of war or certain kinds of terrorist attacks) that are not insured, in full or in part, because they are either uninsurable or the cost of insurance makes it, in our belief, economically impractical to maintain such coverage. We carry commercial general liability insurance, property insurance and terrorism insurance with respect to our communities with limits and on terms we consider commercially reasonable. If an uninsured loss or liability were to occur, whether because of a lack of insurance coverage or a loss in excess of insured limits, we could lose our capital invested in a community, as well as the anticipated future revenues from such community. We would also continue to be obligated to repay any mortgage indebtedness or other obligations related to the community. If an uninsured liability to a third party were to occur, we would incur the cost of defense and settlement with, or court ordered damages to, that third party. A significant uninsured property or liability loss could materially and adversely affect our business and our financial condition and results of operations.

***Compliance with various laws and regulations, including accessibility, building and health and safety laws and regulations, may be costly, may adversely affect our operations or expose us to liability.***

In addition to compliance with environmental regulations, we must comply with various laws and regulations such as accessibility, building, zoning, landlord/tenant and health and safety laws and regulations, including, but not limited to, the ADA and the FHA. Some of those laws and regulations may conflict with one another or be subject to limited judicial or regulatory interpretations. Under those laws and regulations, we may be liable for, among other things, the costs of bringing our properties into compliance with the statutory and regulatory requirements. Noncompliance with certain of these laws and regulations may result in liability without regard to fault and the imposition of fines and could give rise to actions brought against us by governmental entities and/or third parties who claim to be or have been damaged as a consequence of an apartment not being in compliance with the subject laws and regulations. As part of our due diligence procedures in connection with the acquisition of a property, we typically conduct an investigation of the

---

property's compliance with known laws and regulatory requirements with which we must comply once we acquire a property, including a review of compliance with the ADA and local zoning regulations. Our investigations and these assessments may not have revealed, and may not with respect to future acquisitions reveal, all potential noncompliance issues or related liabilities and we can provide no assurance that our properties have been, or that our future projects will be, designed and built in accordance with all applicable legal requirements.

The development, construction and operation of our communities are subject to regulations and permitting under various federal, state and local laws, regulations and ordinances, which regulate matters including wetlands protection, storm water runoff and wastewater discharge. Noncompliance with such laws and regulations may subject us to fines and penalties. We can provide no assurance that we will not incur any material liabilities as a result of noncompliance with these laws.

***We may obtain only limited warranties when we acquire a property and may only have limited recourse if our due diligence did not identify any issues that may subject us to unknown liabilities or lower the value of our property, which could adversely affect our financial condition and ability to make distributions to you.***

The seller of a property often sells the property in its "as is" condition on a "where is" basis and "with all faults," without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase agreements may contain only limited warranties, representations and indemnifications that will survive for only a limited period after the closing. The acquisition of, or purchase of, properties with limited warranties increases the risk that we may lose some or all of our invested capital in the property, lose rental income from that property or may be subject to unknown liabilities with respect to such properties.

***Representations and warranties made by us in connection with sales of our properties may subject us to liability that could result in losses and could harm our operating results and, therefore, distributions we make to our stockholders.***

When we sell a property, we may be required to make representations and warranties regarding the property and other customary items. In the event of a breach of such representations or warranties, the purchaser of the property may have claims for damages against us, rights to indemnification from us or otherwise have remedies against us. In any such case, we may incur liabilities that could result in losses and could harm our operating results and, therefore distributions we make to our stockholders.

***Short-term apartment leases expose us to the effects of declining market rent, which could adversely affect our ability to make cash distributions to our stockholders.***

Substantially all of our apartment leases are for a term of one year or less. Because these leases generally permit the residents to leave at the end of the lease term without penalty, our rental revenues may be impacted by declines in market rents more quickly than if our leases were for longer terms.

***We may be subject to risks involved in real estate activity through joint ventures.***

We may acquire properties through joint ventures when we believe circumstances warrant the use of such structures. Joint venture investments involve risks, including: the possibility that joint venture partners might refuse to make capital contributions when due; that we may be responsible to joint venture partners for indemnifiable losses; that joint venture partners might at any time have business or economic goals which are inconsistent with ours; and that joint venture partners may be in a position to take action or withhold

consent contrary to our recommendations, instructions or requests. In some instances, joint venture partners may have competing interests in our markets that could create conflicts of interest. Further, joint venture partners may fail to meet their obligations to the joint venture as a result of financial distress or otherwise, and we would be forced to make contributions to maintain the value of the property. To the extent joint venture partners do not meet their obligations to the joint venture or they take action inconsistent with the interests of the joint venture, we could be adversely affected.

If we acquire properties through joint ventures, we may be required to make decisions jointly with the other investors who have interests in the respective joint ventures. We might not have the same interests as the other investors in relation to these decisions or transactions. Accordingly, we might not be able to favorably resolve any of these issues, or we might have to provide financial or other inducements to the other investors to obtain a favorable resolution.

In addition, various restrictive provisions and third-party rights, including consent rights to certain transactions, may apply to sales or transfers of interests in joint ventures. Consequently, decisions to buy or sell interests in a property or properties relating to joint ventures may be subject to the prior consent of other investors. These restrictive provisions and third-party rights would potentially preclude us from achieving full value of the properties because of our inability to obtain the necessary consents to sell or transfer the interests.

***The Company's real estate assets may be subject to impairment charges.***

24

---

A decline in the fair value of our assets may require us to recognize an impairment against our assets under accounting principles generally accepted in the United States ("GAAP") if we were to determine that, with respect to any assets in unrealized loss positions, we do not have the ability and intent to hold such assets for a period of time sufficient to allow for recovery of the depreciated cost of such assets. If such a determination were to be made, we would recognize unrealized losses through earnings and write-down the depreciated cost of such assets to a new cost basis, based on the fair value of such assets on the date they are considered to be impaired. Such impairment charges reflect non-cash losses at the time of recognition; subsequent disposition or sale of such assets could further affect our future losses or gains, as they are based on the difference between the sale price received and adjusted amortized cost of such assets at the time of sale. If we are required to recognize material asset impairment charges, these charges could adversely affect our financial condition and results of operations.

***Our business and reputation depend on our ability to continue providing high quality housing and consistent operation of our communities, the failure of which could adversely affect our business, financial condition and results of operations.***

We provide residents with reliable services, including water and electric power, along with the consistent operation of our communities, including a wide variety of amenities. Public utilities, especially those that provide water and electric power, are fundamental for the consistent operation of our communities. The delayed delivery or any prolonged interruption of these services may cause residents to terminate their leases or may result in a reduction of rents and/or increase in our costs or other issues. In addition, we may fail to provide quality housing and continuous access to amenities as a result of other factors, including government mandated closures, mechanical failure, power outage, human error, vandalism, physical or electronic security breaches, war, terrorism or similar events. Such events may also expose us to additional liability claims and damage our reputation and brand and could cause residents to terminate or not renew their leases, or prospective residents to seek housing elsewhere. Any such failures could impair our ability to continue providing quality housing and consistent operation of our communities, which could adversely affect our financial condition and results of operations.

***We are dependent on a concentration of our investments in a single asset class, making our results of operations more vulnerable to a downturn in the sector.***

As of December 31, 2023, substantially all of our investments are concentrated in the multifamily apartment sector. As a result, we are subject to risks inherent in investments in a single type of property. A downturn or slowdown in the demand for multifamily housing may have more pronounced effects on our results of operations or on the value of our assets than if we had diversified our investments into more than one asset class.

#### **Risks Related to Health and the Environment**

***Our environmental assessments may not identify all potential environmental liabilities and our remediation actions may be insufficient.***

Properties being considered for potential acquisition by us are subjected to at least a Phase I or similar environmental assessment prior to closing, which generally does not involve invasive techniques such as soil or ground water sampling. A Phase II assessment is conducted if recommended in the Phase I report. These assessments, together with subsurface assessments conducted on some properties, have not revealed, and we are not otherwise aware of, any environmental conditions that we believe would have a material adverse effect on our business, assets, financial condition or results of operations. However, such environmental assessments may not identify all potential environmental liabilities. Moreover, we may in the future discover adverse environmental conditions at our communities, including at communities we acquire in the future, which may have a material adverse effect on our business, assets, financial condition or results of operations. In connection with our ownership, operation and selective development of communities, from time to time we undertake substantial remedial action in response to the presence of subsurface or other contaminants, including contaminants in soil, groundwater and soil vapor beneath or affecting our buildings. In some cases, an indemnity exists upon which we may be able to rely if environmental liability arises from the contamination, or if remediation costs exceed estimates. We can provide no assurance, however, that all necessary remediation actions have been or will be undertaken at our communities or that we will be indemnified, in full or at all, in the event that environmental liability arises.

***We may face high costs associated with the investigation or remediation of environmental contamination, including asbestos, lead-based paint, chemical vapor, subsurface contamination and mold growth.***

We are subject to various federal, state and local environmental and public health laws, regulations and ordinances. Under various federal, state and local environmental and public health laws, regulations and ordinances, we may be required, regardless of knowledge or responsibility, to investigate and remediate the effects of

hazardous or toxic substances or petroleum product releases at our properties (including in some cases natural substances such as methane and radon gas) and may be held liable under these laws or

common law to a governmental entity or to third parties for property, personal injury or natural resources damages and for investigation and remediation costs incurred as a result of the contamination. These damages and costs may be substantial and may

exceed any insurance coverage we have for such events. The presence of such substances, or the failure to properly remediate the contamination, may adversely affect our ability to borrow against, sell or rent the affected property. In addition, some environmental laws create or allow a government agency to impose a lien on the contaminated site in favor of the government for damages and costs it incurs as a result of the contamination.

**We face risks relating to asbestos.**

Certain federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos containing materials ("ACMs") when such materials are in poor condition or in the event of renovation or demolition of a building. These laws and the common law may impose liability for release of ACMs and may allow third parties to seek recovery from owners or operators of real properties for personal injury associated with exposure to ACMs. ACMs may have been used in the construction of a number of the communities that we acquired and may have been used in the construction of communities we acquire in the future. We will implement an operations and maintenance program at each of the communities at which we discover ACMs. We can provide no assurance that we will not incur any material liabilities as a result of the presence of ACMs at our communities.

**We face risks relating to lead-based paint.**

Some of our communities may have lead-based paint and we may have to implement an operations and maintenance program at some of our communities. Communities that we acquire in the future may also have lead-based paint. We can provide no assurance that we will not incur any material liabilities as a result of the presence of lead-based paint at our communities.

**We face risks relating to chemical vapors and subsurface contamination.**

We are also aware that environmental agencies and third parties have, in the case of certain communities with on-site or nearby contamination, asserted claims for remediation, property damage or personal injury based on the alleged actual or potential intrusion into buildings of chemical vapors (e.g., radon) or volatile organic compounds from soils or groundwater underlying or in the vicinity of those buildings or on nearby properties. We can provide no assurance that we will not incur any material liabilities as a result of vapor intrusion at our communities.

**We face risks relating to mold growth.**

Mold growth may occur when excessive moisture accumulates in buildings or on building materials, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Although the occurrence of mold at multifamily and other structures, and the need to remediate such mold, is not a new phenomenon, there has been increased awareness in recent years that certain molds may in some instances lead to adverse health effects, including allergic or other reactions. To help limit mold growth, we educate residents about the importance of adequate ventilation and include a lease requirement that they notify us when they see mold or excessive moisture. We have established procedures for promptly addressing and remediating mold or excessive moisture when we become aware of its presence regardless of whether the resident believes or we believe a health risk is present.

However, we can provide no assurance that mold or excessive moisture will be detected and remediated in a timely manner. If a significant mold problem arises at one of our communities, we could be required to undertake a costly remediation program to contain or remove the mold from the affected community and could be exposed to other liabilities that may exceed any applicable insurance coverage.

**Risk of Pandemics or Other Health Crises.**

Pandemics, epidemics or other health crises, including the novel coronavirus ("COVID-19"), have and could in the future disrupt our business. Both global and locally targeted health events could materially affect areas where our properties, corporate offices or major service providers are located. These events have and could in the future have an adverse effect on our business, results of operations, financial condition and liquidity in a number of ways, including, but not limited to:

- The deterioration of global economic conditions as a result of such a crisis could ultimately decrease occupancy levels and pricing across our portfolio and/or in concessions, reduce or defer our residents' spending, result in changes in resident preferences (including changes resulting from increased employer flexibility to work from home) or negatively impact our residents' ability to pay their rent on time or at all;
- Local and national authorities expanding or extending certain measures that impose restrictions on our ability to enforce residents' contractual rental obligations (such as eviction moratoriums or rental forgiveness) and limit our ability to raise rents or charge certain fees;

- The risk of a prolonged outbreak and/or multiple waves of an outbreak could cause long-term damage to economic conditions, which in turn could diminish our assets' capital at attractive terms and/or cause material declines in the fair value of our assets, leading to asset impairment charges; and
- The potential inability to maintain adequate staffing at our properties and corporate offices due to an outbreak and/or changes in employee preferences causing them to leave their jobs.

To the extent a pandemic, epidemic or other health crisis adversely affects our business, results of operations, cash flows and financial condition, it may also continue to heighten many of the other risks described elsewhere in this Item 1A, *Risk Factors*.

#### Risks Related to Indebtedness

**Variable rate debt is subject to interest rate risk, which could increase our interest expense, increase the cost to refinance and increase the cost of issuing new debt.**

As of December 31, 2022 December 31, 2023, approximately \$1.6 billion \$1.5 billion of our total debt outstanding bears interest at variable rates, and we may also borrow additional money at variable interest rates in the future. As of December 31, 2022 December 31, 2023, eleven 10 interest rate swap agreements, with a combined notional amount of \$1.2 billion and terms expiring in 2024, 2025 and 2026, effectively fix the interest rate on \$1.2 billion, or 71% 76%, of our \$1.6 billion \$1.5 billion of floating rate debt outstanding. As of December 31, 2022 December 31, 2023, the interest rate cap agreements we have entered into effectively cap the applicable reference rate on \$1.3 billion of our floating rate mortgage debt outstanding at a weighted average rate of 5.81% 5.90% for the term of the agreements, which is generally 3-4 years. Except to the extent we have arrangements in place that hedge against the risk of rising interest rates, increases in interest rates would increase our interest expense under these instruments and would increase the cost of refinancing these instruments and issuing new debt. As a result, our cash flow and our ability to service our indebtedness and to make distributions to our stockholders would be adversely affected, which could adversely affect the market price of our common stock.

#### **Changes to, or the elimination of, LIBOR may adversely affect interest expense related to our loans and investments.**

In a speech on July 27, 2017, Andrew Bailey, the Chief Executive of the Financial Conduct Authority of the U.K., or the FCA, announced the FCA's intention to cease sustaining LIBOR after 2021. The FCA has statutory powers to require panel banks to contribute to LIBOR where necessary. The administrator for LIBOR announced on March 5, 2021 that it will permanently cease to publish most LIBOR settings beginning on January 1, 2022 and cease to publish the overnight, one-month, three-month, six-month and 12-month USD LIBOR settings on July 1, 2023. Accordingly, the FCA has stated that it does not intend to persuade or compel

banks to submit to LIBOR after such respective dates. Until such time, however, FCA panel banks have agreed to continue to support LIBOR. In October 2021, the federal bank regulatory agencies issued a Joint Statement on Managing the LIBOR Transition. In that guidance, the agencies offered their regulatory expectations and outlined potential supervisory and enforcement consequences for banks that fail to adequately plan for and implement the transition away from LIBOR. The failure to properly transition away from LIBOR may result in increased supervisory scrutiny. In December 2022, the FASB issued an update to Topic 848 – officially pushing back the sunset date for LIBOR transition from December 31, 2022, to December 31, 2024. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, has recommended replacing U.S.-dollar LIBOR with the Secured Overnight Financing Rate, or SOFR, an index calculated by short-term repurchase agreements, backed by Treasury securities. It is unknown whether a SOFR reference rate will attain market acceptance as a replacement for LIBOR. If LIBOR is no longer available, our loan documents generally give our lenders the discretion to choose a new index based upon comparable information. However, if LIBOR is no longer available, we may need to renegotiate some of our agreements to determine a replacement index or rate of interest. Any changes to benchmark interest rates could increase our financing costs, which could impact our results of operations, cash flows and the market value of our investments. In addition, the elimination of LIBOR and/or changes to another index could result in mismatches with the interest rate of investments that we are financing. As of December 31, 2022, approximately 31.6% of our floating rate mortgage debt outstanding is based on one-month LIBOR.

**We may incur mortgage indebtedness and other borrowings, which we have broad authority to incur, that may increase our business risks and decrease the value of your investment.**

We expect that in most instances, we will acquire real properties by using either existing financing or borrowing new funds. In addition, we may incur additional mortgage and other secured debt and pledge all or some of our unpledged real properties as security for that debt to obtain funds to acquire additional real properties. We may borrow if we need funds to satisfy the REIT tax qualification requirement that we generally distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. We also may borrow if we otherwise deem it necessary or advisable to assure that we maintain our qualification as a REIT.

If there is a shortfall between the cash flow from a property and the cash flow needed to service the related debt, then the amount available for distributions to stockholders may be reduced. In addition, incurring secured debt increases the risk of loss since defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the loan that is in default, thus reducing the value of your investment. For U.S. federal income tax purposes, a foreclosure of any of our properties subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds. In such event, we may be unable to pay the amount of distributions required in order to maintain our REIT status.

Foreclosure could also trigger tax indemnification obligations under the terms of any tax protection agreements with respect to the sales of properties subject to any such agreements. We may give full or partial guarantees to lenders of mortgage and other secured debt to the entities that own our properties. When we provide a guaranty on behalf of an entity that owns one of our properties, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages or other secured debt contain cross-collateralization or cross-default provisions, a default on a single property could affect multiple properties. If any of our properties are foreclosed upon due to a default, our ability to pay cash distributions to our stockholders will be adversely affected, which could result in losing our REIT status and would result in a decrease in the value of your investment.

**We have a substantial amount of indebtedness, which may limit our financial and operating activities and may adversely affect our ability to incur additional debt to fund future needs.**

As of December 31, 2022 December 31, 2023, there was \$1.6 billion of mortgage debt outstanding related to our portfolio.

Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties, fully implement our capital expenditure, acquisition and development activities, or pay the dividends necessary to maintain our REIT qualification. Our

---

level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- require us to dedicate a substantial portion of cash flow from operations to the payment of principal, and interest on, indebtedness, thereby reducing the funds available for other purposes;
- make it more difficult for us to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;
- force us to dispose of one or more of our properties, possibly on unfavorable terms (including the possible application of the 100% tax on income from prohibited

transactions,  
discussed  
below in “—  
Risks Related  
to Our  
Structure”) or  
in violation of  
certain  
covenants to  
which we may  
be subject;

•subject us to  
increased  
sensitivity to  
an increase in  
or high  
interest rate;

•make us  
more  
vulnerable to  
economic  
downturns,  
adverse  
industry  
conditions or  
catastrophic  
external  
events;

•limit our  
ability to  
withstand  
competitive  
pressures;

•limit our  
ability to  
refinance our  
indebtedness  
at maturity or  
the  
refinancing  
terms may be  
less favorable  
than the  
terms of our  
original  
indebtedness;

•reduce our  
flexibility in  
planning for  
or responding  
to changing  
business,  
industry and  
economic  
conditions;  
and/or

•place us at a  
competitive  
disadvantage  
to competitors  
that have  
relatively less  
debt than we  
have.

- make it more difficult for us to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;
- force us to dispose of one or more of our properties, possibly on unfavorable terms (including the possible application of the 100% tax on income from prohibited transactions, discussed below in “—Risks Related to Our Structure”) or in violation of certain covenants to which we may be subject;
- subject us to increased sensitivity to interest rate increases;
- make us more vulnerable to economic downturns, adverse industry conditions or catastrophic external events;
- limit our ability to withstand competitive pressures;
- limit our ability to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- reduce our flexibility in planning for or responding to changing business, industry and economic conditions; and/or
- place us at a competitive disadvantage to competitors that have relatively less debt than we have.

If any one of these consequences were to materialize, our financial condition, results of operations, cash flow and trading price of our common stock could be adversely affected. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code.

***We may be unable to refinance current or future indebtedness on favorable terms, if at all.***

We may not be able to refinance existing debt on terms as favorable as the terms of existing indebtedness, or at all, including as a result of increases in interest rates or a decline in the value of our portfolio or portions thereof. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, our operating cash flow will not be sufficient in all years to repay all maturing debt. As a result, certain of our other debt may default, we may be forced to postpone capital expenditures necessary for the maintenance of our properties, we may have to dispose of one or more properties on terms that would otherwise be unacceptable to us or we may be forced to allow the mortgage holder to foreclose on a property. Foreclosure on mortgaged properties or an inability to refinance existing indebtedness would likely have a negative impact on our financial condition and results of operations and could adversely affect our ability to make distributions to our stockholders.

***Our debt agreements include restrictive covenants, which could limit our flexibility and our ability to make distributions.***

Our debt agreements, including our lines of credit, contain customary negative covenants that, among other things, limit our ability, without the prior consent of the lender, to further mortgage the property, to reduce or change insurance coverage or to engage in material asset sales, mergers, consolidations and acquisitions. Our debt agreements require certain mandatory prepayments upon disposition of underlying collateral. Early repayments of certain debt are subject to prepayment penalties. Failure to comply with these covenants could cause a default under the agreements and result in a requirement to repay the indebtedness prior to its maturity, which could have an adverse effect on our cash flow and ability to make distributions to our stockholders. In addition, loan documents may limit our ability to replace a property's property manager or terminate certain operating or lease agreements related to a property. These or other limitations would decrease our operating flexibility and our ability to achieve our operating objectives.

***If we are required to make payments under any “bad boy” carve out guarantees that we have provided in connection with certain mortgages and related loans, our business and financial results could be materially adversely affected.***

In obtaining certain non-recourse loans, we have provided our lenders with standard carve out guarantees. These guarantees are only applicable if and when the borrower directly, or indirectly through an agreement with an affiliate, joint venture partner or other third party, voluntarily files a bankruptcy or similar liquidation or reorganization action or takes other actions that are fraudulent or improper (commonly referred to as “bad boy” guarantees). Although we believe that “bad boy” carve out guarantees are not guarantees of payment in the event of foreclosure or other actions of the foreclosing lender that are beyond the borrower's control, some lenders in the real estate industry have recently sought to make claims for payment under such guarantees. In the event such a claim were made against us under a “bad boy” carve out guarantee, following foreclosure on mortgages or related loans, and such claim were successful, our business and financial results could be materially adversely affected.

***Derivatives and hedging activity could adversely affect cash flow.***

In the normal course of business, we use derivatives to manage our exposure to interest rate volatility on debt instruments, including hedging for future debt issuances. At other times, we may utilize derivatives to increase our exposure to floating interest rates. However, these hedging arrangements may not have the desired beneficial impact. Hedging arrangements, which can include a number of counterparties, may expose us to additional risks, including failure of any of our counterparties to perform under these contracts, and may involve extensive costs, such as transaction fees or, if we terminate them, breakage costs. No strategy can completely insulate us from the risks associated with interest rate fluctuations.

**Risks Related to Our Structure**

***The Chapter 11 bankruptcy filing by Highland Capital Management, L.P. ("Highland") may have materially adverse consequences on our business, financial condition and results of operations.***

On October 16, 2019, Highland, a former affiliate of our Sponsor, filed for Chapter 11 bankruptcy protection with the United States Bankruptcy Court for the District of Delaware (the "Highland Bankruptcy"), which was subsequently transferred to the United States Bankruptcy Court for the Northern District of Texas (the "Bankruptcy Court"). On January 9, 2020, the Bankruptcy Court approved a change of control of Highland, which involved the resignation of James Dondero as the sole director of, and the appointment of an independent board to, Highland's general partner. On September 21, 2020, Highland filed a plan of reorganization and disclosure statement with the Bankruptcy Court, which was subsequently amended (the "Fifth Amended Plan of Reorganization").

On October 9, 2020, Mr. Dondero resigned as an employee of Highland and as portfolio manager for all Highland-advised funds. As a result of these changes, our Sponsor is no longer under common control with Highland and therefore Highland is no longer affiliated with us. On February 22, 2021, the Bankruptcy Court entered an order confirming Highland's Fifth Amended Plan of Reorganization (the "Plan"), which became effective on August 11, 2021. On October 15, 2021, Marc S. Kirschner, as litigation trustee of a litigation subtrust formed pursuant to the Plan, filed a lawsuit (the "Bankruptcy Trust Lawsuit") against various persons and entities, including our Sponsor and James Dondero. The Bankruptcy Trust Lawsuit does not include claims related to our business or our assets or operations. **On March 27, 2023, Marc S. Kirschner filed a motion seeking to voluntarily stay the Bankruptcy Trust Lawsuit, which motion was granted on April 4, 2023. As of January 30, 2024, the Bankruptcy Trust Lawsuit continues to be stayed.**

The Highland Bankruptcy and lawsuits filed in connection therewith, including the Bankruptcy Trust Lawsuit, could expose our Sponsor, our Adviser, our affiliates, our management and/or us to negative publicity, which might adversely affect our reputation and/or investor confidence in us, and/or future debt or equity capital raising activities. In addition, the Highland Bankruptcy and the Bankruptcy Trust Lawsuit may be both time consuming and disruptive to our operations and cause significant diversion of management attention and resources which may materially and adversely affect our business, financial condition and results of operations. Further, the Highland Bankruptcy has and may continue to expose our Sponsor, our Adviser and our affiliates to claims arising out of our former relationship with Highland that could have an adverse effect on our business, financial condition and results of operations.

***Litigation against James Dondero and others may have materially adverse consequences on our business, financial condition and results of operations.***

On February 8, 2023, UBS Securities LLC and its affiliate (collectively, "UBS") filed a lawsuit in the Supreme Court of the State of New York, County of New York against Mr. Dondero and a number of other persons and entities seeking to collect on \$1.3 billion in judgments UBS obtained against entities that were managed indirectly by Highland (the "UBS Lawsuit"). The UBS Lawsuit does not include claims related to our business or our assets. While neither our Sponsor nor our Adviser are parties to the UBS Lawsuit, these proceedings could expose our Sponsor, our Adviser, our affiliates, our management and/or us to negative publicity, which might adversely affect our reputation and/or investor confidence in us, and/or future debt or equity capital raising activities. In addition, the UBS Lawsuit may be both time consuming and disruptive to our operations and cause significant diversion of management attention and resources which may materially and adversely affect our business, financial condition and results of operations. The Board has formed an independent special committee to oversee a review of the UBS Lawsuit and its potential impact on the Company. **See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview" below for additional information.**

***We depend upon key personnel of our Adviser and its affiliates and our property manager.***

We are an externally managed REIT and therefore we do not have any internal management capacity and only have accounting employees. We also depend on BH for our property management and construction services. We depend to a significant degree on the diligence, skill and network of business contacts of the management team and other key personnel of our Adviser and of our property manager to achieve our investment objectives, including Messrs. Dondero, Mitts, McGraner **Goetz** and Sauter, all of whom may be difficult

---

to replace. We expect that our Adviser will evaluate, negotiate, structure, close and monitor our investments in accordance with the terms of the Advisory Agreement.

We also depend upon the senior professionals of our Adviser and our property manager to maintain relationships with sources of potential investments, and we rely upon these relationships to provide us with potential investment opportunities. We cannot assure you that these individuals will continue to provide indirect investment advice to us. If these individuals, including the members of the management team of our Adviser, do not maintain their existing relationships with our Adviser, maintain existing relationships or develop new relationships with other sources of investment opportunities, we may not be able to grow our investment portfolio. In addition, individuals with whom the senior professionals of our Adviser and our property manager have relationships are not obligated to provide us with investment opportunities. Therefore, we can offer no assurance that such relationships will generate investment opportunities for us.

***We may not replicate the historical results achieved by other entities managed or sponsored by affiliates of our Adviser, members of our Adviser's management team or by Highland or its affiliates.***

Our primary focus in making investments generally differs from that of existing investment funds, accounts or other investment vehicles that are or have been managed by affiliates of our Adviser, members of our Adviser's management team or sponsored by our former affiliate Highland or its affiliates. In addition, the previously sponsored investment programs by Highland were significantly different from us in terms of targeted assets, regulatory structure and limitations, investment strategy and objectives and investment personnel. Past performance is not a guarantee of future results, and there can be no assurance that we will achieve comparable results of those Highland affiliates. We also cannot assure you that we will replicate the historical results achieved by entities managed by affiliates of our Adviser or members of the management team, and we caution

you that our investment returns could be substantially lower than the returns achieved by them in prior periods. Additionally, all or a portion of the prior results may have been achieved in particular market conditions which may never be repeated.

***Our Adviser can resign on 30 days' notice from its role as adviser, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business, and results of operations and cash flows.***

The Advisory Agreement gives our Adviser the right to resign after giving not more than 60 nor less than 30 days' written notice, whether we have found a replacement or not. If our Adviser resigns, we may not be able to find a new adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 30 to 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption and our financial condition, business and results of operations, as well as our ability to pay distributions, are likely to be adversely affected. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the experience possessed by our Adviser and its affiliates. Even if we are able to retain comparable management, the integration of such management and its lack of familiarity with our investment objectives may result in additional costs and time delays that may adversely affect our business, financial condition, results of operations and cash flows.

***You will have limited control over changes in our policies and operations, which increases the uncertainty and risks you face as a stockholder.***

Our Board determines our major policies, including our policies regarding financing, growth, debt capitalization, REIT qualification and distributions. Our Board may amend or revise these and other policies without your vote. Our Board's broad discretion in setting policies and your inability to exert control over those policies increases the uncertainty and risks you face as a stockholder.

***We may change our targeted investments without stockholder consent.***

We expect our portfolio of investments in commercial real estate to consist primarily of multifamily properties. Though this is our current target portfolio, we may make adjustments to our target portfolio based on real estate market conditions and investment opportunities, and we may change our targeted investments and investment guidelines at any time without the consent of our stockholders. Any such change could result in us making investments that are different from, and possibly riskier than, the investments described in this **annual report**. **Annual Report**. These policies may change over time. A change in our targeted investments or investment guidelines, which may occur without notice to you or without your consent, may increase our exposure to interest rate risk, default risk and real

30

---

estate market fluctuations, all of which could adversely affect the value of our common stock and our ability to make distributions to you. We intend to disclose any changes in our investment policies in our next required periodic report, if any.

***We pay substantial fees and expenses to our Adviser and its affiliates and to our property manager, which payments increase the risk that you will not earn a profit on your investment.***

Pursuant to the Advisory Agreement, we pay significant fees to our Adviser and its affiliates. Those fees include advisory and administrative fees and obligations to reimburse our Adviser and its affiliates for expenses they incur in connection with providing services to us, including certain personnel services.

Additionally, pursuant to the **management agreements** **Management Agreements** we have entered into with BH, we pay significant fees to BH. These fees include property management fees, construction management and other customary property manager fees.

***If we internalize our management functions, the percentage of our outstanding common stock owned by our other stockholders could be reduced, and we could incur other significant costs associated with being self-managed.***

In the future, our Board may consider internalizing the functions performed for us by our Adviser by, among other methods, acquiring our Adviser's assets. The method by which we could internalize these functions could take many forms. There is no assurance that internalizing our management functions will be beneficial to us and our stockholders. An acquisition of our Adviser could result in a dilution of your interests as a stockholder and could reduce earnings per share and FFO, Core FFO and AFFO per

share. Additionally, we may not realize the perceived benefits, we may not be able to properly integrate a new staff of managers and employees or we may not be able to effectively replicate the services provided previously by our Adviser, property manager or their affiliates. Internalization transactions, including without limitation, transactions involving the acquisition of affiliated advisers or property managers have also, in some cases, been the subject of litigation. Even if these claims are without merit, we could be forced to spend significant amounts of money defending claims that would reduce the amount of funds available for us to invest in properties or other investments and to pay distributions. All of these factors could have a material adverse effect on our results of operations, financial condition and ability to pay distributions.

***There are significant potential conflicts of interest that could affect our investment returns.***

As a result of our arrangements with our Adviser, there may be times when our Adviser or its affiliates have interests that differ from those of our stockholders, giving rise to a conflict of interest.

Our directors and management team serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment funds managed by our Adviser or its affiliates. Similarly, our Adviser or its affiliates may have other clients with similar, different or competing investment objectives, including, but not limited to, **NexPoint Real Estate Finance, Inc.**, **VineBrook Homes Trust, Inc.**, **NexPoint Homes Trust, Inc.**, and **NexPoint Diversified Real Estate Trust**. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interest of us or our stockholders. For example, the management team of our Adviser has, and will continue to have, management responsibilities for other investment funds, accounts or other

investment vehicles managed or sponsored by our Adviser or its affiliates. Our investment objectives may overlap with the investment objectives of such affiliated investment funds, accounts or other investment vehicles. As a result, those individuals may face conflicts in the allocation of investment opportunities among us and other investment funds or accounts advised by or affiliated with our Adviser. Our Adviser will seek to allocate investment opportunities among eligible accounts in a manner consistent with its allocation policy. However, we can offer no assurance that such opportunities will be allocated to us fairly or equitably in the short-term or over time.

Additionally, under the Advisory Agreement, our Adviser does not assume any responsibility to us other than to render the services called for under that agreement, and it will not be responsible for any action of our Board in following or declining to follow our Adviser's advice or recommendations. In addition, we have agreed to indemnify our Adviser and each of its officers, directors, members, managers and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Advisory Agreement, except where attributable to gross negligence, willful misconduct, bad faith or reckless disregard of such person's duties under the Advisory Agreement. These protections may lead our Adviser to act in a riskier manner when acting on our behalf than it would when acting for its own account.

***Our Adviser faces conflicts of interest relating to the fee structure under our Advisory Agreement, which could result in actions that are not necessarily in the long-term best interest of our stockholders.***

Under our Advisory Agreement, our Adviser or its affiliates is entitled to fees that are structured in a manner intended to provide incentives to our Adviser to perform in our best interest and in the best interest of our stockholders. However, because our

31

---

Adviser is entitled to receive substantial compensation regardless of performance, our Adviser's interests are not wholly aligned with those of our stockholders. In that regard, our Adviser could be motivated to recommend riskier or more speculative investments that would entitle our Adviser to the highest fees. For example, because advisory and administrative fees payable to our Adviser are based on our total real estate assets, including any form of investment leverage, our Adviser may have an incentive to incur a high level of leverage or to acquire properties on less than favorable terms in order to increase the total amount of real estate assets under management. In addition, our Adviser's ability to receive higher fees and reimbursements depends on our continued investment in real properties. Therefore, the interest of our Adviser and its affiliates in receiving fees may conflict with the interest of our stockholders in earning income on their investment in our common stock.

***Our Adviser, Sponsor and their officers and employees face competing demands relating to their time, and this may cause our operating results to suffer.***

Our Adviser, our Sponsor and their officers and employees and their respective affiliates are key personnel, general partners, sponsors, managers, owners and advisers of other real estate investment programs, including investment products sponsored by affiliates of our Adviser, some of which have investment objectives and legal and financial obligations similar to ours and may have other business interests as well. Because these persons have competing demands on their time and resources, they may have conflicts of interest in allocating their time between our business and these other activities. If this occurs, the returns on our investments may suffer.

***We may compete with other entities affiliated with our Sponsor and property manager for tenants, residents.***

Neither our Sponsor and its affiliates nor BH and its affiliates is prohibited from engaging, directly or indirectly, in any other business or from possessing interests in any other business venture, including ventures involved in the acquisition, development, ownership, management, leasing or sale of real estate, including properties in the vicinity of the properties in our portfolio. Our Sponsor and/or its affiliates and BH and its affiliates may own and/or manage properties in the same geographical areas in which we currently own and expect to acquire real estate assets. Therefore, our properties may compete for tenants, residents with other properties owned and/or managed by our Sponsor and its affiliates and BH and its affiliates. Our Sponsor and BH may face conflicts of interest when evaluating tenant, resident opportunities for our properties and other properties owned and/or managed by our Sponsor and its affiliates and BH and its affiliates, and these conflicts of interest may have a negative impact on our ability to attract and retain tenants, residents.

#### **Risks Related to Legal, Regulatory, Tax and Accounting**

***Our failure to qualify as a REIT for U.S federal income tax purposes would reduce the amount of income we have available for distribution and limit our ability to make distributions to our stockholders.***

We have elected to be taxed as a REIT under the Code. Our qualification as a REIT depends upon our ability to meet requirements, some on an annual and quarterly basis, regarding our organization and ownership, distributions of our income, the nature and diversification of our income and assets and other tests imposed by the Code. Meeting some of these requirements may involve the determination of various factual matters and circumstances not entirely within our control. The REIT qualification requirements are extremely complex and interpretation of the U.S. federal income tax laws governing qualification as a REIT is limited. Furthermore, future legislative, judicial or administrative changes to the U.S. federal income tax laws could be applied retroactively, which could result in our disqualification as a REIT. We believe we have been and are organized and qualify as a REIT, and we intend to operate in a manner that will permit us to continue to qualify as a REIT. However, we cannot assure you that we have qualified as a REIT, or that we will remain qualified as a REIT in the future.

If we were to fail to qualify as a REIT for any taxable year, we would be subject to U.S. federal income tax on our taxable income at corporate rates, could be subject to increased state and local taxes and dividends paid to our stockholders would not be deductible by us in computing our taxable income. Any resulting corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of shares of our common stock. Unless we were entitled to relief under certain Code provisions, we also would be disqualified from taxation as a REIT and would not be allowed to re-elect REIT status for the four taxable years following the year in which we failed to qualify as a REIT. The additional tax liability from the failure to qualify as a REIT would reduce or eliminate the amount of

cash available for investment or distribution to our stockholders. This would materially and adversely affect us. In addition, we would no longer be required to make distributions to our stockholders.

#### **The rule against re-electing**

Furthermore, we may acquire additional direct or indirect interests in one or more entities that will elect to be taxed as REITs under the Code (each, a "Subsidiary REIT"). A Subsidiary REIT status following is subject to the various REIT qualification requirements and other limitations described herein that are applicable to us. If a loss of such status would also apply to us if NREO failed to qualify as a Subsidiary REIT for its taxable years ending on or before December 31, 2015, because we are treated as a successor to NREO for U.S. federal income tax purposes. Although NREO has represented to us that it has no knowledge of any fact or circumstance that would cause us were to fail to qualify as a REIT, then (i) that Subsidiary REIT would become subject to U.S. federal income tax and covenanted in (ii) the agreement between us Subsidiary REIT's failure to qualify could have an adverse effect on

---

our ability to comply with the REIT income and asset tests, and thus could impair our Adviser to use its reasonable best efforts to maintain its REIT status for each of NREO's taxable years ending on or before December 31, 2015, no assurance can be given that such representation and covenant would prevent us from failing ability to qualify as a REIT. Although, in the event REIT unless we could avail ourselves of a breach, we may be able to seek damages from NHF and NREO, there can be no assurance that such damages, if any, would appropriately compensate us certain relief provisions.

**If our operating partnership failed to qualify as a partnership or is not otherwise disregarded for U.S. federal income tax purposes, we would cease to qualify as a REIT.**

Our OP operating partnership intends to qualify as a partnership for U.S. federal income tax purposes, and intends to take that position for all income tax reporting purposes. We cannot assure you, however, that the IRS will not challenge the status of our OP operating partnership or any other subsidiary partnership in which we own an interest as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If classified as a partnership, our OP operating partnership generally will not be a taxable entity and will not incur any U.S. federal income tax liability. Instead, each of its partners, including us, will be allocated, and may be required to pay tax with respect to, its share of our operating partnership's income. However, our OP operating partnership would be treated as a corporation for U.S. federal income tax purposes if it was a "publicly traded partnership," unless at least 90% of its income was qualifying income as defined in the Code. A "publicly traded partnership" is a partnership whose partnership interests are traded on an established securities market or are readily tradable on a secondary market (or the substantial equivalent thereof). Although our OP's operating partnership's partnership units are not traded on an established securities market, the OP's operating partnership's units could be viewed as readily tradable on a secondary market (or the substantial equivalent thereof), and our OP operating partnership may not qualify for one of the "safe harbors" under the applicable tax regulations. Qualifying income for the 90% test generally includes passive income, such as real property rents, dividends and interest. The income requirements applicable to REITs and the definition of qualifying income for purposes of this 90% test are similar in most respects. Our OP operating partnership may not meet this qualifying income test. If our OP operating partnership were to be taxed as a corporation, it would incur substantial tax liabilities, and we would then fail to qualify as a REIT for U.S. federal income

tax purposes, unless we qualified for relief under certain statutory savings provisions, and our ability to raise additional capital and pay distributions to our stockholders would be impaired.

#### **Complying with REIT requirements may force us to liquidate otherwise attractive investments.**

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our capital stock. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our performance. In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets, including certain mortgage loans and mortgage-backed securities. The remainder of our investment in securities (other than government securities, securities of TRSs and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities, securities of TRSs and qualified real estate assets) can consist of the securities of any one issuer, and no more than 20% of the value of our total assets can be represented by securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate, or contribute to a TRS, otherwise attractive investments from our portfolio, portfolio, and may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the tests for qualifying as a REIT. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

#### **Complying with REIT requirements may limit our ability to hedge our liabilities effectively and may cause us to incur tax liabilities.**

The REIT provisions of the Code may limit our ability to hedge our liabilities. Any income from a hedging transaction we enter into to manage risk of interest rate changes, price changes or currency fluctuations with respect to borrowings made or to be made to acquire or carry real estate assets or to offset certain other positions, if properly identified under applicable Treasury Regulations, does not constitute "gross income" for purposes of the 75% or 95% gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions will likely be treated as non-qualifying income for purposes of the 75% or 95% gross income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because

our TRSs would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses from hedges held in a TRS generally will not provide any tax benefit, except for being carried forward against future taxable income of such TRS.

***Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flows.***

Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes or non-U.S. taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. In addition, our TRS and any TRS we form in the future will be

---

subject to corporate U.S. federal, state and local taxes. State, local and non-U.S. income tax laws may differ substantially from the corresponding U.S. federal income tax laws. Any of these taxes would decrease cash available for distributions to stockholders. Prospective investors are urged to consult their tax advisors regarding the effect of the other U.S. federal, state, local and non-U.S. tax laws on an investment in our stock.

***Our ownership of interests in TRSs raises certain tax risks.***

A TRS is a corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a TRS. A TRS also includes any corporation other than a REIT with respect to which a TRS owns securities possessing more than 35% of the total voting power or value of the outstanding securities of such corporation. Other than some activities relating to lodging and health care facilities, a TRS may generally engage in any business, including the provision of customary or non-customary services to tenants residents of its parent REIT. A TRS is subject to income tax as a regular C corporation. We currently own interests in a TRS and may acquire securities in additional TRSs in the future.

We will be required to pay a 100% tax on any "redetermined rents," "redetermined deductions," "excess interest" or "redetermined TRS service income." In general, redetermined rents are rents from real property that are overstated as a result of services furnished to any of our tenants residents by a TRS of ours. Redetermined deductions and excess interest generally represent amounts that are deducted by a TRS of ours for amounts paid to us that are in excess of the amounts that would have been deducted based on arm's-length negotiations. Redetermined TRS service income generally represents amounts by which the gross income of a TRS attributable to its services for or on behalf of us (other than to a tenant resident of ours) would be increased based on arm's length negotiations.

Our TRS is and any TRS we acquire in the future will be subject to corporate income tax at the U.S. federal, state and local levels, (including on the gain realized from the sale of property held by it, as well as on income earned while such property is operated by the TRS). This tax obligation, if material, would diminish the amount of the proceeds from the sale or operation of such property, or other income earned through the TRS, that would be distributable to our stockholders. U.S. federal, state and local corporate income tax rates may be increased in the future, and any such increase would reduce the amount of the net proceeds available for distribution by us to our stockholders from the sale of property or other income earned through a TRS after the effective date of any increase in such tax rates. We do not anticipate material income tax obligations in connection with our ownership of interests in TRSs.

As a REIT, the value of our interests in our TRSs generally may not exceed 20% of the total value of our total assets at the end of any calendar quarter. If the IRS were to determine that the value of our interests in all of our TRSs exceeded this limit at the end of any calendar quarter, then we would fail to qualify as a REIT. If we determine it to be in our best interest to own a substantial number of our properties through one or more TRSs, then it is possible that the IRS may conclude that the value of our interests in our TRSs exceeds 20% of the value of our total assets at the end of any calendar quarter and therefore cause us to fail to qualify as a REIT. Additionally, as a REIT, no more than 25% of our gross income with respect to any year may, in general, be from sources other than certain real estate-related assets. Dividends paid to us from a TRS are typically considered to be non-real estate income. Therefore, we may fail to qualify as a REIT if dividends from all of our TRSs, when aggregated with all other non-real estate income with respect to any one year, are more than 25% of our gross income with respect to such year.

***The sale of certain properties could result in significant tax liabilities unless we are able to defer the taxable gain through 1031 Exchanges.***

In general, we structure asset sales for possible inclusion in 1031 Exchanges. The ability to complete a 1031 Exchange depends on many factors, including, among others, identifying and acquiring suitable replacement property within limited time periods, and the ownership structure of the properties being sold and acquired. Therefore, we are not always able to sell an asset as part of a 1031 Exchange. When successful, a 1031 Exchange enables us to defer the taxable gain on the asset sold. If we cannot defer the taxable gain resulting from the sales of certain properties, our business, financial condition, results of operations and cash flow, the market price per share of our common stock and our ability to satisfy our debt service obligations and make distributions to our stockholders could be materially and adversely affected.

***Certain of our business activities are potentially subject to the prohibited transaction tax, which could reduce the return on your investment.***

For so long as we qualify as a REIT, our ability to dispose of property during the first few years following its acquisition may be restricted to a substantial extent as a result of our REIT qualification. Under applicable provisions of the Code regarding prohibited transactions by REITs, while we qualify as a REIT, we will be subject to a 100% penalty tax on any gain recognized on the sale or other disposition of any property (other than foreclosure property) that we own or hold an interest in, directly or indirectly through any

subsidiary entity, including our operating partnership, but generally excluding TRSs, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of a trade or business. Whether property is inventory or otherwise held primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances surrounding each property. During such time as we qualify as a REIT, we intend to avoid the 100% prohibited transaction tax by (1) conducting activities that may otherwise be considered prohibited transactions through a TRS (but such TRS will incur corporate rate income taxes with respect to any income or gain recognized by it), (2) conducting our operations in such a manner so that no sale or other disposition of an asset we own or hold an interest in, directly or through any subsidiary, will be treated as a prohibited transaction, or (3) structuring certain dispositions of our properties to comply with the requirements of the prohibited transaction safe harbor available under the Code for properties that, among other requirements, have been held for at least two years. No assurance can be given that any particular property that we own or hold an interest in, directly or through any subsidiary entity, including our operating partnership, but generally excluding TRSs, will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business.

The 100% tax described above may limit our ability to enter into transactions that would otherwise be beneficial to us. For example, if circumstances make it not profitable or otherwise uneconomical for us to remain in certain states or geographical markets, the 100% tax could delay our ability to exit those states or markets by selling our assets in those states or markets other than through a TRS, which could harm our operating profits.

**To continue qualifying as a REIT, we must meet annual distribution requirements, which may force us to forgo otherwise attractive opportunities or borrow funds during unfavorable market conditions. This could delay or hinder our ability to meet our investment objectives and reduce your overall return.**

In order to qualify as a REIT, we must distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and

excluding net capital gain. **To the extent that we satisfy this distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income. We will also be subject to U.S. federal income tax on our undistributed REIT taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (1) 85% of our ordinary income, (2) 95% of our capital gain net income and (3) 100% of our undistributed income from prior years.** These requirements could cause us to distribute amounts that otherwise would be spent on investments in real estate assets and it is possible that we might be required to borrow funds, possibly at unfavorable rates, or sell assets to fund these distributions. **Our access to third-party sources of capital depends on a number of factors, including the market's perception of our growth potential, our current debt levels, and our current and potential future earnings. We cannot assure you that we will have access to such capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, and could adversely affect our financial condition, results of operations, cash flow and the value of our securities.** Certain types of assets generate substantial mismatches between REIT taxable income and available cash. Such assets include rental real estate that has been financed through financing structures which require some or all of available cash flows to be used to service borrowings. As a result, the requirement to distribute a substantial portion of our REIT taxable income could cause us to: (1) sell assets in adverse market conditions; (2) raise capital on unfavorable terms; or (3) distribute amounts that would otherwise be invested in future acquisitions, expansions or developments, capital expenditures or repayment of debt, in order to comply with REIT requirements. Further, amounts distributed will not be available to fund our operations. Under certain circumstances, covenants and provisions in our existing and future debt instruments may prevent us from making distributions that we deem necessary to comply with REIT requirements. It is possible that we might not always be able to make distributions sufficient to meet the annual distribution requirements and to avoid U.S. federal income and excise taxes on our earnings while we qualify as a REIT. Furthermore, our inability to make required distributions could threaten our status as a REIT and could result in material adverse tax consequences for us and our stockholders. Alternatively, we may make taxable in-kind distributions of our own stock, which may cause our stockholders to be required to pay income taxes with respect to such distributions in excess of any cash they receive, or we may be required to withhold taxes with respect to such distributions in excess of any cash our stockholders receive.

**Dividends payable by REITs generally do not qualify for the reduced tax rates available for some dividends.**

Income from "qualified dividends" payable to U.S. stockholders that are individuals, trusts, and estates is generally subject to tax at reduced rates. Currently, the maximum tax rate applicable to qualified dividend income payable to U.S. stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs, however, generally are not eligible for this reduced rate. Distributions from REITs that are treated as dividends but are not designated as qualified dividends or capital gain dividends are treated as ordinary income. For taxable years beginning before January 1, 2026, distributions from REITs that are treated as dividends but are not designated as qualified dividends or capital gain dividends are taxed as ordinary income after deducting 20% of the amount of the dividend in the case of non-corporate stockholders. To qualify for this deduction, the U.S. stockholder receiving such dividends must hold the dividend-paying REIT stock for at least 46 days taking into account certain special holding period rules) of the 91-day period beginning 45 days before the stock becomes ex-dividend and cannot be under an obligation to make related payments with respect to a position in substantially similar or related property. At the current maximum ordinary income tax rate of 37% applicable for taxable

perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock. In addition, certain U.S. stockholders may be subject to a 3.8% Medicare tax on dividends payable by REITs. Tax rates could be changed in future legislation.

***The share ownership restrictions of the Code for REITs and the 6.2% share ownership limit in our charter may inhibit market activity in shares of our stock and restrict our business combination opportunities.***

In order to qualify as a REIT, five or fewer individuals, as defined in the Code, may not own, actually or constructively, more than 50% in value of our issued and outstanding shares of stock at any time during the last half of each taxable year, other than the first year for which a REIT election is made. Attribution rules in the Code determine if any individual or entity actually or constructively owns shares of our common stock **under for purposes of this requirement, ownership limitation.** Additionally, at least 100 persons must beneficially own shares of our common stock during at least 335 days of a taxable year for each taxable year, other than the first year for which a REIT election is made. To help ensure that we meet these tests, among other purposes, our charter restricts the acquisition, **ownership and ownership transfer** of shares of our common stock.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT while we so qualify. Unless exempted by our Board (prospectively or retroactively), for so long as we qualify as a REIT, our charter prohibits, among other limitations on ownership and transfer of shares of our stock, any person from beneficially or constructively owning (applying certain attribution rules under the Code) more than 6.2% in value of the aggregate of the outstanding shares of our capital stock and more than 6.2% (in value or in number of shares, whichever is more restrictive) of the outstanding shares of our common stock. Our Board may not grant an exemption from these restrictions to any proposed transferee whose ownership in excess of the 6.2% ownership limit would result in our failing to qualify as a REIT. Our Board granted a waiver from the ownership limits for Jim Dondero and certain of his affiliates, and may grant additional waivers in the future. These waivers will be subject to certain initial and ongoing conditions **in our charter** designed to protect our status as a **REIT.** REIT, including providing that any ownership or purported transfer of our shares in violation of the foregoing restrictions will result in the shares so owned or transferred being automatically transferred to a charitable trust for the benefit of a charitable beneficiary, and the purported owner or transferee acquiring no rights in such shares. Furthermore, if a transfer of our shares would result in our shares being beneficially owned by fewer than 100 persons or the transfer to a charitable trust would be ineffective for any reason to prevent a violation of the other restrictions on ownership and transfer of our shares, the transfer resulting in such violation will be void ab initio. These restrictions on transferability and ownership will not apply, however, if our Board determines that it is no longer in our best interest to qualify as a REIT or that compliance with the restrictions is no longer required in order for us to so qualify as a REIT.

These ownership limits could delay or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of the stockholders.

***The ability of the Board to revoke our REIT qualification without stockholder approval may cause adverse consequences to our stockholders.***

Our charter provides that our Board may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we will not be allowed a deduction for dividends paid to stockholders in computing our taxable income and will be subject to U.S. federal income tax at corporate rates and state and local taxes, which may have adverse consequences on our total return to our stockholders.

***New legislation or administrative or judicial action, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify or remain qualified as a REIT.***

The U.S. federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in us. The U.S. federal income tax rules dealing with REITs are constantly under review by persons involved in the legislative process, the IRS and the U.S. Department of the Treasury, which could result in statutory changes as well as frequent revisions to regulations and interpretations. There can be no assurance that future changes to the U.S. federal income tax laws or regulatory changes will not be proposed or enacted that could impact our business and financial results. If enacted, certain of such changes could have an adverse impact on our business and financial results.

We cannot predict whether, when or to what extent any new U.S. federal tax laws, regulations, interpretations or rulings will impact the real estate investment industry or REITs. Prospective investors are urged to consult their tax advisors regarding potential future changes to the U.S. federal tax laws on an investment in our stock.

---

***Foreign investors may be subject to U.S. federal withholding tax and may be subject to U.S. federal income tax on distributions received from us and upon disposition of shares of our common stock.***

Subject to certain exceptions, distributions received from us will be treated as dividends of ordinary income to the extent of our current or accumulated earnings and profits. Such dividends paid to a non-U.S. stockholder ordinarily will be subject to U.S. withholding tax at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty, unless the distributions are treated as "effectively connected" with the conduct by the non-U.S. stockholder of a U.S. trade or business. Pursuant to the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"), capital gain distributions attributable to sales or exchanges of "U.S. real property interests" ("USRPIs"), generally will be taxed to a non-U.S. stockholder as if such gain were effectively connected with a U.S. trade or business. However, a capital gain dividend will not be treated as effectively connected income if (1) the distribution is received with respect to a class of stock that is regularly traded on an established securities market located in the United States and (2) the non-U.S. stockholder does not own more than 10% of the class of our stock at any time during the one-year period ending on the date the distribution is received.

Gain recognized by a non-U.S. stockholder upon the sale or exchange of our common stock generally will not be subject to U.S. federal income taxation unless such stock constitutes a USRPI under FIRPTA. Our common stock will not constitute a USRPI so long as we are a "domestically-controlled" REIT. A REIT is "domestically controlled" if

less than 50% of the REIT's stock, by value, has been owned directly or indirectly by persons who are not qualifying U.S. persons during a continuous five-year period ending on the date of disposition or, if shorter, during the entire period of the REIT's existence. We cannot assure you that we will qualify as a "domestically controlled" REIT. If we were to fail to so qualify, gain realized by foreign investors on a sale of shares of our stock would be subject to FIRPTA tax, unless the shares of our stock were traded on an established securities market and the foreign investor did not at any time during a specified testing period directly or indirectly own more than 10% of the value of our outstanding common stock.

**We and our subsidiaries and stockholders may be subject to state, local or foreign tax filing and payment obligations taxation in various jurisdictions including those in which we or they transact business, own property or reside.**

We may own assets located in, or transact business in, numerous jurisdictions, and may be required to file tax returns in some or all of those jurisdictions. Our state, local or foreign tax treatment and that of our stockholders may not conform to the U.S. federal income tax treatment discussed above. Prospective investors should consult their tax advisors regarding the application and effect of state and local income and other tax laws on an investment in our stock.

#### Risks Related to the Ownership of our Common Stock

**Our common stock is listed on the NYSE and broad market fluctuations could negatively affect the market price of our stock.**

We have listed shares of our common stock on the NYSE under the symbol "NXRT." The price of NXRT common stock may fluctuate significantly. Further, the market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future. Some of the factors that could affect our stock price or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly operating results;
- actual or anticipated variations in our quarterly operating results;
- changes in our operations or earnings estimates or publication of research reports about us or the real estate industry;
- changes in market valuations of similar companies;
- increases in or high interest rates that lead purchasers of our shares to demand a higher yield;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key management personnel;
- actions by institutional

stockholders;

•speculation in the press or investment community;

•the realization of any of the other risk factors presented in this Annual Report;

•the extent of investor interest in our securities;

•the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;

37

---

•our underlying asset value;

•investor confidence in the stock and bond markets, generally;

•changes in tax laws;

•future equity issuances;

•failure to meet income estimates; and

•failure to meet and maintain REIT qualifications.

- changes in our operations or earnings estimates or publication of research reports about us or the real estate industry;
- changes in market valuations of similar companies;
- increases in market interest rates that lead purchasers of our shares to demand a higher yield;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- speculation in the press or investment community;
- the realization of any of the other risk factors presented in this annual report;
- the extent of investor interest in our securities;
- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our underlying asset value;
- investor confidence in the stock and bond markets, generally;
- changes in tax laws;
- future equity issuances;
- failure to meet income estimates;
- failure to meet and maintain REIT qualifications; and
- general market and economic conditions, including inflation, rising interest rates and the COVID-19 pandemic.

In the past, class-action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management's attention and resources, which could have an adverse effect on our financial condition, results of operations, cash flow and trading price of our common stock.

***The form, timing and/or amount of dividend distributions in future periods may vary and be impacted by economic and other considerations.***

The form, timing and/or amount of dividend distributions will be declared at the discretion of our Board and will depend on actual cash flows from operations, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and other factors as our Board may consider relevant. Our Board may modify our dividend policy from time to time at its discretion.

***We may be unable to make distributions at expected levels, which could result in a decrease in the market price of our common stock.***

If sufficient cash is not available for distribution from our operations, we may have to fund distributions from working capital, borrow to provide funds for such distributions, reduce the amount of such distributions, or issue stock dividends. To the extent we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been. If cash available for distribution generated by our assets is less than we expect, our inability to make the expected distributions could result in a decrease in the market price of our common stock. In addition, if we make stock dividends in lieu of cash distributions, it may have a dilutive effect on the holdings of our stockholders.

All distributions are made at the discretion of our Board and are based upon, among other factors, our historical and projected results of operations, financial condition, cash flows and liquidity, maintenance of our REIT qualification and other tax considerations, capital expenditure and other expense obligations, debt covenants, contractual prohibitions or other limitations, applicable law and such other matters as our Board may deem relevant from time to time. We may not be able to make distributions in the future, and our inability to make distributions, or to make distributions at expected levels, could result in a decrease in the market price of our common stock.

***Our charter permits the Board to issue stock with terms that may subordinate the rights of our common stockholders or discourage a third party from acquiring us in a manner that could otherwise result in a premium price to our stockholders.***

Our Board may classify or reclassify any unissued shares of common stock or preferred stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of redemption of any such stock. Thus, our Board could authorize the issuance of preferred stock with terms and conditions that could have priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price to holders of our common stock.

***Future issuances of debt securities and equity securities may negatively affect the market price of shares of our common stock and, in the case of equity securities, may be dilutive to existing stockholders and could reduce the overall value of your investment.***

In the future, we may issue debt or equity securities or incur other financial obligations, including stock dividends and shares that may be issued in exchange for common units and equity plan shares/units. Upon liquidation, holders of our debt securities and other loans and preferred stock will receive a distribution of our available assets

before common stockholders. We are not required to offer any such additional debt or equity securities to existing stockholders on a preemptive basis. Therefore, additional common stock issuances, directly or through convertible or exchangeable securities (including common units and convertible preferred units), warrants or options, will dilute the holdings of our existing common stockholders and such issuances or the perception of such issuances may reduce the market price of shares of our common stock. Any convertible preferred units would have, and any series or class of our

preferred stock would likely have, a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to common stockholders.

Existing stockholders do not have preemptive rights to any shares we issue in the future. Our charter authorizes us to issue 600 million shares of capital stock, of which 500 million shares are designated as common stock and 100 million shares are designated as preferred stock. Our Board may increase the number of authorized shares of capital stock without stockholder approval. Our Board may elect to (1) sell additional shares in future public offerings; (2) issue equity interests in private offerings; (3) issue shares of our common stock under a long-term incentive plan to our directors, officers and other key employees (and those of our Adviser or its affiliates and our subsidiaries), our non-employee directors, and potentially certain non-employees who perform employee-type functions; (4) issue shares to our Adviser, its successors or assigns, in payment of an outstanding fee obligation or as consideration in a related-party transaction; or (5) issue shares of our common stock to sellers of properties we acquire in connection with an exchange of OP Units. To the extent we issue additional equity interests, your percentage ownership interest in us will be diluted. Further, depending upon the terms of such transactions, most notably the offering price per share, existing stockholders may also experience a dilution in the book value of their investment in us.

***Our rights and the rights of our stockholders to recover claims against our independent directors are limited, which could reduce your and our recovery against them if they negligently cause us to incur losses.***

Maryland law provides that a director has no liability in the capacity as a director if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in the company's best interest and with the care that an ordinarily prudent person in a like position would use under similar circumstances. As permitted by the Maryland General Corporation Law (the "MGCL"), our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or  
actual  
receipt of an  
improper  
benefit or  
profit in  
money,  
property or  
services; or  
• a final  
judgment  
based upon  
a finding of  
active and  
deliberate  
dishonesty  
by the  
director or  
officer that  
was  
material to  
the cause of  
action  
adjudicated.
- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

In addition, our charter authorizes us, and our bylaws require us, to indemnify our directors and officers for actions taken by them in those capacities and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding to the maximum extent permitted by Maryland law. We have entered into indemnification agreements with our directors and executive officers. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist

under common law. Accordingly, in the event that actions taken by any of our directors or officers are immune or exculpated from, or indemnified against, liability but which impede our performance, our stockholders' ability to recover damages from that director or officer will be limited.

***Our charter and bylaws contain provisions that may delay, defer or prevent an acquisition of our common stock or a change in control.***

Our charter and bylaws contain a number of provisions, the exercise or existence of which could delay, defer or prevent a transaction or a change in control that might involve a premium price for our stockholders or otherwise be in their best interest, including the following:

- ***Our Charter Contains Restrictions on the Ownership and Transfer of Our Stock.*** In order for us to qualify, and elect to be taxed, as a REIT, no more than 50% of the value of outstanding shares of our stock may be owned, beneficially or constructively, by five or fewer individuals at any time during the last half of each taxable year other than the first year for which we elect to be taxed as a REIT. Subject to certain exceptions, our charter prohibits any stockholder from owning beneficially or constructively more than 6.2% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock, or 6.2% in value of the aggregate of the outstanding shares of all classes or series of our stock. We refer to these restrictions collectively as the "ownership limits." The constructive ownership rules under the Code are complex and may cause the outstanding stock owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 6.2% of our outstanding shares of common stock or the outstanding shares of all classes or series of our stock by an individual or entity could cause that individual or entity or another individual or entity to own constructively in excess of the relevant ownership limits. Our charter also prohibits any person from owning shares of our stock that would result in our being "closely held" under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT. Any attempt to own or transfer shares of our common stock or of any of our other capital stock in violation of these restrictions may result in the shares being automatically transferred to a charitable trust or may be void. These ownership limits may prevent a third party from acquiring control of us if our Board does not grant an exemption from the ownership limits, even if our stockholders believe the change in control is in their best interest. Our Board granted a waiver from the ownership limits applicable to holders of our common stock to Jim Dondero and certain of his affiliates and may grant additional waivers in the future. These waivers will be subject to certain initial and ongoing conditions designed to protect our status as a REIT.

6.2% in value of the aggregate of the outstanding shares of all classes or series of our stock. We refer to these restrictions collectively as the "ownership limits." The constructive ownership rules under the Code are complex and may cause the outstanding stock owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 6.2% of our outstanding shares of common stock or the outstanding shares of all classes or series of our stock by an individual or entity could cause that individual or entity or another individual or entity to own constructively in excess of the relevant ownership limits. Our charter also prohibits any

person from owning shares of our stock that would result in our being "closely held" under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT. Any attempt to own or transfer shares of our common stock or of any of our other capital stock in violation of these restrictions may result in the shares being automatically transferred to a charitable trust or may be void. These ownership limits may prevent a third party from acquiring control of us if our Board does not grant an exemption from the ownership limits, even if our stockholders believe the change in control is in their best interest. Our Board granted a waiver from the ownership limits.

applicable to  
holders of our  
common  
stock

39

---

to Jim  
Dondoro and  
certain of his  
affiliates and  
may grant  
additional  
waivers in  
the future.  
These  
waivers will  
be subject to  
certain initial  
and ongoing  
conditions  
designed to  
protect our  
status as a  
REIT.

**•Our Board  
Has the  
Power to  
Cause Us to  
Issue  
Additional  
Shares of  
Our Stock  
without  
Stockholder  
Approval.**  
Our charter  
authorizes  
us to issue  
additional  
authorized  
but unissued  
shares of  
common or  
preferred  
stock. In  
addition, our  
Board may,  
without  
stockholder  
approval,  
amend our  
charter to  
increase the  
aggregate  
number of  
shares of  
shares of our

common stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued shares of common or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our Board may establish a series of shares of common or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for our shares of common stock or otherwise be in the best interest of our stockholders.

- **Our Board Has the Power to Cause Us to Issue Additional Shares of Our Stock without Stockholder Approval.** Our charter authorizes us to issue additional authorized but unissued shares of common or preferred stock. In addition, our Board may, without stockholder approval, amend our charter to increase the aggregate number of shares of our common stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued shares of common or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our Board may establish a series of shares of common or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for our shares of common stock or otherwise be in the best interest of our stockholders.

*Certain provisions of Maryland law may limit the ability of a third party to acquire control of us.*

Certain provisions of the MGCL may have the effect of inhibiting a third party from acquiring us or of impeding a change of control under circumstances that otherwise could provide our common stockholders with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

• "business combination" provisions that, subject to limitations, prohibit certain business combinations between an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding shares of voting stock or an affiliate or associate of the corporation who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation) or an affiliate of any interested stockholder and us for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes two super-majority stockholder voting requirements on these combinations; and

majority  
stockholder  
voting  
requirements  
on these  
combinations;  
and

•“control  
share”  
provisions  
that provide  
that holders  
of “control  
shares” of us  
(defined as  
voting shares  
of stock that,  
if aggregated  
with all other  
shares of  
stock owned  
or controlled  
by the  
acquirer,  
would entitle  
the acquirer  
to exercise  
one of three  
increasing  
ranges of  
voting power  
in electing  
directors)  
acquired in a  
“control  
share  
acquisition”  
(defined as  
the direct or  
indirect  
acquisition of  
issued and  
outstanding  
“control  
shares”)  
have no  
voting rights  
except to the  
extent  
approved by  
our  
stockholders  
by the  
affirmative  
vote of at  
least two-  
thirds of all of  
the votes  
entitled to be  
cast on the  
matter,  
excluding all  
interested  
shares.

• "control share" provisions that provide that holders of "control shares" of us (defined as voting shares of stock that, if aggregated with all other shares of stock owned or controlled by the acquirer, would entitle the acquirer to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of issued and outstanding "control shares") have no voting rights except to the extent

approved by our stockholders by the affirmative vote of at least two-thirds of all of the votes entitled to be cast on the matter, excluding all interested shares.

Pursuant to the Maryland Business Combination Act, our Board by resolution exempted from the provisions of the Maryland Business Combination Act all business combinations (1) between our Adviser, Jim Dondero and certain of his affiliates or their respective affiliates and us and (2) between any other person and us, provided that such business combination is first approved by our Board (including a majority of our directors who are not affiliates or associates of such person). Our bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of shares of our stock. There can be no assurance that these exemptions or resolutions will not be amended or eliminated at any time in the future.

Additionally, Title 3, Subtitle 8 of the MGCL permits our Board, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain takeover defenses, such as a classified board, some of which are not currently provided for in our charter or bylaws.

*Our bylaws designate the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders and provide that claims relating to causes of action under the Securities Act may only be brought in federal district courts, which could limit stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees and could discourage lawsuits against us and our directors, officers and employees.*

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that court does not have subject matter jurisdiction, any state court located within the state of Maryland, or, if all such state courts do not have subject matter jurisdiction, the United States District Court for the District of Maryland **Baltimore Division**, will be the sole and exclusive forum for (a) any Internal Corporate Claim, as such term is defined in the MGCL, or any successor provision thereof, (b) any derivative action or proceeding brought on behalf of the Corporation, (c) any action asserting a claim of breach of any duty owed by any director or officer or other employee of the Company to the Company or to the stockholders of the Company, (d) any action asserting a claim against the Company or any director or officer or other employee of the Company arising pursuant to any provision of the MGCL, the Charter or the Bylaws, (e) any action or proceeding to interpret, apply, enforce or determine the validity of the Charter or the Bylaws of the Company (including any right, obligation, or remedy thereunder), (f) any action or proceeding as to which the MGCL confers jurisdiction on the Circuit Court for Baltimore City, Maryland, or (g) any action asserting a claim against the Company or any director or officer or other employee of the Company that is governed by the internal affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court's having personal jurisdiction over the indispensable parties named as defendants, except that the foregoing does not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Unless the Company consents in writing to the selection of an alternative forum, the

40

---

federal district courts of the United States of America will, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. The choice of forum provision could limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which could discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our bylaws to be inapplicable or unenforceable in an action, we could incur additional costs associated with resolving such action in other jurisdictions.

***Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could materially and adversely affect our business and the market price of our common stock.***

Under the Sarbanes-Oxley Act, we must maintain effective disclosure controls and procedures and internal control over financial reporting, which require significant resources and management oversight. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules. We cannot assure you that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we had previously believed that internal controls were effective. Matters impacting our internal controls may cause us to be unable to report our financial data on a timely basis, or may cause us to restate previously issued financial data, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm reports a material weakness in our internal control over financial reporting. This could materially adversely affect us by, for example, leading to a decline in the market price for our common stock and impairing our ability to raise capital.

Additionally, our independent registered public accounting firm is required pursuant to Section 404(b) of the Sarbanes-Oxley Act to attest to the effectiveness of our internal control over financial reporting on an annual basis. If we cannot maintain effective procedures or internal control over financial reporting, or our independent registered public accounting firm cannot provide an

unqualified attestation report on the effectiveness of our internal control over financial reporting, investor confidence and, in turn, the market price of our common stock could decline.

#### **General Risks**

**We depend on information systems, and systems failures could significantly disrupt our business, which may, in turn, negatively affect our ability to pay dividends to our stockholders.**

Our business depends on the communications and information systems of our Sponsor, to which we have access through our Adviser. In addition, certain of these systems are provided to our Sponsor by third-party service providers. To protect confidential customer, vendor, financial and employee information, we employ information security measures that secure our information systems from cybersecurity attacks or breaches. Even with these measures, we may be subject to unauthorized access of digital data, **which risk may be heightened by the increased prevalence and use of artificial intelligence**, with the intent to misappropriate information, corrupt data or cause operational disruptions. If a failure of our safeguarding measures were to occur or if we use software that contains an unknown vulnerability or that is subject to an attack, it could have a negative impact to our business and result in business interruptions, remediation costs and/or legal claims. This, in turn, could have a material adverse effect on our operating results and negatively affect our ability to pay dividends to our stockholders.

#### **Breaches of our data security could materially harm our business and reputation.**

We collect and retain certain personal information provided by our **tenants**, **residents**. While security measures to protect the confidentiality of this information are in place, we can provide no assurance that we will be able to prevent unauthorized access to this information. Any breach of our data security measures and/or loss of this information may result in legal liability and costs (including damages and penalties), as well as damage to our reputation, that could materially and adversely affect our business and financial performance.

#### **Acts of violence could decrease the value of our assets and could have an adverse effect on our business and results of operations.**

Our apartment communities could directly or indirectly be the location or target of actual or threatened terrorist attacks, crimes, shootings or other acts of violence, the occurrence of which could impact the value of our communities through damage, destruction, loss or increased security costs, as well as result in operational losses due to reduced rental demand, and the availability of insurance may be limited or may be subject to substantial costs. If such an incident were to occur at one of our apartment communities, we may also become subject to significant liability claims, some of which may exceed our insurance coverage for general liability. In addition, the adverse effects that actual or threatened terrorist attacks could have on national economic conditions, as well as economic conditions in the markets in which we operate, could similarly have a material adverse effect on our business and results of operations.

41

---

#### **The direct and indirect impacts of climate change may adversely affect our business.**

We have been and may continue to be adversely impacted by the direct consequences of climate change, such as property damage due to increases in the frequency, duration and severity of extreme weather events, such as hurricanes and floods. Similarly, changes in precipitation levels could lead to increases in droughts or wildfires that could adversely impact demand for our communities. The increases in property damage due to these events have also contributed to the increases in costs we have faced in property insurance. In addition, changes in federal, state and local legislation and regulation based on concerns about climate change could result in delays and increased costs to complete our rehabilitation projects and increased capital expenditures on our existing properties (for example, to improve their energy efficiency and/or resistance to inclement weather) without a corresponding increase in revenue, and, as a result, adversely impact our financial results and operations.

#### **Legal proceedings that we become involved in from time to time could adversely affect our business.**

As an owner and operator of multifamily apartment communities, we may become involved in various legal proceedings, including, but not limited to, proceedings related to commercial, employment, environmental, securities, shareholder, tenant or tort legal issues, some of which could result in a class action lawsuit.

Legal proceedings, if decided adversely to or settled by us, and not covered by insurance, could result in liability material to our financial condition, results of operations or cash flows. Likewise, regardless of outcome, legal proceedings could result in substantial costs and expenses, affect the availability or cost of some of our insurance coverage and significantly divert the attention of our management. There can be no assurance that we will be able to prevail in, or achieve a favorable settlement of, any pending or future legal proceedings to which we become subject.

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 1C. Cybersecurity**

The Company's Board of Directors (the "Board") recognizes the critical importance of maintaining the trust and confidence of our customers, clients, business partners and employees. The Board is actively involved in oversight of the Company's risk management program, and cybersecurity represents an important component of the Company's overall approach to risk management. Our Adviser maintains cybersecurity policies, standards, processes and practices that are based on recognized security frameworks such as the National Institute of Standards and Technology cybersecurity framework (the "NIST CF") and the Azure Security Benchmark. In general, our Adviser seeks to address cybersecurity risks of the Company through a comprehensive, cross-functional approach that is focused on continually assessing the Company's information systems to detect, prevent and mitigate cybersecurity threats and effectively respond to cybersecurity incidents when they occur.

As one of the critical elements of the Company's overall risk management, our Adviser's cybersecurity program is focused on the following key areas:

**Governance:** The Board's oversight of cybersecurity risk management is supported by the Audit Committee of the Board (the "Audit Committee"), which interacts with our Adviser's Director of Information Technology and Chief Compliance Officer and other members of management of our Adviser that implement and oversee our Adviser's cybersecurity program.

**Risk Assessment:** No less frequently than annually, our Adviser completes an assessment to identify potential cybersecurity threats and vulnerabilities to better prioritize and mitigate the Company's cybersecurity risk. The assessment includes, among other things, evaluating the nature, sensitivity and location of information the Company collects, processes and stores and the resiliency of the underlying technologies, the validity and effectiveness of the Company's security policies, controls and processes and the cybersecurity preparedness of the third-party vendors used by the Company and our Adviser. To supplement our Adviser's internal assessment, our Adviser also periodically engages third-party consultants to assess system configurations through configuration review and penetration testing.

**Technical Safeguards:** Our Adviser deploys technical safeguards that are designed to protect the Company's and our Adviser's information systems from cybersecurity threats, including firewalls, intrusion prevention and detection systems, anti-malware functionality and access controls, which are evaluated and improved through vulnerability assessments and cybersecurity threat intelligence.

---

**Incident Response and Recovery Planning:** Our Adviser has established and maintains comprehensive business continuity plans that address potential impacts should the information or technology systems become compromised, and such plans are tested and evaluated on a regular basis.

**Third-Party Risk Management:** Our Adviser maintains a comprehensive, risk-based approach to identifying and overseeing cybersecurity risks presented by third parties, including key vendors, service providers and other external users of the Company's and the Adviser's systems, as well as the systems of third parties that could adversely impact our business in the event of a cybersecurity incident affecting those third-party systems.

**Education and Awareness:** Our Adviser provides regular, mandatory training for its employees regarding cybersecurity threats as a means to equip its employees with effective tools to address cybersecurity threats, and to communicate our Adviser's evolving information security policies, standards, processes and practices.

Our Adviser engages in the periodic assessment and testing of our Adviser's policies, standards, processes and practices that are designed to address the Company's cybersecurity threats and incidents. These efforts include a wide range of activities, including annual penetration and third-party compliance testing and ongoing internal testing and creation and modification of policies and procedures. The results of the annual assessments are reported to the Audit Committee and the Board, and our Adviser adjusts its cybersecurity policies, standards, processes and practices as necessary based on the information provided by these assessments and ongoing testing.

The Audit Committee oversees the Company's risk management policies, including the management of risks arising from cybersecurity threats. The Audit Committee receives presentations and reports on cybersecurity risks, which address a wide range of topics including annual assessments of internal and third-party policies, vulnerability assessments, technological trends and information security considerations arising with respect to the Company and our Adviser. The Audit Committee also receives prompt and timely information regarding any cybersecurity incident that meets established reporting thresholds, as well as ongoing updates regarding any such incident until it has been addressed. On an annual basis, the Board and the Audit Committee discuss the Company's approach to cybersecurity risk management with our Adviser, including the Adviser's Director of Information Technology.

The Adviser's Director of Information Technology, in coordination with relevant senior management and personnel of the Adviser, which includes our Adviser's Chief Financial Officer, Senior Infrastructure Engineer, and Chief Compliance Officer, work to conceive, implement, and monitor the effectiveness of a program designed to protect the Company's information systems from cybersecurity threats and to promptly respond to any security incidents in accordance with the Company's business continuity plan. To ensure the effectiveness of these controls, the Adviser's technology team continually monitors, hardens, and evolves systems' security postures to model and mirror various security frameworks such as NIST CSF and Azure Security Benchmark. The Adviser's Director of Information Technology will promptly notify our General Counsel of any cybersecurity events, with material cybersecurity events promptly communicated to the Audit Committee and publicly disclosed as deemed necessary.

The Adviser's Director of Information Technology has served in various roles in information technology and information security for 25 years, including serving as Global Technology Manager at a multi-national publicly traded broker-dealer, and 15 years as the Director of Information Technology at a privately held financial services firm. The Adviser's Director of Information Technology holds an undergraduate degree in biochemistry and has attained numerous information technology certifications over the years including Microsoft Certified Systems Engineer (MCSE) and Cisco Certified network Professional (CCNP). The Adviser's Senior Infrastructure Engineer has over 20 years industry experience, holds an undergraduate degree in radiology, and has completed various Microsoft related information technology certifications. Combined, our Adviser's information technology team has over 50 years of experience covering all major aspects of network architecture and management.

Cybersecurity threats, including as a result of any previous cybersecurity incidents, have not materially affected and are not reasonably likely to materially affect the Company, including its business strategy, results of operations or financial condition. However, the risk of cybersecurity threats could be significant if the cyber-attack disrupts the Company's critical operations, service or financial systems. See "*Risk Factors -We depend on information systems, and systems failures could significantly disrupt our business, which may, in turn, negatively affect our ability to pay dividends to our stockholders*".

## Item 2. Properties

As of December 31, 2022 December 31, 2023, our portfolio consisted of 40 38 properties representing 15,127 14,133 units in seven states. The following table provides a summary of the properties in our portfolio as of December 31, 2022 December 31, 2023:

		(44)		As of December 31, 2023							
Properties by State	Location	Number	Date	Purchase		Average Effective		Number of		Rehab	
		of Units	Acquired	(in thousands)	Per Unit (1)	Monthly Rent	% Occupied	Units	Rehabbed (3)	Expenditures per Unit (4)	
<b>2022-2023 Same Store Properties</b>											
<b>Texas</b>											
Arbors on Forest Ridge	Bedford, Texas	210	1/31/2014	\$ 12,805	\$ 1,187	94.3 %	155	\$ 4,388			
Cutter's Point	Richardson, Texas	196	1/31/2014	15,845	1,442	93.9 %	269		3,059		
Versailles	Dallas, Texas	388	2/26/2015	26,165	1,262	92.3 %	296		6,164		
Venue at 8651	Fort Worth, Texas	333	10/30/2015	19,250	1,175	91.0 %	284		6,982		
Atera Apartments	Dallas, Texas	380	10/25/2017	59,200	1,476	96.3 %	214		3,420		
Versailles II	Dallas, Texas	242	9/26/2018	24,680	1,181	90.6 %	56		5,632		
Summers Landing	Fort Worth, Texas	196	6/7/2019	19,396	1,223	93.4 %	53		11,075		
<b>Florida</b>											
The Summit at Sabal Park	Tampa, Florida	252	8/20/2014	19,050	1,460	95.2 %	207		5,854		
Courtney Cove	Tampa, Florida	324	8/20/2014	18,950	1,327	95.4 %	249		4,974		
Sabal Palm at Lake Buena Vista	Orlando, Florida	400	11/5/2014	49,500	1,753	94.5 %	69		12,984		
Cornerstone	Orlando, Florida	430	1/15/2015	31,550	1,445	96.0 %	448		4,905		
Seasons 704 Apartments	West Palm Beach, Florida	222	4/15/2015	21,000	1,828	96.4 %	188		7,836		
Parc500	West Palm Beach, Florida	217	7/27/2016	22,421	1,914	93.1 %	209		14,668		
Avant at Pembroke Pines	Pembroke Pines, Florida	1,520	8/30/2019	322,000	2,150	95.6 %	539		17,453		
Residences at West Place	Orlando, Florida	342	7/17/2019	55,000	1,559	92.1 %	117		11,892		
<b>Nevada</b>											
Bella Solara	Las Vegas, Nevada	320	11/22/2019	66,500	1,337	92.6 %	113		11,232		
Bloom	Las Vegas, Nevada	528	11/22/2019	106,500	1,298	94.9 %	141		14,199		
Torreyana Apartments	Las Vegas, Nevada	316	11/22/2019	68,000	1,461	95.9 %	52		13,435		
<b>Georgia</b>											
The Preserve at Terrell Mill	Marietta, Georgia	752	2/6/2015	58,000	1,271	96.7 %	717		11,376		
Rockledge Apartments	Marietta, Georgia	708	6/30/2017	113,500	1,557	95.5 %	440		11,091		
<b>Tennessee</b>											
Brandywine I & II	Nashville, Tennessee	632	9/26/2018	79,800	1,222	93.7 %	515		10,755		
Arbors of Brentwood	Nashville, Tennessee	346	9/10/2019	62,250	1,494	92.2 %	135		10,346		
Residences at Glenview Reserve	Nashville, Tennessee	360	7/17/2019	45,000	1,307	95.3 %	233		13,431		
<b>Arizona</b>											
Madera Point	Mesa, Arizona	256	8/5/2015	22,525	1,312	94.9 %	255		4,535		
The Venue on Camelback	Phoenix, Arizona	415	10/11/2016	44,600	1,065	95.2 %	264		10,269		
Bella Vista	Phoenix, Arizona	248	1/28/2019	48,400	1,774	96.4 %	197		10,516		
The Enclave	Tempe, Arizona	204	1/28/2019	41,800	1,820	94.6 %	162		10,392		
The Heritage	Phoenix, Arizona	204	1/28/2019	41,900	1,698	96.6 %	173		9,609		
Fairways at San Marcos	Chandler, Arizona	352	11/2/2020	84,480	1,580	94.9 %	135		13,665		
<b>North Carolina</b>											
The Verandas at Lake Norman	Charlotte, North Carolina	264	6/30/2021	63,500	1,354	95.8 %	30		1,408		
Creekside at Matthews	Charlotte, North Carolina	240	6/30/2021	58,000	1,431	95.8 %	15		4,083		

Six Forks Station	Raleigh, North Carolina	323	9/10/2021	74,760	1,409	92.4 %	83	1,281
High House at Cary	Cary, North Carolina	302	12/7/2021	93,250	1,464	95.0 %	—	—
<b>Total 2022-2023 Same Store Properties (5)</b>		<b>12,422</b>		<b>\$ 1,889,577</b>	<b>\$ 1,509</b>	<b>94.7 %</b>	<b>7,013</b>	<b>\$ 46,581</b>
<b>Non-Same Store Properties</b>								
<b>Texas</b>								
Old Farm	Houston, Texas	734	12/29/2016	\$ 84,721	\$ 1,322	93.9 %	—	\$ —
Stone Creek at Old Farm	Houston, Texas	190	12/29/2016	23,332	1,299	94.7 %	—	—
<b>Arizona</b>								
Estates on Maryland	Phoenix, Arizona	330	4/1/2022	77,900	1,435	95.2 %	—	—
<b>North Carolina</b>								
Radbourne Lake	Charlotte, North Carolina	225	9/30/2014	24,250	1,450	95.6 %	329	2,841
<b>Georgia</b>								
The Adair	Sandy Springs, Georgia	232	4/1/2022	65,500	1,968	96.6 %	—	—
<b>Total Non-Same Store Properties</b>		<b>1,711</b>		<b>\$ 275,703</b>	<b>\$ 7,474</b>	<b>94.8 %</b>	<b>329</b>	<b>\$ 21,244</b>
<b>Total</b>		<b>14,133</b>		<b>\$ 2,165,280</b>	<b>\$ 1,502</b>	<b>95.3 %</b>	<b>7,342</b>	<b>\$ 45,820</b>

As of December 31, 2022 (1)

Average effective monthly rent per unit is equal to the average of the contractual of the lease, divided by the number of units under commenced leases as of Dec

Properties by State	Location	Number of Units	Date Acquired	Price (in thousands)	Purchase	Average Effective	%	Number of	Rehab
					Monthly Rent	Occupied	Units	Expenditures	
					Per Unit (1)	(2)	Rehabbed (3)	per Unit (4)	
<b>2021-2022 Same Store</b>									
<b>Properties</b>									
<b>Texas</b>									
Bedford,									
Arbors on Forest Ridge	Texas	210	1/31/2014	\$ 12,805	\$ 1,191	92.4%	274	\$ 2,631	
Grand									
Prairie,									
Silverbrook	Texas	642	1/31/2014	30,400	1,216	90.5%	830	2,521	
Dallas,									
Versailles	Texas	388	2/26/2015	26,165	1,236	92.8%	584	3,374	
Fort Worth,									
Venue at 8651	Texas	333	10/30/2015	19,250	1,142	91.9%	488	4,010	
Houston,									
Old Farm	Texas	734	12/29/2016	84,721	1,315	95.0%	—	—	
Houston,									
Stone Creek at Old Farm	Texas	190	12/29/2016	23,332	1,378	92.1%	—	—	
Dallas,									
Atera Apartments	Texas	380	10/25/2017	59,200	1,502	96.1%	532	1,610	
Dallas,									
Crestmont Reserve	Texas	242	9/26/2018	24,680	1,194	95.0%	171	2,111	
Fort Worth,									
Summers Landing	Texas	196	6/7/2019	19,396	1,188	93.4%	94	2,133	
<b>Florida</b>									
Tampa,									
The Summit at Sabal Park	Florida	252	8/20/2014	19,050	1,479	94.0%	436	3,039	
Tampa,									
Courtney Cove	Florida	324	8/20/2014	18,950	1,395	94.4%	201	4,868	
Sabal Palm at Lake Buena Orlando,									
Vista	Florida	400	11/5/2014	49,500	1,717	95.3%	656	723	
Orlando,									
Cornerstone	Florida	430	1/15/2015	31,550	1,436	90.2%	369	5,140	

West Palm								
Beach,								
Seasons 704 Apartments	Florida	222	4/15/2015	21,000	1,790	94.1%	188	5,746
West Palm								
Beach,								
Parc500	Florida	217	7/27/2016	22,421	1,835	95.9%	178	14,640
Pembroke								
Pines,								
Avant at Pembroke Pines	Florida	1,520	8/30/2019	322,000	2,050	94.9%	352	11,886
Orlando,								
Residences at West Place	Florida	342	7/17/2019	55,000	1,550	93.0%	50	5,828
<b>Nevada</b>								
Las Vegas,								
Bella Solara	Nevada	320	11/22/2019	66,500	1,446	88.8%	71	9,635
Las Vegas,								
Bloom	Nevada	528	11/22/2019	106,500	1,390	89.8%	45	11,303
Las Vegas,								
Torreyana Apartments	Nevada	316	11/22/2019	68,000	1,567	93.4%	22	11,631
<b>Georgia</b>								
Marietta,								
The Preserve at Terrell Mill	Georgia	752	2/6/2015	58,000	1,312	91.9%	590	9,882
Marietta,								
Rockledge Apartments	Georgia	708	6/30/2017	113,500	1,593	92.8%	827	3,731
<b>Tennessee</b>								
Nashville,								
Brandywine I & II	Tennessee	632	9/26/2018	79,800	1,237	94.5%	300	7,684
Nashville,								
Arbors of Brentwood	Tennessee	346	9/10/2019	62,250	1,495	89.6%	330	2,094
Residences at Glenview Nashville,								
Reserve	Tennessee	360	7/17/2019	45,000	1,280	96.4%	82	10,954
<b>Arizona</b>								
Mesa,								
Madera Point	Arizona	256	8/5/2015	22,525	1,339	95.7%	385	2,888
Phoenix,								
The Venue on Camelback	Arizona	415	10/11/2016	44,600	1,090	91.8%	183	10,263
Phoenix,								
Bella Vista	Arizona	248	1/28/2019	48,400	1,724	98.0%	126	11,059
Tempe,								
The Enclave	Arizona	204	1/28/2019	41,800	1,795	96.6%	117	9,826
Phoenix,								
The Heritage	Arizona	204	1/28/2019	41,900	1,641	95.1%	108	10,975
Chandler,								
Fairways at San Marcos	Arizona	352	11/2/2020	84,480	1,623	93.8%	52	12,145
<b>North Carolina</b>								
Charlotte,								
North								
Radbourne Lake	Carolina	225	9/30/2014	24,250	1,388	93.3%	535	868
Charlotte,								
North								
Timber Creek	Carolina	352	9/30/2014	22,750	1,203	91.2%	341	4,701
<b>Total 2021-</b>								
<b>2022 Same Store Properties</b>								
(5)		13,240	\$ 1,769,675	\$ 1,481	93.3%	9,517	\$ 4,849	
<b>Non-Same Store Properties</b>								
<b>Texas</b>								

Richardson,								
Cutter's Point	Texas	196	1/31/2014	15,845	1,437	305.0%	269	3,059
<b>Arizona</b>								
Phoenix,								
Estates on Maryland	Arizona	330	4/1/2022	77,900	1,439	92.4%	—	—
<b>North Carolina</b>								
Charlotte,								
The Verandas at Lake North								
Norman	Carolina	264	6/30/2021	63,500	1,343	94.3%	30	1,408
Charlotte,								
North								
Creekside at Matthews	Carolina	240	6/30/2021	58,000	1,432	94.6%	15	4,083
Raleigh,								
North								
Six Forks Station	Carolina	323	9/10/2021	74,760	1,371	92.3%	83	1,281
Cary, North								
High House at Cary	Carolina	302	12/7/2021	93,250	1,486	95.7%	—	—
<b>Georgia</b>								
Sandy								
Springs,								
The Adair	Georgia	232	4/1/2022	65,500	1,849	94.4%	—	—
<b>Total</b>	<b>Non-Same</b>	<b>Store</b>						
Properties		1,887		448,755	10,356	101.1%	397	\$ 2,606
<b>Total</b>		<b>15,127</b>		<b>\$ 2,218,430</b>	<b>\$ 1,480</b>	<b>94.2%</b>	<b>9,914</b>	<b>\$ 4,759</b>

(2) Percent occupied is calculated as the number of units occupied as of December 31, 2023, divided by the total number of units, expressed as a percentage.

(3) Inclusive of all full and partial interior upgrades completed.

(4) Inclusive of all full and partial interior upgrades completed and leased as of December 31, 2023.

(5) Includes the 45 downed units excluded from our 2022-2023 Same Store pool (see Note 4 to our consolidated financial statements).

(1) Average effective monthly rent per unit is equal to the average of the contractual rent for commenced leases as of December 31, 2022 minus any tenant concessions over the term of the lease, divided by the number of units under commenced leases as of December 31, 2022.

(2) Percent occupied is calculated as the number of units occupied as of December 31, 2022, divided by the total number of units, expressed as a percentage.

(3) Inclusive of all full and partial interior upgrades completed.

(4) Inclusive of all full and partial interior upgrades completed and leased as of December 31, 2022.

(5) Includes the 106 downed units excluded from our 2021-2022 Same Store pool (see Note 5 to our consolidated financial statements).

For additional information regarding our portfolio, see Notes 3 **4**, **5** and **6** **4** to our consolidated financial statements.

### Item 3. Legal Proceedings

From time to time, we are party to legal proceedings that arise in the ordinary course of our business. Management is not aware of any legal proceedings of which the outcome is reasonably likely to have a material adverse effect on our results of operations or financial condition, nor are we aware of any such legal proceedings contemplated by government agencies.

### Item 4. Mine Safety Disclosures

Not applicable.

## PART II

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

#### Market Information

Our common stock trades on the NYSE under the ticker symbol "NXRT."

#### Stockholder Information

On **February 23, 2023** **February 27, 2024**, we had **25,549,319** **25,774,730** shares of common stock outstanding held by a total of approximately **899,815** record holders. The number of record holders is based on the records of **American Stock Transfer & Equiniti** Trust Company, LLC, who serves as our transfer agent. The number of holders does not include individuals or entities who beneficially own shares but whose shares are held of record by a broker or clearing agency, but does include each such broker or clearing agency as one record holder.

#### Purchases of Equity Securities by the Issuer and Affiliated Purchasers

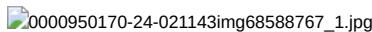
On June 15, 2016, we announced that our Board authorized us to repurchase an indeterminate number of shares of our common stock at an aggregate market value of up to \$30.0 million during a two-year period that was set to expire on June 15, 2018 (the "Share Repurchase Program"). On April 30, 2018, our Board increased the Share Repurchase Program from \$30.0 million to up to \$40.0 million and extended it by an additional two years to June 15, 2020. On March 13, 2020, our Board further increased the Share Repurchase Program from \$40.0 million to up to \$100.0 million and extended it to March 12, 2023. On October 24, 2022, the Board authorized us to repurchase an indeterminate number of shares of our common stock at an aggregate market value of up to \$100.0 million during a two-year period that will expire on October 24, 2024. This authorization replaced the Board's prior authorization of the Share Repurchase Program. **During the year ended December 31, 2022, the Company purchased 168,473 shares of its common stock.** Since the inception of the Share Repurchase Program through **December 31, 2022** **December 31, 2023**, the Company had repurchased 2,550,628 shares of its common stock, par value \$0.01 per share, at a total cost of approximately **\$65.6 million** **\$72.4 million**, or **\$27.070** **\$28.36** per share as shown in the table below:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Approximate Dollar Value of Shares that may yet be Purchased under the Plans or Programs (in millions)
			Plans or Programs		
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased	Average Price Paid Per Share	
Beginning Total	2,550,628	\$ 28.36	2,550,628	\$	100.0
October 1 – October 31	—	—	—	—	100.0
November 1 – November 30	—	—	—	—	100.0
December 1 – December 31	—	—	—	—	100.0
<b>Total as of December 31, 2023</b>	<b>2,550,628</b>	<b>\$ 28.36</b>	<b>2,550,628</b>	<b>\$</b>	<b>100.0</b>

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Approximate Dollar Value of Shares that may yet be Purchased under the Plans or Programs (in millions)
			Plans or Programs		
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased	Average Price Paid Per Share	
Beginning Total	2,550,628	\$ 28.37	2,550,628	\$	27.6
October 1 – October 31	—	—	—	—	100.0
November 1 – November 30	—	—	—	—	100.0
December 1 – December 31	—	—	—	—	100.0
<b>Total as of December 31, 2022</b>	<b>2,550,628</b>	<b>\$ 28.37</b>	<b>2,550,628</b>	<b>\$</b>	<b>100.0</b>

## PERFORMANCE GRAPH

On April 1, 2015, our common stock commenced trading on the NYSE. The following graph compares the cumulative total stockholder return on our common shares for the measurement period commencing December 31, 2017 and ending **December 31, 2022** December 31, 2023 with the cumulative total returns of the Russell 3000 Index, the MSCI U.S. REIT Index (^RMZ) and the Standard & Poor's U.S. REIT Index. The following graph assumes an investment of \$100 on the initial day of the relevant measurement period and that all dividends were reinvested.



### Dividends

We intend to make regular quarterly dividend payments to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains. As a REIT, we will be subject to U.S. federal income tax on our undistributed REIT taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (1) 85% of our ordinary income, (2) 95% of our capital gain net income and (3) 100% of our undistributed income from prior years. We intend to make regular quarterly dividend payments of all or substantially all of our taxable income to holders of our common stock out of assets legally available for this purpose, if and to the extent authorized by our Board. Before we make any dividend payments, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our debt payable. If our cash available for distribution is less than our taxable income, we could be required to sell assets, borrow funds or raise additional capital to make cash dividends or we may make a portion of the required dividend in the form of a taxable distribution of stock or debt securities.

### Item 6. [Reserved]

47

---

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following is a discussion and analysis of our financial condition and our historical results of operations. The following should be read in conjunction with our financial statements and accompanying notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those projected, forecasted, or expected in these forward-looking statements as a result of various factors, including, but not limited to, those discussed below and elsewhere in this annual report. Annual Report. See "Cautionary Statement Regarding Forward-Looking Statements" in this report, and "Risk Factors" in this annual report. Annual Report. Our management believes the assumptions underlying the Company's financial statements and accompanying notes are reasonable. However, the Company's financial statements and accompanying notes may not be an indication of our financial condition and results of operations in the future.*

#### Overview

As of **December 31, 2022** December 31, 2023, our portfolio consisted of **40** 38 multifamily properties primarily located in the Southeastern and Southwestern United States encompassing **15,127** 14,133 units of apartment space that was approximately **94.1%** 94.7% leased with a weighted average monthly effective rent per occupied apartment unit of **\$1,480** \$1,502. Substantially all of our business is conducted through the OP. We own the portfolio through the OP and our TRS. The OP owns approximately 99.9% of the portfolio; our TRS owns approximately 0.1% of the portfolio. The OP GP is the sole general partner of the OP. As of **December 31, 2022** December 31, 2023, there were **26,050,945** 26,053,988 OP Units outstanding, of which 25,951,154, or 99.6%, were owned by us and **99,791**, 102,834, or 0.4%, were owned by an unaffiliated limited partners (see Note **10** 9 to our consolidated financial statements).

We are primarily focused on directly or indirectly acquiring, owning, and operating well-located multifamily properties with a value-add component in large cities and suburban submarkets of large cities, primarily in the Southeastern and Southwestern United States. We generate revenue primarily by leasing our multifamily properties. We intend to employ targeted management and a value-add program at a majority of our properties in an attempt to improve rental rates and the net operating income ("NOI") at our properties and achieve long-term capital appreciation for our stockholders. We are externally managed by the Adviser through the Advisory Agreement, by and among the OP, the Adviser and us. The Advisory Agreement was renewed on **February 22, 2023** February 26, 2024 for a one-year term. The Adviser is wholly owned by NexPoint Advisors, L.P. On March 4, 2020, the Company, the OP and the Adviser entered into separate equity distribution agreements with each the ATM Sales Agents, pursuant to the 2020 ATM Program. See Note **8** 7 to our consolidated financial statements.

We have elected to be taxed as a REIT under Sections 856 through 860 of the Code, and expect to continue to qualify as a REIT. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute at least 90% of our REIT taxable income to our stockholders. As a REIT, we will be subject to U.S. federal income tax on our undistributed REIT taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (1) 85% of our ordinary income, (2) 95% of our capital gain net income and (3) 100% of our undistributed income from prior years. We believe we qualify for taxation as a REIT under the Code, and we intend to continue to operate in such a manner, but no assurance can be given that we will operate

in a manner so as to qualify as a REIT. Taxable income from certain non-REIT activities is managed through a TRS and is subject to applicable federal, state, and local income and margin taxes. We had no significant taxes associated with our TRS for the years ended **December 31, 2022** **December 31, 2023**, **2021** **2022** and **2020**, **2021**.

On October 15, 2021, the Bankruptcy Trust Lawsuit was filed by a litigation subtrust formed in connection with the Highland Bankruptcy against various persons and entities, including our Sponsor and James Dondero. In addition, on February 8, 2023, the UBS Lawsuit was filed against Mr. Dondero and a number of other persons and entities. Neither the Bankruptcy Trust Lawsuit nor the UBS Lawsuit include claims related to our business or our assets. Our Sponsor and Mr. Dondero have informed us they believe the Bankruptcy Trust Lawsuit has no merit, and Mr. Dondero has informed us he believes the UBS Lawsuit has no merit; we have been advised that the defendants named in each of the lawsuits intend to vigorously defend against the claims. We do not expect the Bankruptcy Trust Lawsuit or the UBS Lawsuit will have a material effect on our business, results of operations or financial condition.

#### **Components of Our Revenues and Expenses**

##### **Revenues**

*Rental income.* Our earnings are primarily attributable to the rental revenue from our multifamily properties. We anticipate that the leases we enter into for our multifamily properties will typically be for one year or less on average. Also included are utility reimbursements, late fees, pet fees, and other rental fees charged to tenants.

48

---

*Other income.* Other income includes ancillary income earned from tenants such as non-refundable fees, application fees, laundry fees, cable TV income, and other miscellaneous fees charged to tenants.

##### **Expenses**

*Property operating expenses.* Property operating expenses include property maintenance costs, salary and employee benefit costs, utilities, casualty-related expenses and recoveries and other property operating costs.

*Real estate taxes and insurance.* Real estate taxes include the property taxes assessed by local and state authorities depending on the location of each property. Insurance includes the cost of commercial, general liability, and other needed insurance for each property.

*Property management fees.* Property management fees include fees paid to BH, our property manager, or other third party management companies for managing each property (see Note **10** **9** to our consolidated financial statements).

*Advisory and administrative fees.* Advisory and administrative fees include the fees paid to our Adviser pursuant to the Advisory Agreement (see Note **11** **10** to our consolidated financial statements).

*Corporate general and administrative expenses.* Corporate general and administrative expenses include, but are not limited to, audit fees, legal fees, listing fees, board of director fees, equity-based compensation expense, investor relations costs and payments of reimbursements to our Adviser for operating expenses. Corporate general and administrative expenses and the advisory and administrative fees paid to our Adviser (including advisory and administrative fees on properties defined in the Advisory Agreement as New Assets) will not exceed 1.5% of Average Real Estate Assets per calendar year (or part thereof that the Advisory Agreement is in effect), calculated in accordance with the Advisory Agreement, or the Expense Cap. The Expense Cap does not limit the reimbursement by us of expenses related to securities offerings paid by our Adviser. The Expense Cap also does not apply to legal, accounting, financial, due diligence, and other service fees incurred in connection with mergers and acquisitions, extraordinary litigation, or other events outside our ordinary course of business or any out-of-pocket acquisition or due diligence expenses incurred in connection with the acquisition or disposition of real estate assets. Additionally, in the sole discretion of the Adviser, the Adviser may elect to waive certain advisory and administrative fees otherwise due. If advisory and administrative fees are waived in a period, the waived fees for that period are considered to be waived permanently and the Adviser may not be reimbursed in the future.

*Property general and administrative expenses.* Property general and administrative expenses include the costs of marketing, professional fees, general office supplies, and other administrative related costs of each property.

*Depreciation and amortization.* Depreciation and amortization costs primarily include depreciation of our multifamily properties and amortization of acquired in-place leases.

##### **Other Income and Expense**

*Interest expense.* Interest expense primarily includes the cost of interest expense on debt, the amortization of deferred financing costs and the related impact of interest rate derivatives used to manage our interest rate risk.

**Loss on extinguishment of debt and modification costs.** Loss on extinguishment of debt and modification costs includes prepayment penalties and defeasance costs, the write-off of unamortized deferred financing costs and fair market value adjustments of assumed debt related to the early repayment of debt, costs incurred in a debt modification that are not capitalized as deferred financing costs and other costs incurred in a debt extinguishment.

**Casualty losses.** Casualty losses include expenses resulting from damages from an unexpected and unusual event such as a natural disaster. Expenses can include additional payments on insurance premiums, impairment recognized on a property, and other abnormal expenses arising from the related event.

**Miscellaneous income.** Miscellaneous income includes proceeds received from insurance for business interruption involving the loss of rental income at a property that has temporarily suspended operations due to an unexpected and unusual event.

**Gain on sales of real estate.** Gain on sales of real estate includes the gain recognized upon sales of properties. Gain on sales of real estate is calculated by deducting the carrying value of the real estate and costs incurred to sell the properties from the sales prices of the properties.

#### Results of Operations for the Years Ended December 31, 2023, 2022 and 2021

##### **The year ended December 31, 2023 as compared to the year ended December 31, 2022**

The following table sets forth a summary of our operating results for the years ended December 31, 2023 and 2022 (in thousands):

	For the Year Ended December 31,		
	2023	2022	\$ Change
Total revenues	\$ 277,526	\$ 263,952	\$ 13,574
Total expenses	(232,274)	(232,383)	109
Operating income before gain on sales of real estate	45,252	31,569	13,683
Gain on sales of real estate	67,926	14,684	53,242
Operating income	113,178	46,253	66,925
Interest expense	(67,106)	(50,587)	(16,519)
Loss on extinguishment of debt and modification costs	(2,409)	(8,734)	6,325
Casualty gain (loss)	(856)	2,506	(3,362)
Gain on forfeited deposits	250	-	250
Equity in earnings of affiliate	205	-	205
Miscellaneous income	1,171	1,271	(100)
Net income (loss)	44,433	(9,291)	53,724
Net income (loss) attributable to redeemable noncontrolling interests in the Operating Partnership	169	(31)	200
Net income (loss) attributable to common stockholders	\$ 44,264	\$ (9,260)	\$ 53,524

The change in our net income (loss) between the periods primarily relates to an increase in revenues of \$13.6 million and an increase in gain on sale of real estate of \$53.2 million, partially offset by an increase in interest expense of \$16.5 million.

#### **Revenues**

**Rental income.** Rental income was \$270.1 million for the year ended December 31, 2023 compared to \$257.9 million for the year ended December 31, 2022, which was an increase of approximately \$12.2 million. The increase between the periods was primarily due to a 1.5% increase in the weighted average monthly effective rent per occupied apartment unit in our portfolio to \$1,502 as of December 31, 2023 from \$1,480 as of December 31, 2022, primarily driven by the value-add program that we have implemented and 2020 organic growth in rents.

**Other income.** Other income was \$7.4 million for the year ended December 31, 2023 compared to \$6.1 million for the year ended December 31, 2022, which was an increase of approximately \$1.3 million. The increase between the periods was primarily due to a \$2.2 million increase in internet and tech income, partially offset by a decrease in cable income of \$1.7 million and an increase in all other other income of approximately \$0.8 million.

#### **Expenses**

**Property operating expenses.** Property operating expenses were \$57.8 million for the year ended December 31, 2023 compared to \$58.2 million for the year ended December 31, 2022, which was a decrease of approximately \$0.4 million. The decrease between the periods was primarily due to our acquisition and disposition activity in 2022 and 2023 and the timing of the transactions, as described above. The decrease was also attributable to a decrease in temporary maintenance of \$0.2 million.

**Real estate taxes and insurance.** Real estate taxes and insurance costs were \$36.8 million for the year ended December 31, 2023 compared to \$37.4 million for the year ended December 31, 2022, which was a decrease of approximately \$0.6 million. The decrease between the periods was primarily due to our acquisition activity in 2022 and 2023 and the timing of the transactions. Additionally, the decrease was attributable to property tax refunds of \$1.0 million, partially offset by an increase in all other real estate taxes and insurance of \$0.4 million.

**Property management fees.** Property management fees were \$8.1 million for the year ended December 31, 2023 compared to \$7.6 million for the year ended December 31, 2022, which was an increase of approximately \$0.5 million. The increase between the periods was primarily due to an increase in total revenues, which the fee is primarily based on.

**Advisory and administrative fees.** Advisory and administrative fees were \$7.6 million for the year ended December 31, 2023 compared to \$7.5 million for the year ended December 31, 2022, which was an increase of approximately \$0.1 million. For the years

---

ended December 31, 2023 and 2022, our Adviser elected to voluntarily waive advisory and administrative fees of approximately \$21.7 million and \$21.0 million and are considered permanently waived. Our Adviser is not contractually obligated to waive fees on New Assets in the future and may cease waiving fees on New Assets at its discretion. Advisory and administrative fees may increase in future periods as we acquire additional properties, which will be classified as New Assets.

**Corporate general and administrative expenses.** Corporate general and administrative expenses were \$17.1 million for the year ended December 31, 2023 compared to \$14.7 million for the year ended December 31, 2022, which was an increase of approximately \$2.4 million. The increase was primarily due to increases in stock compensation expense, professional fees, and audit fees of \$1.4 million, \$0.8 million and \$0.4 million, respectively.

**Property general and administrative expenses.** Property general and administrative expenses were \$9.5 million for the year ended December 31, 2023 compared to \$9.3 million for the year ended December 31, 2022, which was an increase of approximately \$0.2 million. The increase between the periods was primarily due to increases in apartment listing fees of \$0.3 million.

**Depreciation and amortization.** Depreciation and amortization costs were \$95.2 million for the year ended December 31, 2023 compared to \$97.6 million for the year ended December 31, 2022, which was a decrease of approximately \$2.4 million. The decrease between the periods was primarily due to a decrease in amortization expense of \$4.1 million, partially offset by an increase in depreciation expense of \$1.7 million. The decrease between the periods is primarily attributable to our disposition activity (two dispositions in 2023 versus one disposition in 2022).

#### **Other Income and Expense**

**Interest expense.** Interest expense was \$67.1 million for the year ended December 31, 2023 compared to \$50.6 million for the year ended December 31, 2022, which was an increase of approximately \$16.5 million. The increase between the periods was primarily due to an increase in interest on debt of \$52.5 million, partially offset by a decrease in interest rate swap expense of \$41.0 million for the years ended December 31, 2023 and 2022 (in thousands):

	For the Year Ended December 31,			\$ Change
	2023	2022		
Interest on debt	\$ 110,394	\$ 57,932		\$ 52,462
Amortization of deferred financing costs	2,945	2,779		166
Interest rate swaps	(47,717)	(6,678)		(41,039)
Interest rate caps mark-to-market (gain)	1,484	(3,446)		4,930
Total	\$ 67,106	\$ 50,587		\$ 16,519

**Loss on extinguishment of debt and modification costs.** Loss on extinguishment of debt and modification costs was \$2.4 million for the year ended December 31, 2023 compared to \$8.7 million for the year ended December 31, 2022, which was a decrease of approximately \$6.3 million. The decrease between periods was primarily due to a decrease in prepayment penalties and defeasance costs of \$3.3 million, decrease in write-offs of deferred financing costs of \$1.5 million and an decrease in debt modification and other extinguishment costs of \$1.8 million. The following table details the various costs included in loss on extinguishment of debt and modification costs for the years ended December 31, 2023 and 2022 (in thousands):

	For the Year Ended December 31,

	2023	2022	\$ Change
Prepayment penalties and defeasance costs	\$ 2,370	\$ 5,702	\$ (3,332)
Write-off of deferred financing costs	483	1,961	(1,478)
Write-off of fair market value adjustment of assumed debt	—	(256)	256
Debt modification and other extinguishment costs	(444)	1,327	(1,771)
<b>Total</b>	<b>\$ 2,409</b>	<b>\$ 8,734</b>	<b>\$ (6,325)</b>

**Casualty gains (losses).** Casualty losses were \$0.9 million for the year ended December 31, 2023 compared to casualty gains of \$2.5 million for the year ended December 31, 2022. The decrease between periods was primarily due to damages sustained at Cutter's Point, Venue 8651, and Timber Creek during the year ended December 31, 2022 (see Note 4 to our consolidated financial statements).

**Miscellaneous income.** Miscellaneous income was \$1.2 million for the year ended December 31, 2023 compared to \$1.3 million for the year ended December 31, 2022, which was a decrease of approximately \$0.1 million. The decrease between the periods was primarily due to business interruption proceeds received from casualty events (see Note 4).

**Gain on sales of real estate.** Gain on sales of real estate was \$67.9 million for the year ended December 31, 2023 compared to \$14.7 million for the year ended December 31, 2022, which was an increase of approximately \$53.2 million. During the year ended December 31, 2023, we sold two properties whereas during the year ended December 31, 2022, we sold one property.

#### **The year ended December 31, 2022 as compared to the year ended December 31, 2021**

The following table sets forth a summary of our operating results for the years ended December 31, 2022 and 2021 (in thousands):

	For the Year Ended December 31,		\$ Change
	2022	2021	
Total revenues	\$ 263,952	\$ 219,240	\$ 44,712
Total expenses	(232,383)	(201,032)	(31,351)
Operating income before gain on sales of real estate	31,569	18,208	13,361
Gain on sales of real estate	14,684	46,214	(31,530)
Operating income	46,253	64,422	(18,169)
Interest expense	(50,587)	(44,623)	(5,964)
Loss on extinguishment of debt and modification costs	(8,734)	(912)	(7,822)
Casualty gain	2,506	2,595	(89)
Miscellaneous income	1,271	1,624	(353)
Net income (loss)	(9,291)	23,106	(32,397)
Net income (loss) attributable to redeemable noncontrolling interests in the Operating Partnership	(31)	69	(100)
Net income (loss) attributable to common stockholders	\$ (9,260)	\$ 23,037	\$ (32,297)

The change in our net income (loss) between the periods primarily relates to an decreases in gain on sales of real estate of \$31.5 million, increase in interest expense of \$6.0 million, increase in loss on extinguishment of debt and modification costs of \$7.8 million, increase in total expenses of approximately \$31.4 million and a decrease in gain on sale of real estate of approximately \$31.5 million, partially offset by an increase in total revenues of approximately \$44.7 million. The change in our net income between the periods was also due to our acquisition and disposition activity in 2021 and 2022 and the timing of the transactions (we purchased two properties in the second quarter of 2021, one property in the third quarter of 2021, one property in the fourth quarter of 2021, and disposed of two properties in the fourth quarter of 2021; we purchased two properties in the beginning of the second quarter of 2022, and disposed of one property late in the fourth quarter of 2022).

#### **Revenues**

**Rental income income.** Rental income was \$257.9 million for the year ended December 31, 2022 compared to \$213.5 million for the year ended December 31, 2021, which was an increase of approximately \$44.4 million. The increase between the periods was primarily due to a 17.4% increase in the weighted average monthly effective rent per occupied apartment unit in our portfolio to \$1,480 as of December 31, 2022 from \$1,261 as of December 31, 2021, primarily driven by the value-add program that we have implemented and organic growth in rents.

**Other income.** Other income was \$6.1 million for the year ended December 31, 2022 compared to \$5.7 million for the year ended December 31, 2021, which was an increase of approximately \$0.4 million. The increase between the periods was primarily due to \$0.3 million and \$0.2 million increases in non-refundable and application fees, respectively.

#### Expenses

**Property operating expenses.** Property operating expenses were \$58.2 million for the year ended December 31, 2022 compared to \$47.7 million for the year ended December 31, 2021, which was an increase of approximately \$10.5 million. The increase between the periods was primarily due to our acquisition and disposition activity in 2021 and 2022 and the timing of the transactions, as described above. The increase was also attributable to a \$2.8 million increase in payroll expense, \$1.3 million increase in casualty expenses, \$1.1 million increase in water and sewer expenses, \$0.5 million increase in trash removal services and an increase in all other property operating expenses of approximately \$4.8 million.

---

**Real estate taxes and insurance.** Real estate taxes and insurance costs were \$37.4 million for the year ended December 31, 2022 compared to \$33.2 million for the year ended December 31, 2021, which was an increase of approximately \$4.2 million. The increase between the periods was primarily due to our acquisition activity in 2022 and 2021 and the timing of the transactions. The increase between the periods was also due to a \$3.4 million, or 12.1%, increase in property taxes and a \$1.3 million, or 23.5%, increase in property insurance. Property taxes incurred in the first year of ownership may be significantly less than subsequent years since the purchase price of the property may trigger a significant increase in assessed value by the taxing authority in subsequent years.

increasing the costs of real estate taxes.

**Property management fees.** Property management fees were \$7.6 million for the year ended December 31, 2022 compared to \$6.3 million for the year ended December 31, 2021, which was an increase of approximately \$1.3 million. The increase between the periods was primarily due to an increase in total revenues, which the fee is primarily based on.

**Advisory and administrative fees.** Advisory and administrative fees were \$7.5 million for the year ended December 31, 2022 compared to \$7.6 million for the year ended December 31, 2021, which was a decrease of approximately \$0.1 million. For the years ended December 31, 2022 and 2021, our Adviser elected to voluntarily waive advisory and administrative fees of approximately \$21.0 million and \$17.3 million and are considered permanently waived. Our Adviser is not contractually obligated to waive fees on New Assets in the future and may cease waiving fees on New Assets at its discretion. Advisory and administrative fees may increase in future periods as we acquire additional properties, which will be classified as New Assets.

**Corporate general and administrative expenses.** Corporate general and administrative expenses were \$14.7 million for the year ended December 31, 2022 compared to \$12.0 million for the year ended December 31, 2021, which was an increase of approximately \$2.7 million. The increase was primarily due to increases in stock compensation expense, professional fees, and general liability insurance of \$0.9 million, \$1.4 million and \$0.2 million, respectively.

**Property general and administrative expenses.** Property general and administrative expenses were \$9.3 million for the year ended December 31, 2022 compared to \$7.3 million for the year ended December 31, 2021, which was an increase of approximately \$2.0 million. The increase between the periods was primarily due to increases in professional fees of \$0.6 million, centralized marketing services of \$0.4 million, legal fees of \$0.2 million, and an increase of \$0.8 million in all other property general and administrative expenses.

**Depreciation and amortization.** Depreciation and amortization costs were \$97.6 million for the year ended December 31, 2022 compared to \$86.9 million for the year ended December 31, 2021, which was an increase of approximately \$10.7 million. The increase between the periods was primarily due to an increase of depreciation expense of \$10.7 million. The increase between period the periods is mainly attributable to our acquisition acquisitions of four properties in 2021 and two in 2022.

#### Other Income and Expense

**Interest expense.** Interest expense was \$50.6 million for the year ended December 31, 2022 compared to \$44.6 million for the year ended December 31, 2021, which was an increase of approximately \$6.0 million. The increase between the periods was primarily due to an increase in interest on debt of \$30.5 million, partially offset by a decrease in interest rate swap expense of \$21.6 million for the years ended December 31, 2022 and 2021 (in thousands):

	For the Year Ended December 31,		
	2022	2021	\$ Change
Interest on debt	\$ 57,932	\$ 27,405	\$ 30,527
Amortization of deferred financing costs	2,779	2,197	582

Interest rate swaps	(6,678)	14,909	(21,587)
Interest rate caps mark-to-market (gain)	(3,446)	112	(3,558)
Total	\$ 50,587	\$ 44,623	\$ 5,964
For the Year Ended December 31,			
	2022	2021	\$ Change
Interest on debt	\$ 57,932	\$ 27,405	\$ 30,527
Amortization of deferred financing costs	2,779	2,197	582
Interest rate swaps expense	(6,678)	14,909	(21,587)
Interest rate caps expense	(3,446)	112	(3,558)
Total	\$ 50,587	\$ 44,623	\$ 5,964

53

**Loss on extinguishment of debt and modification costs.** Loss on extinguishment of debt and modification costs was \$8.7 million for the year ended December 31, 2022 compared to \$0.9 million for the year ended December 31, 2021, which was an increase of approximately \$7.8 million. The increase between periods was primarily due to an increase in prepayment penalties and defeasance costs of \$5.3 million, increase in write-offs and write-off of deferred financing costs of \$1.5 million \$5.3 million and an increase \$1.5 million, respectively. The change between periods is attributable to increased refinancing activity in debt modification and other extinguishment costs of \$1.3 million, 2022 versus 2021. The following table details the various costs included in loss on extinguishment of debt and modification costs for the years ended December 31, 2022 and 2021 (in thousands):

	For the Year Ended December 31,			For the Year Ended December 31,		
			\$ Change			\$ Change
	2022	2021	2022	2021	\$ Change	
Prepayment penalties and defeasance costs	\$ 5,702	\$ 407	\$ 5,295	\$ 5,702	\$ 407	\$ 5,295
Write-off of deferred financing costs	1,961	503	1,458	1,961	503	1,458
Write-off of fair market value adjustment of assumed debt	\$ (256)	\$ —	\$ (256)	\$ (256)	\$ —	\$ (256)
Debt modification and other extinguishment costs	1,327	2	1,325	1,327	2	1,325
Total	\$ 8,734	\$ 912	\$ 7,822	\$ 8,734	\$ 912	\$ 7,822

**Casualty gains (losses).** Casualty gains were \$2.5 million for the year ended December 31, 2022 compared to casualty gains of \$2.6 million for the year ended December 31, 2021. The decrease change between the periods was primarily due to damages sustained at Cutter's Point, Venue 8651, and Timber Creek during the year ended December 31, 2021 (see Note 5 to our consolidated financial statements), relatively flat.

**Miscellaneous income.** Miscellaneous income was \$1.3 million for the year ended December 31, 2022 compared to \$1.6 million for the year ended December 31, 2021, which was a decrease of approximately \$0.3 million. The decrease between the periods was primarily due to business interruption proceeds received from insurance for lost rents at Cutter's Point and Venue 8651 (see Note 5 to our consolidated financial statements) 4.

**Gain on sales of real estate.** Gain on sales of real estate was \$14.7 million for the year ended December 31, 2022 compared to \$46.2 million for the year ended December 31, 2021, which was a decrease of approximately \$31.5 million. During the year ended December 31, 2022, we sold one property; during for the year ended December 31, 2021, we sold two properties. The gain on sales of real estate was attributable to the sale of Hollister Place for the year ended December 31, 2022.

The year ended December 31, 2021 as compared to the year ended December 31, 2020

The following table sets forth a summary of our operating results for the years ended December 31, 2021 and 2020 (in thousands):

	For the Year Ended December 31,		
	2021	2020	\$ Change
Total revenues	\$ 219,240	\$ 204,800	\$ 14,440
Total expenses	(201,032)	(191,236)	(9,796)
Operating income	18,208	13,564	4,644
Interest expense	(44,623)	(44,753)	130
Loss on extinguishment of debt and modification costs	(912)	(1,470)	558

Gain on sales of real estate	46,214	69,151	(22,937)
Casualty gain	2,595	5,886	(3,291)
Miscellaneous income	1,624	1,772	(148)
Net income	23,106	44,150	(21,044)
Net income attributable to redeemable noncontrolling interests in the Operating Partnership	69	132	(63)
Net income attributable to common stockholders	\$ 23,037	\$ 44,018	\$ (20,981)

The change in our net income between the periods primarily relates to decreases in gain on sales of real estate of \$22.9 million and casualty gain of \$3.3 million, partially offset by an increase in total revenues of \$14.4 million. The change in our net income between the periods was also due to our acquisition and disposition activity in 2020 and 2021 and the timing of the transactions (we disposed of three properties in the first quarter of 2020, one property in the third quarter of 2020, and purchased one property in the fourth quarter of 2020; we purchased two properties in the second quarter of 2021, one property in the third quarter of 2021, one property in the fourth quarter of 2021, and disposed of two properties in the fourth quarter of 2021).

#### Revenues

**Rental income.** *Rental income was \$213.5 million for the year ended December 31, 2021 compared to \$199.2 million for the year ended December 31, 2020, which was an increase of approximately \$14.3 million. The increase between the periods was primarily due to our acquisition and disposition activity in 2020 and 2021 and the timing of the transactions, as described above, and a 11.8% increase in the weighted average monthly effective rent per occupied apartment unit in our portfolio to \$1,261 as of December 31, 2021 from \$1,128 as of December 31, 2020, primarily driven by the value-add program that we have implemented and organic growth in rents in the markets where our properties are located.* **Non-GAAP Measurements**

**Other income.** *Other income was \$5.7 million for the year ended December 31, 2021 compared to \$5.6 million for the year ended December 31, 2020, which was an increase of approximately \$0.1 million. The increase between the periods was primarily due to a \$0.2 million decrease in application and administration concessions, partially offset by a \$0.1 million decrease in cable tv income.*

#### Expenses

**Property operating expenses.** *Property operating expenses were \$47.7 million for the year ended December 31, 2021 compared to \$47.2 million for the year ended December 31, 2020, which was an increase of approximately \$0.5 million. The increase between*

*the periods was primarily due to our acquisition and disposition activity in 2020 and 2021 and the timing of the transactions, as described above. The increase between periods was also due to a \$0.8 million, or 4.0%, increase in payroll expenses.*

**Real estate taxes and insurance.** *Real estate taxes and insurance costs were \$33.2 million for the year ended December 31, 2021 compared to \$31.7 million for the year ended December 31, 2020, which was an increase of approximately \$1.5 million. The increase between the periods was primarily due to a \$1.1 million, or 4.0%, increase in property taxes due to higher assessments of value by taxing authorities. The increase between the periods was also due to our acquisition and disposition activity in 2020 and 2021 and the timing of the transactions, as described above.*

**Property management fees.** *Property management fees were \$6.3 million for the year ended December 31, 2021 compared to \$6.0 million for the year ended December 31, 2020, which was an increase of approximately \$0.3 million. The increase between the periods was primarily due to an increase in total revenues, which the fee is primarily based on.*

**Advisory and administrative fees.** *Advisory and administrative fees were \$7.6 million for the year ended December 31, 2021 compared to \$7.7 million for the year ended December 31, 2020, which was a decrease of approximately \$0.1 million. For the years ended December 31, 2021 and 2020, our Adviser elected to voluntarily waive advisory and administrative fees of approximately \$17.3 million and \$15.4 million and are considered permanently waived. Our Adviser is not contractually obligated to waive fees on New Assets in the future and may cease waiving fees on New Assets at its discretion. Advisory and administrative fees may increase in future periods as we acquire additional properties, which will be classified as New Assets.*

**Corporate general and administrative expenses.** *Corporate general and administrative expenses were \$12.0 million for the year ended December 31, 2021 compared to \$10.0 million for the year ended December 31, 2020, which was an increase of approximately \$2.0 million. The increase was primarily due to an increase in stock compensation expense of \$1.5 million.*

**Property general and administrative expenses.** *Property general and administrative expenses were \$7.3 million for the year ended December 31, 2021 compared to \$6.2 million for the year ended December 31, 2020, which was an increase of approximately \$1.1 million. The increase between the periods was primarily due to increases in centralized marketing services of \$0.3 million and lead generation expense of \$0.1 million.*

**Depreciation and amortization.** *Depreciation and amortization costs were \$86.9 million for the year ended December 31, 2021 compared to \$82.4 million for the year ended December 31, 2020, which was an increase of approximately \$4.5 million. The increase between the periods was primarily due to an increase of depreciation expense of \$7.2 million, partially offset by the amortization of intangible lease assets of \$4.1 million related to five properties for the year ended December 31, 2021 compared to \$6.8 million related to six properties for the year ended December 31, 2020, which was a decrease of approximately \$2.7 million.*

#### Other Income and Expense

**Interest expense.** Interest expense was \$44.6 million for the year ended December 31, 2021 compared to \$44.8 million for the year ended December 31, 2020, which was a decrease of approximately \$0.2 million. The decrease between the periods was primarily due to an increase in interest rate swap expense of approximately \$5.6 million, partially offset by a decrease in interest on debt of \$5.1 million. The following table details the various costs included in interest expense for the years ended December 31, 2021 and 2020 (in thousands):

	For the Year Ended December 31,			\$ Change
	2021	2020		
Interest on debt	\$ 27,405	\$ 32,546		\$ (5,141)
Amortization of deferred financing costs	2,197	2,837		(640)
Interest rate swaps - effective portion	14,909	9,337		5,572
Interest rate caps expense	112	33		79
<b>Total</b>	<b>\$ 44,623</b>	<b>\$ 44,753</b>		<b>\$ (130)</b>

**Loss on extinguishment of debt and modification costs.** Loss on extinguishment of debt and modification costs was \$0.9 million for the year ended December 31, 2021 compared to \$1.5 million for the year ended December 31, 2020, which was a decrease of approximately \$0.6 million. The decrease between periods was primarily due to a decrease in prepayment penalties and defeasance costs of \$0.3 million and a decrease in write-offs of deferred financing costs of \$0.3 million. The following table details the various costs included in loss on extinguishment of debt and modification costs for the years ended December 31, 2021 and 2020 (in thousands):

	For the Year Ended December 31,			\$ Change
	2021	2020		
Prepayment penalties and defeasance costs	\$ 407	\$ 711		\$ (304)
Write-off of deferred financing costs	503	756		(253)
Write-off of fair market value adjustment of assumed debt	\$ —	\$ —		\$ -
Debt modification and other extinguishment costs	2	3		(1)
<b>Total</b>	<b>\$ 912</b>	<b>\$ 1,470</b>		<b>\$ (558)</b>

**Casualty gains (losses).** Casualty gains were \$2.6 million for the year ended December 31, 2021 compared to casualty gains of \$5.9 million for the year ended December 31, 2020. The decrease between periods was primarily due to significant damages sustained at Cutter's Point, Venue 8651, and Timber Creek (see Note 5 to our consolidated financial statements).

**Miscellaneous income.** Miscellaneous income was \$1.6 million for the year ended December 31, 2021 compared to \$1.8 million for the year ended December 31, 2020, which was a decrease of approximately \$0.2 million. The decrease between the periods was primarily due to business interruption proceeds received from insurance for lost rents at Cutter's Point and Venue 8651 (see Note 5 to our consolidated financial statements).

**Gain on sales of real estate.** Gain on sales of real estate was \$46.2 million for the year ended December 31, 2021 compared to \$69.2 million for the year ended December 31, 2020, which was a decrease of approximately \$23.0 million. During the year ended December 31, 2021, we sold two properties; during the year ended December 31, 2020, we sold four properties.

#### Non-GAAP Measurements

##### Net Operating Income and Same Store Net Operating Income

NOI is a non-GAAP financial measure of performance. NOI is used by investors and our management to evaluate and compare the performance of our properties to other comparable properties, to determine trends in earnings and to compute the fair value of our properties as NOI is calculated by adjusting net income (loss) to add back (1) interest expense (2) advisory and administrative fees, (3) the impact of: (a) depreciation and amortization expenses as well as and (b) gains or losses from the sale of operating real estate assets that are included in net income (loss) computed in accordance with GAAP, (4) corporate general and administrative expenses, (5) other gains and losses that are specific to us including loss on extinguishment of debt and modification costs, (6) casualty-related expenses/(recoveries) and casualty gains (losses), and (7) gain on forfeited deposits, (8) property general and administrative expenses that are not reflective of the continuing operations of the properties or are incurred on behalf of the Company at the property for expenses such as legal, professional, centralized leasing service and franchise tax fees, fees and (9) equity in earnings of affiliates.

The cost of funds is eliminated from net income (loss) because it is specific to our particular financing capabilities and constraints. The cost of funds is also eliminated because it is dependent on historical interest rates and other costs of capital as well as past decisions made by us regarding the appropriate mix of capital, which may have changed or may change in the future. Corporate general and administrative expenses pandemic expense, and non-operating fees to affiliates are eliminated because they do not reflect continuing operating costs of the property owner. Depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets are eliminated

because they may not accurately represent the actual change in value in our multifamily properties that result from use of the properties or changes in market conditions. While certain aspects of real property do decline in value over time in a manner that is reasonably captured by depreciation and amortization, the value of the properties as a whole have historically increased or decreased as a result of changes in overall economic conditions instead of from actual use of the property or the passage of time. Gains and losses from the sale of real property vary from property to property and are affected by market conditions at the time of sale, which will usually change from period to period. Casualty-related expenses and recoveries, casualty gains and losses, and losses of extinguished debt and modification costs are excluded because they do not reflect continuing operating costs of the property owner. Entity level general and administrative expenses incurred at the properties and pandemic expenses are eliminated as they are specific to the way in which we have chosen to hold our properties and are the result of our ownership structuring. **Also, expenses that Gain of forfeited deposits is eliminated because such gains are incurred upon acquisition not part of a property do our core operations for the properties. Equity in earnings of affiliates is excluded as it not reflect continuing operating costs part of our core operations for the property owner properties. These gains and losses items** can create distortions when comparing one period to another or when comparing our operating results to the operating results of other real estate companies that have not made similarly timed purchases or sales. We believe that eliminating these items from net income is useful because the resulting measure captures the actual ongoing revenue generated and actual expenses incurred in operating our properties as well as trends in occupancy rates, rental rates and operating costs.

However, the usefulness of NOI is limited because it excludes **corporate general and administrative expenses, interest expense, loss on extinguishment of debt and modification costs, acquisition costs, certain fees to affiliates such as advisory and administrative fees, depreciation and amortization expense and gains or losses from the sale of properties, pandemic expenses, and other gains and losses as determined under GAAP, the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, items listed above**, all of which are significant economic costs. NOI may fail to capture significant trends in these components of net income, which further limits its usefulness.

NOI is a measure of the operating performance of our properties but does not measure our performance as a whole. NOI is therefore not a substitute for net income (loss) as computed in accordance with GAAP. This measure should be analyzed in conjunction with net income (loss) computed in accordance with GAAP and discussions elsewhere in "—Results of Operations" regarding the components of net income (loss) that are eliminated in the calculation of NOI. Other companies may use different methods for calculating NOI or similarly entitled measures and, accordingly, our NOI may not be comparable to similarly entitled measures reported by other companies that do not define the measure exactly as we do.

We define "Same Store NOI" as NOI for our properties that are comparable between periods. We view Same Store NOI as an important measure of the operating performance of our properties because it allows us to compare operating results of properties owned for the entirety of the current and comparable periods and therefore eliminates variations caused by acquisitions or dispositions during the periods.

#### **NOI and 2021-2022 2022-2023 Same Store NOI for the Years Ended December 31, 2022 December 31, 2023 and 2021 2022**

The following table, which has not been adjusted for the effects of noncontrolling interests, reconciles our NOI and our **2021-2022 2022-2023 Same Store NOI for the years ended December 31, 2022 December 31, 2023 and 2021 2022** to net income (loss), the most directly comparable GAAP financial measure (in thousands):

	For the Year Ended December 31,	
	2023	2022
Net income (loss)	\$ 44,433	\$ (9,291)
Adjustments to reconcile net income (loss) to NOI:		
Advisory and administrative fees	7,645	7,547
Corporate general and administrative expenses	16,663	14,670
Casualty-related expenses/(recoveries)	(1)	(2,214)
Casualty losses (gains)	856	(2,506)
Gain on forfeited deposits	(250)	—
Property general and administrative expenses	(2)	3,701
Depreciation and amortization	95,186	97,648
Interest expense	67,106	50,587
Equity in earnings of affiliate	(205)	—
Loss on extinguishment of debt and modification costs	2,409	8,734
Gain on sales of real estate	(67,926)	(14,684)

NOI	\$	167,404	\$	157,424
Less Non-Same Store				
Revenues		(41,581)		(44,017)
Operating expenses		19,327		21,101
Operating income		(151)		(488)
Same Store NOI	\$	144,999	\$	134,020

	For the Year Ended			
	December 31,			
	2022	2021		
Net income (loss)	\$ (9,291)	\$ 23,106		
Adjustments to reconcile net income (loss) to NOI:				
Advisory and administrative fees	7,547	7,631		
Corporate general and administrative expenses	14,670	11,966		
Casualty-related expenses/(recoveries)(1)	1,119	(199)		
Casualty losses (gains)	(2,506)	(2,595)		
Property general and administrative expenses	(2)	3,600	2,655	
Depreciation and amortization	97,648	86,878		
Interest expense	50,587	44,623		
Loss on extinguishment of debt and modification costs	8,734	912		
Gain on sales of real estate	(14,684)	(46,214)		
NOI	\$ 157,424	\$ 128,763		
Less Non-Same Store				
Revenues	(48,318)	(30,116)		
Operating expenses	20,688	13,720		
Operating income	(515)	(1,102)		
Same Store NOI	\$ 129,279	\$ 111,265		

(1) Adjustment to net income (loss) to exclude certain property operating expenses that are casualty-related expenses/(recoveries).

(2) Adjustment to net income (loss) to exclude certain property general and administrative expenses that are not reflective of the continuing operations of the properties or are incurred on our behalf at the property for expenses such as legal, professional, centralized leasing service and franchise tax fees.

(1) Adjustment to net income (loss) to exclude certain property operating expenses that are casualty-related expenses/(recoveries).

(2) Adjustment to net income (loss) to exclude certain property general and administrative expenses that are not reflective of the continuing operations of the properties or are incurred on our behalf at the property for expenses such as legal, professional, centralized leasing service and franchise tax fees.

**NOI and 2020-2022 2021-2023 Same Store NOI for the Years Ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021**

The following table, which has not been adjusted for the effects of noncontrolling interests, reconciles our NOI and our 2020-2022 2021-2023 Same Store NOI for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021 to net income, the most directly comparable GAAP financial measure (in thousands):

	For the Year Ended December 31,		
	2023	2022	2021
Net income (loss)	\$ 44,433	\$ (9,291)	\$ 23,106
Adjustments to reconcile net income (loss) to NOI:			
Advisory and administrative fees	7,645	7,547	7,631
Corporate general and administrative expenses	16,663	14,670	11,966
Casualty-related expenses/(recoveries)	(1) (2,214)	1,119	(199)
Casualty losses (gains)	856	(2,506)	(2,595)
Gain on forfeited deposits	(250)	—	—
Property general and administrative expenses	(2) 3,701	3,600	2,539
Depreciation and amortization	95,186	97,648	86,878
Interest expense	67,106	50,587	44,623
Equity in earnings of affiliate	(205)	—	—
Loss on extinguishment of debt and modification costs	2,409	8,734	912
Gain on sales of real estate	(67,926)	(14,684)	(46,214)
NOI	\$ 167,404	\$ 157,424	\$ 128,647
Less Non-Same Store			
Revenues	(64,731)	(65,875)	(46,236)
Operating expenses	28,203	29,116	21,355
Operating income	(285)	(930)	(1,303)
Same Store NOI	\$ 130,591	\$ 119,735	\$ 102,463

	For the Year Ended December 31,			(1) Adjustment to net income to exclude certain property operating expenses that are casualty-related expenses/(i)
	2022	2021	2020	
	\$ (9,291)	\$ 23,106	\$ 44,150	
Net income (loss)	\$ (9,291)	\$ 23,106	\$ 44,150	
Adjustments to reconcile net income (loss) to NOI:				
Advisory and administrative fees	7,547	7,631	7,670	
Corporate general and administrative expenses	14,670	11,966	10,035	
Casualty-related expenses/(recoveries)	(1) 1,119	(199)	789	
Casualty gains	(2,506)	(2,595)	(5,886)	
Property general and administrative expenses	(2) 3,600	2,655	2,400	
Depreciation and amortization	97,648	86,878	82,411	
Interest expense	50,587	44,623	44,753	
Loss on extinguishment of debt and modification costs	8,734	912	1,470	
Gain on sales of real estate	(14,684)	(46,214)	(69,151)	
NOI	\$ 157,424	\$ 128,763	\$ 118,641	
Less Non-Same Store				

Revenues	(55,285)	(35,956)	(30,872)
Operating expenses	22,604	15,384	15,026
Operating income	(515)	(1,102)	(1,687)
Same Store NOI	<u>\$124,228</u>	<u>\$107,089</u>	<u>\$101,108</u>

(2) Adjustment to net income to exclude certain property general and administrative expenses that are not reflective of the continuing operations of the properties or are incurred behalf at the property for expenses such as legal, professional, centralized leasing service and franchise tax.

(1) Adjustment to net income to exclude certain property operating expenses that are casualty-related expenses/(recoveries).

(2) Adjustment to net income to exclude certain property general and administrative expenses that are not reflective of the continuing operations of the properties or are incurred on our behalf at the property for expenses such as legal, professional, centralized leasing service and franchise tax.

Net Operating Income for Our **2021-2022 2022-2023** Same Store and Non-Same Store Properties for the Years Ended **December 31, 2022 December 31, 2023** and **2021 2022**

There are **31** 33 properties encompassing **12,210** 12,378 units of apartment space in our 2022-2023 Same Store properties. Our 2022-2023 Same Store properties exclude the following 5 properties in our portfolio as of December 31, 2023: Old Farm, Stone Creek at Old Farm, The Adair, Estates on Maryland and Radbourne Lake as well as the 45 units that are currently down (see Note 4 to our consolidated financial statements).

The following table reflects the revenues, property operating expenses and NOI for the years ended December 31, 2023 and 2022 for our 2022-2023 Same Store and Non-Same Store properties (dollars in thousands):

	For the Year Ended December 31,		\$ Change	% Change
	2023	2022		
<b>Revenues</b>				
Same Store				
Rental income	\$ 229,801	\$ 214,664	\$ 15,137	7.1%
Other income	5,661	5,271	390	7.4%
Same Store revenues	<u>235,462</u>	<u>219,935</u>	<u>15,527</u>	<u>7.1%</u>
Non-Same Store				
Rental income	40,277	43,191	(2,914)	-6.7%
Other income	1,304	826	478	57.9%
Non-Same Store revenues	<u>41,581</u>	<u>44,017</u>	<u>(2,436)</u>	<u>-5.5%</u>
Total revenues	<u>277,043</u>	<u>263,952</u>	<u>13,091</u>	<u>5.0%</u>
<b>Operating expenses</b>				
Same Store				
Property operating expenses (1)	49,221	46,389	2,832	6.1%
Real estate taxes and insurance	30,740	29,443	1,297	4.4%
Property management fees (2)	6,820	6,333	487	7.7%
Property general and administrative expenses (3)	4,702	4,533	169	3.7%
Same Store operating expenses	<u>91,483</u>	<u>86,698</u>	<u>4,785</u>	<u>5.5%</u>
Non-Same Store				
Property operating expenses (4)	10,831	10,643	188	1.8%
Real estate taxes and insurance	6,107	7,990	(1,883)	-23.6%
Property management fees (2)	1,249	1,303	(54)	-4.1%
Property general and administrative expenses (5)	1,140	1,165	(25)	-2.1%
Non-Same Store operating expenses	<u>19,327</u>	<u>21,101</u>	<u>(1,774)</u>	<u>-8.4%</u>
Total operating expenses	<u>110,810</u>	<u>107,799</u>	<u>3,011</u>	<u>2.8%</u>

<b>Operating income</b>					
<b>Same Store</b>					
Miscellaneous income	1,020	783	237	30.3%	
<b>Non-Same Store</b>					
Miscellaneous income	151	488	(337)	N/M	
Total operating income	1,171	1,271	(100)	-7.9%	
<b>NOI</b>					
Same Store	144,999	134,020	10,979	8.2%	
Non-Same Store	22,405	23,404	(999)	-4.3%	
<b>Total NOI</b>	<b>\$ 167,404</b>	<b>\$ 157,424</b>	<b>\$ 9,980</b>	<b>6.3%</b>	

(1) For the years ended December 31, 2023 and 2022, excludes approximately \$2,268,000 and \$614,000, respectively, of casualty-related recoveries.  
 (2) Fees incurred to an unaffiliated third party that is an affiliate of a noncontrolling limited partner of the OP.  
 (3) For the years ended December 31, 2023 and 2022, excludes approximately \$2,909,000 and \$2,914,000, respectively, of expenses that are not reflective of the operations of the properties or are incurred on our behalf at the property for expenses such as legal, professional, centralized leasing service and franchise tax fees.  
 (4) For the years ended December 31, 2023 and 2022, excludes approximately \$54,000 and \$(2,136,000), respectively, of casualty-related expenses/(recoveries).  
 (5) For the years ended December 31, 2023 and 2022, excludes approximately \$792,000 and \$686,000, respectively, of expenses that are not reflective of the continuing operations of the properties or are incurred on our behalf at the property for expenses such as legal, professional, centralized leasing service and franchise tax fees.

See reconciliation of net income (loss) to NOI above under "NOI and 2022-2023 Same Store NOI for the Years Ended December 31, 2023 and 2022."

#### **2022-2023 Same Store Results of Operations for the Years Ended December 31, 2023 and 2022**

As of December 31, 2023, our 2022-2023 Same Store properties were approximately 94.7% leased with a weighted average monthly effective rent per occupied apartment unit of \$1,509. As of December 31, 2022, our 2022-2023 Same Store properties were approximately 94.1% leased with a weighted average monthly effective rent per occupied apartment unit of \$1,508. For our 2022-2023 Same Store properties, we recorded the following operating results for the year ended December 31, 2023 as compared to the year ended December 31, 2022:

#### **Revenues**

**Rental income.** Rental income was \$229.8 million for the year ended December 31, 2023 compared to \$214.7 million for the year ended December 31, 2022, which was an increase of approximately \$15.1 million, or 7.1%. The majority of the increase is related to a 0.1% increase in the weighted average monthly effective rent per occupied apartment unit to \$1,509 as of December 31, 2023 from \$1,508 as of December 31, 2022.

**Other income.** Other income was \$5.7 million for the year ended December 31, 2023 compared to \$5.3 million for the year ended December 31, 2022, which was an increase of \$0.4 million. The increase between period is attributable to an \$0.1 million increase in non refundable fees and increases in all other accounts of \$0.3 million.

#### **Expenses**

**Property operating expenses.** Property operating expenses were \$49.2 million for the year ended December 31, 2023 compared to \$46.4 million for the year ended December 31, 2022, which was an increase of approximately \$2.8 million, or 6.1%. The majority of the increase is related to increases in maintenance and administrative salaries of \$2.1 million.

**Real estate taxes and insurance.** Real estate taxes and insurance costs were \$30.7 million for the year ended December 31, 2023 compared to \$29.4 million for the year ended December 31, 2022, which was an increase of approximately \$1.3 million, or 4.4%. The majority of the increase is related to a \$1.2 million increase in property tax expense.

**Property management fees.** Property management fees were \$6.8 million for the year ended December 31, 2023 compared to \$6.3 million for the year ended December 31, 2022, which was an increase of approximately \$0.5 million, or 7.7%. The majority of the increase is related to an increase in total revenues, which the fee is primarily based on.

**Property general and administrative expenses.** Property general and administrative expenses were \$4.7 million for the year ended December 31, 2023 compared to \$4.5 million for the year ended December 31, 2022, which was an increase of approximately \$0.2 million, or 3.7%. The majority of the increase is related to a \$0.2 million increase in computer software expense.

## Net Operating Income for Our 2021-2023 Same Store and Non-Same Store Properties for the Years Ended December 31, 2023, 2022 and 2021

There are 28 properties encompassing 11,061 units of apartment space in our same store pool for the years ended December 31, 2022 December 31, 2023, 2022 and 2021 (our "2021-2022" "2021-2023 Same Store" properties). Our 2021-2022 2021-2023 Same Store properties exclude the following 910 properties in our portfolio as of December 31, 2022 December 31, 2023: Cutter's Point, Old Farm, Stone Creek at Old Farm, The Verandas at Lake Norman, Creekside at Matthews, Six Forks Station, High House at Cary, The Adair, Estates on Maryland and Radbourne Lake as well as the 106 45 units that are currently down (see Note 54 to our consolidated financial statements).

59

The following table reflects the revenues, property operating expenses and NOI for the years ended December 31, 2022 December 31, 2023, 2022 and 2021 for our 2021-2022 2021-2023 Same Store and Non-Same Store properties (dollars in thousands):

	For the Year Ended December 31,			2023 compared to 2022		2023 compared to 2021	
	2023	2022	2021	\$ Change	% Change	\$ Change	% Change
<b>Revenues</b>							
Same Store							
Rental income	\$ 207,034	\$ 193,060	\$ 167,971	\$ 13,974	7.2%	\$ 39,063	23.3%
Other income	5,278	5,017	5,033	261	5.2%	245	4.9%
Same Store revenues	212,312	198,077	173,004	14,235	7.2%	39,308	22.7%
Non-Same Store							
Rental income	63,044	64,795	45,534	(1,751)	-2.7%	17,510	38.5%
Other income	1,687	1,080	702	607	56.2%	985	140.3%
Non-Same Store revenues	64,731	65,875	46,236	(1,144)	-1.7%	18,495	40.0%
Total revenues	277,043	263,952	219,240	13,091	5.0%	57,803	26.4%
<b>Operating expenses</b>							
Same Store							
Property operating expenses (1)	44,358	42,015	36,848	2,343	5.6%	7,510	20.4%
Real estate taxes and insurance	27,941	26,945	25,505	996	3.7%	2,436	9.6%
Property management fees (2)	6,151	5,705	4,946	446	7.8%	1,205	24.4%
Property general and administrative expenses (3)	4,157	4,017	3,563	140	3.5%	594	16.7%
Same Store operating expenses	82,607	78,682	70,862	3,925	5.0%	11,745	16.6%
Non-Same Store							
Property operating expenses (4)	15,694	15,017	11,090	677	4.5%	4,604	41.5%
Real estate taxes and insurance	8,906	10,488	7,647	(1,582)	-15.1%	1,259	16.5%
Property management fees (2)	1,918	1,931	1,388	(13)	-0.7%	530	38.2%
Property general and administrative expenses (5)	1,685	1,680	1,230	5	0.3%	455	37.0%
Non-Same Store operating expenses	28,203	29,116	21,355	(913)	-3.1%	6,848	32.1%
Total operating expenses	110,810	107,798	92,217	3,012	2.8%	18,593	20.2%
<b>Operating income</b>							
Same Store							
Miscellaneous income	886	340	321	546	N/M	565	N/M
Non-Same Store							
Miscellaneous income	285	930	1,303	(645)	N/M	(1,018)	N/M
Total operating income	1,171	1,270	1,624	(99)	-7.8%	(453)	-27.9%
<b>NOI</b>							

Same Store	130,591	119,735	102,463	10,856	9.1%	28,128	27.5%
Non-Same Store	36,813	37,689	26,184	(876)	-2.3%	10,629	40.6%
<b>Total NOI</b>	<b>\$ 167,404</b>	<b>\$ 157,424</b>	<b>\$ 128,647</b>	<b>\$ 9,980</b>	<b>6.3%</b>	<b>\$ 38,757</b>	<b>30.1%</b>
<b>For the Year Ended December 31,</b>							
	<b>2022</b>	<b>2021</b>	<b>\$ Change</b>	<b>% Change</b>			
<b>Revenues</b>							
Same Store							
Rental income	\$ 210,179	\$ 183,696	\$ 26,483	14.4%			
Other income	5,455	5,428	27	0.5%			
Same Store revenues	215,634	189,124	26,510	14.0%			
Non-Same Store							
Rental income	47,676	29,809	17,867	59.9%			
Other income	642	307	335	109.1%			
Non-Same Store revenues	48,318	30,116	18,202	60.4%			
Total revenues	263,952	219,240	44,712	20.4%			
<b>Operating expenses</b>							
Same Store							
Property operating expenses (1)	46,614	40,981	5,633	13.7%			
Real estate taxes and insurance	29,743	28,084	1,659	5.9%			
Property management fees (2)	6,226	5,426	800	14.7%			
Property general and administrative expenses (3)	4,528	3,890	638	16.4%			
Same Store operating expenses	87,111	78,381	8,730	11.1%			
Non-Same Store							
Property operating expenses (4)	10,418	6,957	3,461	49.7%			
Real estate taxes and insurance	7,690	5,068	2,622	51.7%			
Property management fees (2)	1,410	908	502	55.3%			
Property general and administrative expenses (5)	1,170	787	383	48.7%			
Non-Same Store operating expenses	20,688	13,720	6,968	50.8%			
Total operating expenses	107,799	92,101	15,698	17.0%			
<b>Operating income</b>							
Same Store							
Miscellaneous income	756	522	234	44.8%			
Non-Same Store							
Miscellaneous income	515	1,102	(587)	N/M			
Total operating income	1,271	1,624	(353)	-21.7%			
<b>NOI</b>							
Same Store	129,279	111,265	18,014	16.2%			
Non-Same Store	28,145	17,498	10,647	60.8%			
<b>Total NOI</b>	<b>\$ 157,424</b>	<b>\$ 128,763</b>	<b>\$ 28,661</b>	<b>22.3%</b>			

(1) For the years ended December 31, 2022 and 2021, excludes approximately \$2,909,000 and \$282,000, respectively, of casualty-related recoveries.

For the years ended December 31, 2023, 2022 and 2021, excludes approximately \$(2,008,000), \$(2,096,000) and \$142,000, respectively, of casualty-related expenses/(recoveries).

(Fees incurred to an unaffiliated third party that is an affiliate of a noncontrolling limited partner of the OP.

(For the years ended December 31, 2023, 2022 and 2021, excludes approximately \$2,619,000, \$2,638,000 and \$1,696,000, respectively, of expenses that are not reflective of the continuing operations of the properties or are incurred on our behalf at the property for expenses such as legal, professional, centralized leasing service and franchise tax fees.

(For the years ended December 31, 2023, 2022 and 2021, excludes approximately \$(206,000), \$3,215,000 and \$(341,000), respectively, of casualty-related expenses/(recoveries).

(For the years ended December 31, 2023, 2022 and 2021, excludes approximately \$1,082,000, \$963,000 and \$843,000, respectively, of expenses that are not reflective of the continuing operations of the properties or are incurred on our behalf at the property for expenses such as legal, professional, centralized leasing service and franchise tax fees.

---

(2) Fees incurred to an unaffiliated third party that is an affiliate of the noncontrolling limited partner of the OP.

- (3) For the years ended December 31, 2022 and 2021, excludes approximately \$2,884,000 and \$1,986,000, respectively, of expenses that are not reflective of the continuing operations of the properties or are incurred on our behalf at the property for expenses such as legal, professional, centralized leasing service and franchise tax fees.
- (4) For the years ended December 31, 2022 and 2021, excludes approximately \$159,000 and \$(17,000), respectively, of casualty-related expenses/(recoveries).
- (5) For the years ended December 31, 2022 and 2021, excludes approximately \$716,000 and \$669,000, respectively, of expenses that are not reflective of the continuing operations of the properties or are incurred on our behalf at the property for expenses such as legal, professional, centralized leasing service and franchise tax fees.

See reconciliation of net income (loss) to NOI above under "NOI and 2021-2022 2021-2023 Same Store NOI for the Years Ended December 31, 2022 December 31, 2023, 2022 and 2021."

#### **2021-2022 2021-2023 Same Store Results of Operations for the Years Ended December 31, 2022 December 31, 2023 and 2021**

As of December 31, 2023, our 2021-2023 Same Store properties were approximately 94.7% leased with a weighted average monthly effective rent per occupied apartment unit of \$1,520. As of December 31, 2022, our 2021-2022 2021-2023 Same Store properties were approximately 94.1% leased with a weighted average monthly effective rent per occupied apartment unit of \$1,493. \$1,520. For our 2021-2023 Same Store properties, we recorded the following operating results for the year ended December 31, 2023 as compared to the year ended December 31, 2022:

#### **Revenues**

*Rental income.* Rental income was \$207.0 million for the year ended December 31, 2023 compared to \$193.1 million for the year ended December 31, 2022, which was an increase of approximately \$13.9 million, or 7.2%. The majority of the increase is related to a 0.6% increase in occupancy from 94.1% as of December 31, 2022 to 94.7% as of December 31, 2023 and a increase in the total number of units in the 2021-2023 same store pool from 11,023 units to 11,061 units as of December 31, 2022 and 2023, respectively.

*Other income.* Other income was \$5.3 million for the year ended December 31, 2023 compared to \$5.0 million for the year ended December 31, 2022, which was an increase of \$0.3 million. The increase is related to an increase in non refundable fees of \$0.1 million and increases in all other income of \$0.2 million.

#### **Expenses**

*Property operating expenses.* Property operating expenses were \$44.4 million for the year ended December 31, 2023 compared to \$42.0 million for the year ended December 31, 2022, which was an increase of approximately \$2.3 million, or 5.6%. The majority of the increase is related to increases in maintenance and administrative salaries of \$2.0 million.

*Real estate taxes and insurance.* Real estate taxes and insurance costs were \$27.9 million for the year ended December 31, 2023 compared to \$26.9 million for the year ended December 31, 2022, which was an increase of approximately \$1.0 million, or 3.7%. The majority of the increase is related to a \$1.0 million increase in property taxes.

*Property management fees.* Property management fees were \$6.2 million for the year ended December 31, 2023 compared to \$5.7 million for the year ended December 31, 2022, which was an increase of approximately \$0.5 million, or 7.8%. The majority of the increase is related to an increase in total revenues, which the fee is primarily based on.

*Property general and administrative expenses.* Property general and administrative expenses were \$4.2 million for the year ended December 31, 2023 compared to \$4.0 million for the year ended December 31, 2022, which was an increase of approximately \$0.2 million, or 3.5%. The majority of the increase is related to a \$0.3 million increase in listing fees.

#### **2021-2023 Same Store Results of Operations for the Years Ended December 31, 2023 and 2021**

As of December 31, 2023, our 2021-2023 Same Store properties were approximately 94.7% leased with a weighted average monthly effective rent per occupied apartment unit of \$1,520. As of December 31, 2021, our 2021-2022 2021-2023 Same Store properties were approximately 94.3% leased with a weighted average monthly effective rent per occupied apartment unit of \$1,267. \$1,288. For our 2021-2022 2021-2023 Same Store properties, we recorded the following operating results for the year ended December 31, 2022 end December 31, 2023 as compared to the year ended December 31, 2021:

#### **Revenues**

*Rental income.* Rental income was \$210.2 million \$207.0 million for the year ended December 31, 2022 December 31, 2023 compared to \$183.7 million \$168.0 million for the year ended December 31, 2021, which was an increase of approximately \$26.5 million \$39.0 million, or 14.4%. The majority of the increase is related to a 17.8% increase in the weighted average monthly effective rent per occupied apartment unit to \$1,493 as of December 31, 2022 from \$1,267 as of December 31, 2021.

*Other income.* Other income was \$5.5 million for the year ended December 31, 2022 compared to \$5.4 million for the year ended December 31, 2021, which was an increase of \$0.1 million. The increase between period is attributable to an \$0.1 million increase in application fees.

#### **Expenses**

*Property operating expenses.* Property operating expenses were \$46.6 million for the year ended December 31, 2022 compared to \$41.0 million for the year ended December 31, 2021, which was an increase of approximately \$5.6 million, or 13.7%. The majority of the increase is related to a \$3.1 million, or 19.8%, increase in repairs and maintenance expense.

**Real estate taxes and insurance.** Real estate taxes and insurance costs were \$29.7 million for the year ended December 31, 2022 compared to \$28.1 million for the year ended December 31, 2021, which was an increase of approximately \$1.6 million, or 5.9%. The majority of the increase is related to a \$1.1 million, or 4.8%, increase in property taxes and a \$0.5 million, or 11.8%, increase in insurance expense.

**Property management fees.** Property management fees were \$6.2 million for the year ended December 31, 2022 compared to \$5.4 million for the year ended December 31, 2021, which was an increase of approximately \$0.8 million, or 14.7%. The majority of the increase is related to an increase in total revenues, which the fee is primarily based on.

**Property general and administrative expenses.** Property general and administrative expenses were \$4.5 million for the year ended December 31, 2022 compared to \$3.9 million for the year ended December 31, 2021, which was an increase of approximately \$0.6 million, or 16.4%. The majority of the increase is related to a \$0.5 million, or 18.1%, increase in office operations expense and a \$0.1 million increase in marketing expenses, or 9.5%.

#### Net Operating Income for Our 2020-2022 Same Store and Non-Same Store Properties for the Years Ended December 31, 2022, 2021 and 2020

There are 30 properties encompassing 11,858 units of apartment space in our same store pool for the years ended December 31, 2022, 2021, 2020 and 2020 (our "2020-2022 Same Store" properties). Our 2020-2022 Same Store properties exclude the following 10 properties in our portfolio as of December 31, 2022: Cutter's Pointe, Old Farm, Stone Creek at Old Farm, Fairways at San Marcos, The Verandas at Lake Norman, Creekside at Matthews, Six Forks Station, High House at Cary, The Adair, Estates on Maryland, as well as 106 units that are currently down (see Note 5 to our consolidated financial statements).

The following table reflects the revenues, property operating expenses and NOI for the years ended December 31, 2022, 2021 and 2020 for our 2020-2022 Same Store and Non-Same Store properties (dollars in thousands):

	For the Year Ended December 31,			2022 compared to 2021		2022 compared to 2020	
	2022	2021	2020	\$ Change	% Change	\$ Change	% Change
<b>Revenues</b>							
Same Store							
Rental income	\$ 203,295	\$ 177,925	\$ 168,638	\$ 25,370	14.3%	\$ 34,657	20.6%
Other income	5,372	5,359	5,290	13	0.2%	82	1.6%
Same Store revenues	208,667	183,284	173,928	25,383	13.8%	34,739	20.0%
Non-Same Store							
Rental income	54,560	35,580	30,599	18,980	53.3%	23,961	78.3%
Other income	725	376	273	349	92.8%	452	165.6%
Non-Same Store revenues	55,285	35,956	30,872	19,329	53.8%	24,413	79.1%
Total revenues	263,952	219,240	204,800	44,712	20.4%	59,152	28.9%
<b>Operating expenses</b>							
Same Store							
Property operating expenses (1)	45,457	40,017	38,864	5,440	13.6%	6,593	17.0%
Real estate taxes and insurance	29,316	27,678	25,939	1,638	5.9%	3,377	13.0%
Property management fees (2)	6,025	5,260	4,996	765	14.5%	1,029	20.6%
Property general and administrative expenses (3)	4,397	3,762	3,106	635	16.9%	1,291	41.6%
Same Store operating expenses	85,195	76,717	72,905	8,478	11.1%	12,290	16.9%
Non-Same Store							
Property operating expenses (4)	11,575	7,921	7,548	3,654	46.1%	4,027	53.4%
Real estate taxes and insurance	8,117	5,474	5,770	2,643	48.3%	2,347	40.7%
Property management fees (2)	1,611	1,074	975	537	50.0%	636	65.2%
Property general and administrative expenses (5)	1,301	915	733	386	42.2%	568	77.5%
Non-Same Store operating expenses	22,604	15,384	15,026	7,220	46.9%	7,578	50.4%
Total operating expenses	107,799	92,101	87,931	15,698	17.0%	19,868	22.6%
<b>Operating income</b>							
Same Store							
Miscellaneous income	756	522	85	234	44.8%	671	N/M
Non-Same Store							
Miscellaneous income	515	1,102	1,687	(587)	N/M	(1,172)	N/M
Total operating income	1,271	1,624	1,772	(353)	-21.7%	(501)	-28.3%
<b>NOI</b>							
Same Store	124,228	107,089	101,108	17,139	16.0%	23,120	22.9%
Non-Same Store	33,196	21,674	17,533	11,522	53.2%	15,663	89.3%

<b>Total NOI</b>	<b>\$ 157,424</b>	<b>\$ 128,763</b>	<b>\$ 118,641</b>	<b>\$ 28,661</b>	<b>22.3%</b>	<b>\$ 38,783</b>	<b>32.7%</b>
------------------	-------------------	-------------------	-------------------	------------------	--------------	------------------	--------------

(1) For the years ended December 31, 2022, 2021 and 2020, excludes approximately \$2,909,000, \$17,000 and \$897,000, respectively, of casualty-related recoveries.

(2) Fees incurred to an unaffiliated third party that is an affiliate of the noncontrolling limited partner of the OP.

(3) For the years ended December 31, 2022, 2021 and 2020, excludes approximately \$2,824,000, \$1,959,000 and \$1,746,000, respectively, of expenses that are not reflective of the continuing operations of the properties or are incurred on our behalf at the property for expenses such as legal, professional, centralized leasing service and franchise tax fees.

(4) For the years ended December 31, 2022, 2021 and 2020, excludes approximately \$4,028,000, \$(182,000) and \$1,686,000, respectively, of casualty-related expenses/(recoveries).

(5) For the years ended December 31, 2022, 2021 and 2020, excludes approximately \$776,000, \$696,000 and \$654,000, respectively, of expenses that are not reflective of the continuing operations of the properties or are incurred on our behalf at the property for expenses such as legal, professional, centralized leasing service and franchise tax fees.

See reconciliation of net income to NOI above under "NOI and 2020-2022 Same Store NOI for the Years Ended December 31, 2022, 2021 and 2020."

#### **2020-2022 Same Store Results of Operations for the Years Ended December 31, 2022 and 2021**

As of December 31, 2022, our 2020-2022 Same Store properties were approximately 94.1% leased with a weighted average monthly effective rent per occupied apartment unit of \$1,489. As of December 31, 2021, our 2020-2022 Same Store properties were approximately 94.2% leased with a weighted average monthly effective rent per occupied apartment unit of \$1,262. For our 2020-2022 Same Store properties, we recorded the following operating results for the year ended December 31, 2022 as compared to the year ended December 31, 2021:

#### **Revenues**

**Rental income.** Rental income was \$203.3 million for the year ended December 31, 2022 compared to \$177.9 million for the year ended December 31, 2021, which was an increase of approximately \$25.4 million, or 14.3% 23.3%. The majority of the increase is related to a 18.0% increase in the weighted average monthly effective rent per occupied apartment unit to \$1,489 \$1,520 as of December 31, 2022 December 31, 2023 from \$1,262 1,288 as of December 31, 2021.

**Other income.** Other income was \$5.4 million \$5.3 million for the year ended December 31, 2022 December 31, 2023 compared to \$5.4 million \$5.0 million for the year ended December 31, 2021. The majority of the increase in other income is attributable to an increase in non-refundable fees of \$0.2 million.

#### **Expenses**

**Property operating expenses.** Property operating expenses were \$44.4 million for the year ended December 31, 2023 compared to \$36.9 million for the year ended December 31, 2021, which was flat increase of approximately \$7.5 million, or 20.4%. The majority of the increase is related to a \$2.6 million increase in maintenance and administrative salaries and a \$1.4 million increase in water, electricity, gas and sewer expenses.

61

#### **Expenses**

**Property operating expenses.** Property operating expenses

**Real estate taxes and insurance.** Real estate taxes and insurance costs were \$45.5 million \$27.9 million for the year ended December 31, 2022 December 31, 2023 compared to \$40.0 million \$25.5 million for the year ended December 31, 2021, which was increase of approximately \$2.4 million, or 9.6%. The majority of the increase is related to increases in property taxes of \$2.2 million.

**Property management fees.** Property management fees were \$6.2 million for the year ended December 31, 2023 to \$4.9 million for the year ended December 31, 2021, which was an increase of approximately \$5.4 million, or 13.6%. The majority of the increase is related to an increase in repairs and maintenance costs of \$2.9 million and increases in other property operating expenses of \$2.6 million.

**Real estate taxes and insurance.** Real estate taxes and insurance costs were \$29.3. million for the year ended December 31, 2022 compared to \$27.7 million for the year ended December 31, 2021, which was an increase of approximately \$1.6 million, or 5.9%. The majority of the increase is related to a \$1.2 million, or 4.9%, increase in property taxes.

**Property management fees.** Property management fees were \$6.0 million for the year ended December 31, 2022 compared to \$5.3 million for the year ended December 31, 2021, which was an increase of approximately \$0.7 million, or 14.5% **24.4%**. The majority of the increase is related to an increase in total revenues, which the fee is primarily based on.

**Property general and administrative expenses.** Property general and administrative expenses were **\$4.4 million** **\$4.2 million** for the year ended **December 31, 2022** **December 31, 2023** compared to **\$3.8 million** **\$3.6 million** for the year ended December 31, 2021, which was an increase of approximately \$0.6 million, or **16.9%**. The majority of the increase is related to a **\$0.5 million** **\$0.6 million** increase in office operations, listing fees.

#### 2020-2022 Same Store Results of Operations for the Years Ended December 31, 2022 and 2020

As of December 31, 2022, our 2020-2022 Same Store properties were approximately 94.1% leased with a weighted average monthly effective rent per occupied apartment unit of \$1,489. As of December 31, 2020, our 2020-2022 Same Store properties were approximately 94.1% leased with a weighted average monthly effective rent per occupied apartment unit of \$1,132. For our 2020-2022 Same Store properties, we recorded the following operating results for the year end December 31, 2022 as compared to the year ended December 31, 2020:

#### Revenues

**Rental income.** Rental income was **\$203.3 million** for the year ended December 31, 2022 compared to **\$168.6 million** for the year ended December 31, 2020, which was an increase of approximately **\$34.7 million**, or **20.6%**. The majority of the increase is related to a **31.5%** increase in the weighted average monthly effective rent per occupied apartment unit to **\$1,489** as of December 31, 2022 from **\$1,132** as of December 31, 2020.

**Other income.** Other income was \$5.4 million for the year ended December 31, 2022 compared to \$5.3 million for the year ended December 31, 2020. The increase in other income is attributable to an increase in non-refundable fees of \$0.1 million.

#### Expenses

**Property operating expenses.** Property operating expenses were \$45.5 million for the year ended December 31, 2022 compared to \$38.9 million for the year ended December 31, 2020, which was an increase of approximately \$6.6 million, or 17.0%. The majority of the increase is related to a \$4.0 million, or 27.4%, increase in repair and maintenance expenses.

**Real estate taxes and insurance.** Real estate taxes and insurance costs were \$29.3 million for the year ended December 31, 2022 compared to \$25.9 million for the year ended, which was an increase of approximately \$3.4 million, or 13.0%. The increase is related to increases in property taxes of \$2.4 million, or 10.8%.

**Property management fees.** Property management fees were \$6.0 million for the year ended December 31, 2022 to \$5.0 million for the year ended December 31, 2020, which was an increase of approximately \$1.0 million, or 20.6%. The majority of the increase is related to an increase in total revenues, which the fee is primarily based on.

**Property general and administrative expenses.** Property general and administrative expenses were \$4.4 million for the year ended December 31, 2022 compared to \$3.1 million for the year ended December 31, 2020, which was an increase of approximately \$1.3 million. The majority of the increase is related to \$0.8 million increase in office operations.

#### FFO, Core FFO and AFFO

We believe that net income, as defined by GAAP, is the most appropriate earnings measure. We also believe that funds from operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), core funds from operations ("Core FFO") and adjusted funds from operations ("AFFO") are important non-GAAP supplemental measures of operating performance for a REIT.

Since the historical cost accounting convention used for real estate assets requires depreciation except on land, such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a REIT that use historical cost accounting for depreciation could be less informative. Thus, NAREIT created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation and amortization, among other items, from net income, as defined by GAAP. FFO is defined by NAREIT as net income computed in accordance with GAAP, excluding gains or losses from real estate dispositions, plus real estate depreciation and amortization. We compute FFO attributable to common stockholders in accordance with NAREIT's definition. Our presentation differs slightly in that we begin with net income (loss) before adjusting for amounts attributable to noncontrolling interests and we show the amounts attributable to such noncontrolling interests as an adjustment to arrive at FFO attributable to common stockholders.

Core FFO makes certain adjustments to FFO, which are either not likely to occur on a regular basis or are otherwise not representative of the ongoing operating performance of our portfolio. Core FFO adjusts FFO to remove items such as losses on extinguishment of debt and modification costs (including prepayment penalties and defeasance costs incurred on the early repayment of debt, the write-off of unamortized deferred financing costs and fair market value adjustments of assumed debt related to the early repayment of debt, costs incurred in a debt modification that are not capitalized as deferred financing costs and other costs incurred in a debt extinguishment), casualty-related expenses and recoveries and gains or losses, **pandemic expenses**, **gain on forfeited deposits**, the amortization of deferred financing costs incurred in connection with obtaining short-term debt financing, and the noncontrolling interests (as described above) related to these items. We believe Core FFO is useful to investors as a supplemental gauge of our operating performance and is useful in comparing our operating performance with other REITs that are not as involved in the aforementioned activities.

AFFO makes certain adjustments to Core FFO in order to arrive at a more refined measure of the operating performance of our portfolio. There is no industry standard definition of AFFO and practice is divergent across the industry. AFFO adjusts Core FFO to remove items such as equity-based compensation expense and the amortization of deferred financing costs incurred in connection with obtaining long-term debt financing, and the noncontrolling interests (as described above) related to these items. We believe AFFO is useful to investors as a supplemental gauge of our operating performance and is useful in comparing our operating performance with other REITs that are not as involved in the aforementioned activities.

The effect of the conversion of OP Units held by noncontrolling limited partners is not reflected in the computation of basic and diluted FFO, Core FFO and AFFO per share, as they are exchangeable for common stock on a one-for-one basis. The FFO, Core FFO and AFFO allocable to such units is allocated on this same basis and reflected in the adjustments for noncontrolling interests in the table below. As such, the assumed conversion of these units would have no net impact on the determination of diluted FFO, Core FFO and AFFO per share. See Note 10 to our consolidated financial statements 9 for additional information.

We believe that the use of FFO, Core FFO and AFFO, combined with the required GAAP presentations, improves the understanding of operating results of REITs among investors and makes comparisons of operating results among such companies more meaningful. While FFO, Core FFO and AFFO are relevant and widely used measures of operating performance of REITs, they do not represent cash flows from operations or net income (loss) as defined by GAAP and should not be considered as an alternative or substitute to those measures in evaluating our liquidity or operating performance. FFO, Core FFO and AFFO do not purport to be indicative of

cash available to fund our future cash requirements. Further, our computation of FFO, Core FFO and AFFO may not be comparable to FFO, Core FFO and AFFO reported by other REITs that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define Core FFO or AFFO differently than we do.

The following table reconciles our calculations of FFO, Core FFO and AFFO to net income, the most directly comparable GAAP financial measure, for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021 (in thousands, except per share amounts):

	For the Year Ended December 31,			% Change 2023 -	
	2023		2022	2021	% Change 2023 - 2021
	\$	44,433	\$ (9,291)	\$ 23,106	-578.2%
Net income (loss)					N/M
Depreciation and amortization		95,186	97,648	86,878	-2.5%
Gain on sales of real estate		(67,926)	(14,684)	(46,214)	362.6%
Adjustment for noncontrolling interests		(273)	(276)	(191)	-1.1%
<b>FFO attributable to common stockholders</b>	<b>\$</b>	<b>71,420</b>	<b>73,397</b>	<b>63,579</b>	<b>-2.7%</b>
					<b>12.3%</b>
<b>FFO per share - basic</b>	<b>\$</b>	<b>2.78</b>	<b>\$ 2.87</b>	<b>\$ 2.53</b>	<b>-3.0%</b>
<b>FFO per share - diluted</b>	<b>\$</b>	<b>2.72</b>	<b>\$ 2.81</b>	<b>\$ 2.47</b>	<b>-3.0%</b>
					<b>10.3%</b>
Loss on extinguishment of debt and modification costs		2,409	8,734	912	-72.4%
Casualty-related expenses/(recoveries)		(2,214)	1,119	(199)	N/M
Casualty losses (gains)		856	(2,506)	(2,595)	N/M
Gain on forfeited deposits		(250)	—	—	0.0%
Amortization of deferred financing costs - acquisition term notes		1,321	1,083	737	22.0%
Adjustment for noncontrolling interests		(8)	(31)	4	-74.2%
<b>Core FFO attributable to common stockholders</b>	<b>\$</b>	<b>73,534</b>	<b>81,796</b>	<b>62,438</b>	<b>-10.1%</b>
					<b>17.8%</b>
<b>Core FFO per share - basic</b>	<b>\$</b>	<b>2.87</b>	<b>\$ 3.19</b>	<b>\$ 2.48</b>	<b>-10.3%</b>
<b>Core FFO per share - diluted</b>	<b>\$</b>	<b>2.80</b>	<b>\$ 3.13</b>	<b>\$ 2.42</b>	<b>-10.4%</b>
					<b>15.6%</b>

Amortization of deferred financing costs - long term debt	1,624	1,696	1,460	-4.3%	11.2%
Equity-based compensation expense	9,287	7,911	6,997	17.4%	32.7%
Adjustment for noncontrolling interests	(41)	(37)	(25)	10.8%	64.0%
<b>AFFO attributable to common stockholders</b>	<b>84,404</b>	<b>91,366</b>	<b>70,870</b>	<b>-7.6%</b>	<b>19.1%</b>
 <b>AFFO per share - basic</b>	<b>\$ 3.29</b>	<b>\$ 3.57</b>	<b>\$ 2.82</b>	<b>-7.8%</b>	<b>16.9%</b>
<b>AFFO per share - diluted</b>	<b>\$ 3.22</b>	<b>\$ 3.49</b>	<b>\$ 2.75</b>	<b>-8.0%</b>	<b>16.9%</b>
 <b>Weighted average common shares outstanding - basic</b>	<b>25,654</b>	<b>25,610</b>	<b>25,170</b>	<b>0.2%</b>	<b>1.9%</b>
<b>Weighted average common shares outstanding - diluted</b>	<b>(1) 26,245</b>	<b>26,151</b>	<b>25,760</b>	<b>0.4%</b>	<b>1.9%</b>
 <b>Dividends declared per common share</b>	<b>\$ 1.72242</b>	<b>\$ 1.56</b>	<b>\$ 1.40375</b>	<b>10.4%</b>	<b>22.7%</b>
 <b>Net income (loss) Coverage - diluted</b>	<b>(2) 0.98x</b>	<b>-0.23x</b>	<b>0.63x</b>	<b>-525.2%</b>	<b>54.8%</b>
<b>FFO Coverage - diluted</b>	<b>(2) 1.58x</b>	<b>1.80x</b>	<b>1.76x</b>	<b>-12.2%</b>	<b>-10.1%</b>
<b>Core FFO Coverage - diluted</b>	<b>(2) 1.63x</b>	<b>2.01x</b>	<b>1.73x</b>	<b>-18.9%</b>	<b>-5.8%</b>
<b>AFFO Coverage - diluted</b>	<b>(2) 1.87x</b>	<b>2.24x</b>	<b>1.96x</b>	<b>-16.6%</b>	<b>-4.7%</b>
<b>For the Year Ended December 31,</b>					
				<b>% Change 2022 -</b>	<b>% Change 2022 -</b>
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net income (loss)	\$ (9,291)	\$ 23,106	\$ 44,150	-140.2%	N/M
Depreciation and amortization	97,648	86,878	82,411	12.4%	18.5%
Gain on sales of real estate	(14,684)	(46,214)	(69,151)	-68.2%	-78.8%
Adjustment for noncontrolling interests	(276)	(191)	(172)	44.5%	60.5%
<b>FFO attributable to common stockholders</b>	<b>73,397</b>	<b>63,579</b>	<b>57,238</b>	<b>15.4%</b>	<b>28.2%</b>
 <b>FFO per share - basic</b>	<b>\$ 2.87</b>	<b>\$ 2.53</b>	<b>\$ 2.32</b>	<b>13.3%</b>	<b>23.5%</b>
<b>FFO per share - diluted</b>	<b>\$ 2.81</b>	<b>\$ 2.47</b>	<b>\$ 2.27</b>	<b>13.7%</b>	<b>23.7%</b>
 Loss on extinguishment of debt and modification costs	8,734	912	1,470	857.7%	494.1%
Casualty-related expenses/(recoveries)	1,119	(200)	790	N/M	41.7%
Casualty losses (gains)	(2,506)	(2,595)	(5,886)	-3.4%	N/M
Pandemic expense	(1) 4	50	510	N/M	N/M
Amortization of deferred financing costs - acquisition term notes	1,083	737	1,384	46.9%	-21.7%
Adjustment for noncontrolling interests	(31)	4	6	-875.0%	-616.7%
<b>Core FFO attributable to common stockholders</b>	<b>81,800</b>	<b>62,487</b>	<b>55,512</b>	<b>30.9%</b>	<b>47.4%</b>
 <b>Core FFO per share - basic</b>	<b>\$ 3.19</b>	<b>\$ 2.48</b>	<b>\$ 2.25</b>	<b>28.7%</b>	<b>42.2%</b>
<b>Core FFO per share - diluted</b>	<b>\$ 3.13</b>	<b>\$ 2.43</b>	<b>\$ 2.20</b>	<b>28.9%</b>	<b>42.2%</b>
 Amortization of deferred financing costs - long term debt	1,696	1,460	1,453	16.2%	16.7%
Equity-based compensation expense	7,911	6,997	5,504	13.1%	43.7%
Adjustment for noncontrolling interests	(37)	(25)	(21)	49.1%	77.5%
<b>AFFO attributable to common stockholders</b>	<b>91,370</b>	<b>70,919</b>	<b>62,448</b>	<b>28.8%</b>	<b>46.3%</b>
 <b>AFFO per share - basic</b>	<b>\$ 3.57</b>	<b>\$ 2.82</b>	<b>\$ 2.53</b>	<b>26.6%</b>	<b>41.2%</b>
<b>AFFO per share - diluted</b>	<b>\$ 3.49</b>	<b>\$ 2.75</b>	<b>\$ 2.47</b>	<b>26.9%</b>	<b>41.2%</b>
 <b>Weighted average common shares outstanding - basic</b>	<b>25,610</b>	<b>25,170</b>	<b>24,715</b>	<b>1.7%</b>	<b>3.6%</b>

<b>Weighted average common shares outstanding - diluted</b>	<b>26,152</b>	<b>25,760</b>	<b>25,234</b>	<b>1.5%</b>	<b>3.6%</b>
<b>Dividends declared per common share</b>	\$ 1.560	\$ 1.404	\$ 1.279	11.1%	22.0%
<b>Net income (loss) Coverage - diluted</b>	(2) -0.23x	0.63x	1.36x	-136.4%	-117.0%
<b>FFO Coverage - diluted</b>	(2) 1.80x	1.76x	1.77x	2.3%	1.4%
<b>Core FFO Coverage - diluted</b>	(2) 2.01x	1.73x	1.72x	16.0%	16.5%
<b>AFFO Coverage - diluted</b>	(2) 2.24x	1.96x	1.94x	14.2%	15.7%

63

(1) The Company Represents additional cleaning, disinfecting and other costs incurred at the properties related to COVID-19.

uses actual diluted  
weighted average  
common shares  
outstanding when  
in a dilutive  
position for FFO,  
Core FFO and  
AFFO.

(Indicates coverage  
ratio of net  
earnings  
(loss)/FFO/Core  
FFO/AFFO per  
common share  
(diluted) over  
dividends declared  
per common share  
during the period.

(1)  
(2) Indicates coverage ratio of earnings (loss)/FFO/Core FFO/AFFO per common share (diluted) over dividends declared per common share during the period.

The year ended December 31, 2022 December 31, 2023 as compared to the year ended December 31, 2021 December 31, 2022

FFO was \$71.4 million for the year ended December 31, 2023 compared to \$73.4 million for the year ended December 31, 2022 compared to \$63.6 million for the year ended December 31, 2021, which was an increase a decrease of approximately \$9.8 million \$2.0 million. The change in our FFO between the periods primarily relates to an increase in total revenues of \$44.8 million, partially \$13.5 million offset by an increase in total property operating expenses of \$18.0 million, an increase in interest expense of \$6.0 million, and an increase in debt and modification costs of \$7.8 million \$16.5 million.

Core FFO was \$73.5 million for the year ended December 31, 2023 compared to \$81.8 million for the year ended December 31, 2022 compared to \$62.5 million for the year ended December 31, 2021, which was an increase a decrease of approximately \$19.3 million \$8.3 million. The change in our Core FFO between the periods primarily relates to an increase decrease in FFO an increase of \$2.1 million and a decrease in loss on extinguishment of debt and modification costs of \$7.8 million and an increase is casualty-related expenses of \$1.3 million \$6.3 million.

AFFO was \$84.4 million for the year ended December 31, 2023 compared to \$91.4 million for the year ended December 31, 2022, which was a decrease of approximately \$7.0 million. The change in our AFFO between the periods primarily relates to a decrease in Core FFO of \$8.3 million partially offset by an increase in equity-based compensation expense of \$1.4 million.

The year ended December 31, 2023 as compared to \$70.9 million the year ended December 31, 2021

FFO was \$71.4 million for the year ended December 31, 2023 compared to \$63.6 million for the year ended December 31, 2021, which was an increase of approximately \$20.5 million. The change in our AFFO between the periods primarily relates to increases in Core FFO of \$19.4 million and equity-based compensation expense of \$0.9 million.

*The year ended December 31, 2022 as compared to the year ended December 31, 2020*

FFO was \$73.4 million for the year ended December 31, 2022 compared to \$57.2 million for the year ended December 31, 2020, which was an increase of approximately \$16.2 million \$7.8 million. The change in our FFO between the periods primarily relates to an increase in total revenues of \$59.2 million \$58.2 million, partially offset by a decrease increases in gain on sale of real estate and interest expense of \$54.5 million \$21.7 million and \$22.5 million.

Core FFO was \$81.8 million \$73.5 million for the year ended December 31, 2022 December 31, 2023 compared to \$55.5 million \$62.5 million for the year ended December 31, 2020 December 31, 2021, which was an increase of approximately \$26.4 million \$11.0 million. The change in our Core FFO between the periods primarily relates to an increase in FFO \$16.2 million \$7.7 million and an increase in loss on extinguishment of debt and medication costs of \$7.3 million \$1.5 million.

AFFO was \$91.4 million \$84.4 million for the year ended December 31, 2022 December 31, 2023 compared to \$62.4 million \$71.0 million for the year ended December 31, 2020 December 31, 2021, which was an increase of approximately \$29.4 million \$13.4 million. The change in our AFFO between the periods primarily relates to increases in Core FFO of \$26.8 million \$10.9 million and equity-based compensation expense of \$2.4 million \$2.3 million.

#### **Liquidity and Capital Resources**

Our short-term cash requirements consist primarily of funds necessary to pay for debt maturities, operating expenses and other expenditures directly associated with our multifamily properties, including:

• capital expenditures to continue our value-add program and to improve the quality and performance of our multifamily properties;

• interest expense and scheduled principal payments on outstanding indebtedness (see “—Obligations and Commitments” below);

• recurring maintenance necessary to maintain our multifamily properties;

• distributions necessary to qualify for taxation as a REIT;

• acquisition of additional properties;

• advisory and administrative fees payable to our Adviser;

• general and administrative expenses;

• reimbursements to our Adviser; and

• property management fees payable to BH.

64

---

- interest expense and scheduled principal payments on outstanding indebtedness (see “—Obligations and Commitments” below);
- recurring maintenance necessary to maintain our multifamily properties;

- distributions necessary to qualify for taxation as a REIT;
- acquisition of additional properties;
- advisory and administrative fees payable to our Adviser;
- general and administrative expenses;
- reimbursements to our Adviser; and
- property management fees payable to BH.

We expect to meet our short-term cash requirements generally through net cash provided by operations and existing cash balances and any unused capacity on the Corporate Credit Facility. As of **December 31, 2022** **December 31, 2023**, we had approximately **\$11.9 million** **\$2.9 million** of renovation value-add reserves for our planned capital expenditures to implement our value-add program. Renovation value-add reserves are not required to be held in escrow by a third party. We may reallocate these funds, at our discretion, to pursue other investment opportunities or meet our short-term liquidity requirements.

Our long-term cash requirements consist primarily of funds necessary to pay for the costs of acquiring additional multifamily properties, renovations and other capital expenditures to improve our multifamily properties and scheduled debt payments and distributions. We expect to meet our long-term cash requirements through various sources of capital, which may include a revolving credit facility and future debt or equity issuances, existing working capital, net cash provided by operations, long-term mortgage

indebtedness and other secured and unsecured borrowings, and property dispositions. However, there are a number of factors that may have a material adverse effect on our ability to access these capital sources, including the state of overall equity and credit markets, our degree of leverage, our unencumbered asset base and borrowing restrictions imposed by lenders (including as a result of any failure to comply with financial covenants in our existing and future indebtedness), general market conditions for REITs, our operating performance and liquidity, market perceptions about us and restrictions on sales of properties under the Code. The Company continues to monitor the impact on COVID-19 and its impact on future rent collections, valuation of real estate investments, impact on cash flow and ability to refinance or repay debt. The success of our business strategy will depend, in part, on our ability to access these various capital sources.

In addition to our value-add program, our multifamily properties will require periodic capital expenditures and renovation to remain competitive. Also, acquisitions, redevelopments, or expansions of our multifamily properties will require significant capital outlays. Long-term, we may not be able to fund such capital improvements solely from net cash provided by operations because we must distribute annually at least 90% of our REIT taxable income, determined without regard to the deductions for dividends paid and excluding net capital gains, to qualify and maintain our qualification as a REIT, and we are subject to tax on any retained income and gains. As a result, our ability to fund capital expenditures, acquisitions, or redevelopment through retained earnings long-term is limited. Consequently, we expect to rely heavily upon the availability of debt or equity capital for these purposes. If we are unable to obtain the necessary capital on favorable terms, or at all, our financial condition, liquidity, results of operations, and prospects could be materially and adversely affected.

On March 4, 2020, the Company, the OP and the Adviser entered into separate equity distribution agreements with each of the ATM Sales Agents, pursuant to which the Company may issue and sell from time to time shares of the Company's common stock, par value \$0.01 per share, having an aggregate sales price of up to \$225,000,000 (the "2020 ATM Program"). The 2020 ATM Program may be terminated by the Company at any time and expires automatically once aggregate sales under the 2020 ATM Program reach \$225,000,000 (see Note 8 to our consolidated financial statements).

We believe that our available cash, expected operating cash flows, and potential debt or equity financings will provide sufficient funds for our operations, anticipated scheduled debt service payments and dividend requirements for the twelve-month period following **December 31, 2022** **December 31, 2023**. We believe that our sources of long-term cash will be sufficient for our needs thereafter.

#### Cash Flows

The following table presents selected data from our consolidated statements of cash flows for the years ended **December 31, 2022** **December 31, 2023**, **2021** **2022** and **2020** **2021** (in thousands):

	For the Year Ended December 31,		
	2023	2022	2021
Net cash provided by operating activities	\$ 96,581	\$ 79,096	\$ 73,268
Net cash provided by (used in) investing activities	51,923	(162,303)	(235,906)
Net cash provided by (used in) financing activities	(155,024)	46,310	194,319
Net increase (decrease) in cash, cash equivalents and restricted cash	(6,520)	(36,897)	31,681
Cash, cash equivalents and restricted cash, beginning of year	51,799	88,696	57,015
Cash, cash equivalents and restricted cash, end of year	<u>\$ 45,279</u>	<u>\$ 51,799</u>	<u>\$ 88,696</u>

*The year ended December 31, 2023 as compared to the year ended December 31, 2022*

**Cash flows from operating activities.** During the year ended December 31, 2023, net cash provided by operating activities was \$96.6 million compared to net cash provided by operating activities of \$79.1 million for the year ended December 31, 2022. The change in cash flows from operating activities was mainly due to an increase in total revenues of \$13.5 million between the periods and an increase in vesting of stock-based compensation of \$1.4 million.

**Cash flows from investing activities.** During the year ended December 31, 2023, net cash provided by investing activities was \$51.9 million compared to net cash used in investing activities of \$162.3 million for the year ended December 31, 2022. The change in cash flows from investing activities was mainly due to our acquisition and disposition activity in 2023 and 2022 and the timing of the transactions.

**Cash flows from financing activities.** During the year ended December 31, 2023, net cash used in financing activities was \$155.0 million compared to net cash provided by financing activities of \$46.3 million for the year ended December 31, 2022. The change in cash flows from financing activities was mainly due to a net decrease in debt of approximately \$226.7 million between the periods.

	For the Year Ended December 31,		
	2022	2021	2020
Net cash provided by operating activities	\$ 79,096	\$ 73,268	\$ 57,226
Net cash provided by (used in) investing activities	(162,303)	(235,906)	11,503
Net cash provided by (used in) financing activities	46,310	194,319	(82,896)
Net increase (decrease) in cash, cash equivalents and restricted cash	(36,897)	31,681	(14,167)
Cash, cash equivalents and restricted cash, beginning of year	88,696	57,015	71,182
Cash, cash equivalents and restricted cash, end of year	\$ 51,799	\$ 88,696	\$ 57,015

65

*The year ended December 31, 2022 as compared to the year ended December 31, 2021*

**Cash flows from operating activities.** During the year ended December 31, 2022, net cash provided by operating activities was \$79.1 million compared to net cash provided by operating activities of \$73.3 million for the year ended December 31, 2021. The change in cash flows from operating activities was mainly due to an increase in total revenues of \$44.8 million between the periods and an increase \$44.7 million partially offset by increases in total operating expenses and change in fair value of \$18.0 million derivative instruments included in interest expense of \$10.4 million and \$25.1 million.

**Cash flows from investing activities.** During the year ended December 31, 2022, net cash used in investing activities was \$162.3 million compared to net cash used in investing activities of \$235.9 million for the year ended December 31, 2021. The change in cash flows from investing activities was mainly due to our acquisition and disposition activity in 2022 and 2021 and the timing of the transactions.

**Cash flows from financing activities.** During the year ended December 31, 2022, net cash provided by financing activities was \$46.3 million compared to net cash provided by financing activities of \$194.3 million for the year ended December 31, 2021. The change in cash flows from financing activities was mainly due to a net decrease in debt of approximately \$89.7 million between.

#### Real Estate Investments Statistics

As of December 31, 2023, the periods, Company was invested in a total of 38 multifamily properties, as listed below:

Property Name	Rentable Square (in thousands)*	Number of Units*(3)	Date Acquired	Average Effective Monthly Rent Per Unit		% Occupied as of December 31*(2)	
				as of December 31,*(1)		as of December 31,*(1)	
				2023	2022	2023	2022
Arbors on Forest Ridge	155	210	1/31/2014	\$ 1,187	\$ 1,180	94.3 %	92.4 %
Cutter's Point	198	196	1/31/2014	1,442	1,497	93.9 %	93.9 %
The Summit at Sabal Park	205	252	8/20/2014	1,460	1,503	95.2 %	94.0 %
Courtney Cove	225	324	8/20/2014	1,327	1,490	95.4 %	94.4 %
(4)							
Radbourne Lake	)	247	225	9/30/2014	1,450	1,385	95.6 %
							93.3 %

Sabal Palm at Lake Buena Vista	371	400	11/5/2014	1,753	1,786	94.5 %	95.5 %	
Cornerstone	318	430	1/15/2015	1,445	1,453	96.0 %	90.0 %	
The Preserve at Terrell Mill	692	752	2/6/2015	1,271	1,321	96.7 %	91.9 %	
Versailles	301	388	2/26/2015	1,262	1,261	92.3 %	93.0 %	
Seasons 704 Apartments	217	222	4/15/2015	1,828	1,837	96.4 %	94.1 %	
Madera Point	193	256	8/5/2015	1,312	1,345	94.9 %	95.7 %	
Venue at 8651	289	333	10/30/2015	1,175	1,182	91.0 %	91.6 %	
Parc500	266	217	7/27/2016	1,914	1,927	93.1 %	95.9 %	
The Venue on Camelback	256	415	10/11/2016	1,065	1,080	95.2 %	91.8 %	
	(4)							
Old Farm	)	697	734	12/29/2016	1,322	1,326	93.9 %	95.2 %
	(4)							
Stone Creek at Old Farm	)	186	190	12/29/2016	1,299	1,343	94.7 %	93.2 %
Rockledge Apartments	802	708	6/30/2017	1,557	1,550	95.5 %	92.7 %	
Atera Apartments	334	380	10/25/2017	1,476	1,524	96.3 %	96.1 %	
Versailles II	199	242	9/26/2018	1,181	1,252	90.6 %	95.0 %	
Brandywine I & II	414	632	9/26/2018	1,222	1,252	93.7 %	94.5 %	
Bella Vista	243	248	1/28/2019	1,774	1,791	96.4 %	98.0 %	
The Enclave	194	204	1/28/2019	1,820	1,851	94.6 %	96.6 %	
The Heritage	199	204	1/28/2019	1,698	1,653	96.6 %	95.1 %	
Summers Landing	139	196	6/7/2019	1,223	1,203	93.4 %	93.9 %	
Residences at Glenview Reserve	344	360	7/17/2019	1,307	1,233	95.3 %	95.8 %	
Residences at West Place	345	342	7/17/2019	1,559	1,586	92.1 %	93.0 %	
Avant at Pembroke Pines	1,442	1,520	8/30/2019	2,150	2,106	95.6 %	95.1 %	
Arbors of Brentwood	325	346	9/10/2019	1,494	1,423	92.2 %	89.0 %	
Torreyana Apartments	309	316	11/22/2019	1,461	1,557	95.9 %	93.7 %	
Bloom	498	528	11/22/2019	1,298	1,315	94.9 %	89.8 %	
Bella Solara	271	320	11/22/2019	1,337	1,371	92.6 %	88.8 %	
Fairways at San Marcos	340	352	11/2/2020	1,580	1,576	94.9 %	93.5 %	
The Verandas at Lake Norman	241	264	6/30/2021	1,354	1,316	95.8 %	94.3 %	
Creekside at Matthews	263	240	6/30/2021	1,431	1,397	95.8 %	94.6 %	
Six Forks Station	360	323	9/10/2021	1,409	1,416	92.4 %	92.6 %	
High House at Cary	293	302	12/7/2021	1,464	1,636	95.0 %	95.4 %	
The Adair	328	232	4/1/2022	1,968	1,807	96.6 %	94.4 %	
Estates on Maryland	324	330	4/1/2022	1,435	1,459	95.2 %	92.7 %	
	13,023	14,133						

\* Information is unaudited.

The year ended (1) December 31, 2021 as compared

Average effective monthly rent per unit is equal to the year ended average of the contractual rent for commenced leases as of December 31, 2023 and December 31, 2022, respectively, minus any tenant concessions over the term of the lease, divided by the number of units under commenced leases as of December 31, 2023 and December 31, 2022, respectively.

December 31, 2020 66

Cash flows from operating activities. During

(2) Percent occupied is calculated as the year ended December 31, 2021, net cash provided number of units occupied as of December 31, 2023 and 2022, divided by operating activities was \$73.3 million compared to net cash provided by operating activities the total number of \$57.2 million for the year ended December 31, 2020. The change in cash from operating activities was mainly units, expressed as a percentage.

(3) Includes 45 down units due to an increase in total revenues casualty events as of \$14.4 million.

*Cash flows from investing activities.* During the year ended December 31, 2021, net cash used in investing activities was \$235.9 million compared to net cash provided by investing activities of \$11.5 million for the year ended December 31, 2020. The change in cash flows from investing activities was mainly due to December 31, 2023 (see Note 4 acquisition and disposition activity in 2021 and 2020 and the timing consolidated financial statements).

(4) Properties classified as held for sale as of the transactions December 31, 2023.

**Cash flows from financing activities.** During the year ended December 31, 2021, net cash provided by financing activities was \$194.3 million compared to net cash used in financing activities of \$82.9 million for the year ended December 31, 2020. The change in cash flows from financing activities was mainly due to a decrease in payments on the credit facility of \$173.0 million between the periods.

## Debt, Derivatives and Hedging Activity

### Mortgage Debt

Interest rates for mortgage debt is based on a reference rate plus an applicable margin, except for fixed rate mortgage debt. The reference rate used in our Portfolio is 30-Day Average Secured Overnight Financing Rate ("SOFR"). Loans that transitioned from the London Inter-Bank Offered Rate ("LIBOR") to SOFR include a 0.11448% adjustment to SOFR for the all-in rate ("Adjusted SOFR"). As of December 31, 2022 December 31, 2023, our subsidiaries had aggregate mortgage debt outstanding to third parties of approximately \$1.6 billion at a weighted average interest rate of 5.71% 6.90% and an adjusted weighted average interest rate of 3.29% 3.60%. For purposes of calculating the adjusted weighted average interest rate of our mortgage debt outstanding, we have included the weighted average fixed rate of 1.0682% for one-month LIBOR Adjusted SOFR on our combined \$1.2 billion notional amount of interest rate swap agreements, which effectively fix the interest rate on \$1.2 billion of our floating rate mortgage debt. See Notes 6 and 7 to our consolidated financial statements<sup>6</sup> for additional information.

We have entered into and expect to continue to enter into interest rate swap and cap agreements with various third parties to fix or cap the floating interest rates on a majority of our floating rate mortgage debt outstanding. The interest rate swap agreements generally have a term of four to five years and effectively establish a fixed interest rate on debt on the underlying notional amounts. The interest rate swap agreements involve the receipt of variable-rate amounts from a counterparty in exchange for us making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. As of December 31, 2022 December 31, 2023, interest rate swap agreements effectively covered 74% 77% of our \$1.6 billion \$1.5 billion of floating rate mortgage debt outstanding.

The interest rate cap agreements generally have a term of three to four years, cover the outstanding principal amount of the underlying debt and are generally required by our lenders. Under the interest rate cap agreements, we pay a fixed fee in exchange for the counterparty to pay any interest above a maximum rate. As of December 31, 2022 December 31, 2023, interest rate cap agreements covered \$1.3 billion of our \$1.6 billion \$1.5 billion of floating rate mortgage debt outstanding, which effectively cap one-month SOFR on \$1.3 billion of our floating rate mortgage debt at a weighted average rate of 5.81% 5.90%.

LIBOR ceased publication on June 30, 2023. On July 1, 2023, LIBOR rates were replaced with SOFR as the reference rate for most LIBOR debt and derivative instruments. For debt instruments that transitioned from LIBOR to SOFR, the adjustment included an increase of 0.11448% to the all-in rate. For the Company's interest rate swaps, the reference transitioned from one-month LIBOR to Adjusted SOFR.

On November 30, 2022, the Company entered into an agreement with KeyBank as a Freddie Mac servicer to refinance \$760.7 million of its first mortgage debt relating to 18 properties that had original loan maturities ranging from July 1, 2024 to July 1, 2028. The new loan matures on December 1, 2032 and bears interest at an annual rate of 30-day average SOFR plus 155 basis points. The loans will begin amortizing after the first 5 years.

On December 1, 2022, the Company entered into an agreement with KeyBank as a Freddie Mac servicer to refinance \$46.8 million of its first mortgage debt relating to Cornerstone original loan maturity on July 1, 2024. The new loan matures on December 1, 2032 and bears interest at an annual rate of 30-day average SOFR plus 209 basis points. The loan will begin amortizing after the first 5 years.

We intend to invest in additional multifamily properties as suitable opportunities arise and adequate sources of equity and debt financing are available. We expect that future investments in properties, including any improvements or renovations of current or newly acquired properties, will depend on and will be financed by, in whole or in part, our existing cash, future borrowings and the proceeds from additional issuances of common stock or other securities or property dispositions.

Although we expect to be subject to restrictions on our ability to incur indebtedness, we expect that we will be able to refinance existing indebtedness or incur additional indebtedness for acquisitions or other purposes, if needed. However, there can be no assurance that we will be able to refinance our indebtedness, incur additional indebtedness or access additional sources of capital, such as by issuing common stock or other debt or equity securities, on terms that are acceptable to us or at all.

Furthermore, following the completion of our value-add and capital expenditures programs and depending on the interest rate environment at the applicable time, we may seek to refinance our floating rate debt into longer-term fixed rate debt at lower leverage levels.

#### **Corporate Credit Facility**

On June 30, 2021, the Company, through the OP, entered into a secured \$250.0 million credit facility with Truist Bank ("Truist Bank"), as administrative agent, and the lenders from time to time party thereto (the "Corporate Credit Facility"). \$225 million of the Corporate Credit Facility was a revolving credit facility and \$25 million of the **Amended and Restated** Corporate Credit Facility was a term loan. In addition, on June 30, 2021, in connection with entering into the **Amended and Restated** Corporate Credit Facility, the Company, through the OP, terminated its prior \$225.0 million revolving credit facility with Truist Bank, as administrative agent, and the lenders from time to time party thereto, prior to the maturity date of January 28, 2022. Subject to conditions provided in the **Amended and Restated** Corporate Credit Facility, the **Amended and Restated** Corporate Credit Facility may be increased up to an additional \$100.0 million (the "Accordion Feature") if the lenders agree to increase their commitments or if the lenders agree for the increase to be funded by any additional lender proposed by the Company, through the OP.

On September 9, 2021, the Company, through the OP, modified the Corporate Credit Facility to provide for an additional \$35.0 million term loan with a maturity date of December 31, 2021, increasing the Corporate Credit Facility from \$250 million to \$285 million. On December 6, 2021, the Company, through the OP, increased the amount of the Corporate Credit Facility by \$55.0 million.

On March 25, 2022, the Company entered into a loan modification agreement by and among the Company, the OP, Truist Bank and the Lenders party thereto, which modified the Company's Corporate Credit Facility. Subject to conditions provided in the Corporate Credit Facility, the commitments under Corporate Credit Facility may be increased up to an additional \$150.0 million if the lenders agree to increase their commitments or if the lenders agree for the increase to be funded by any additional lender proposed by the Company, through the OP. The Corporate Credit Facility will mature on June 30, 2025 with respect to the revolving commitments, unless the Company exercises its option to voluntarily and permanently reduce all of the revolving commitments before the maturity date or elects to exercise its right and option to extend the facility with respect to the revolving commitments for a single one-year term. See Note **65** for additional information.

Advances under the Corporate Credit Facility accrue interest at a per annum rate equal to, at the Company's election, either Term SOFR plus a margin of 1.90% to 2.40%, depending on the Company's total leverage ratio, and a benchmark replacement adjustment of 0.1%, or a base rate determined according to the highest of (a) the prime rate, (b) the federal funds rate plus 0.50%, (c) Term SOFR plus 1.0% or (d) 0.0% plus a margin of 0.90% to 1.40%, depending on the Company's total leverage ratio. An unused commitment fee at a rate of 0.15% or 0.25%, depending on the outstanding aggregate revolving commitments, applies to unutilized borrowing capacity under the Corporate Credit Facility. Amounts owing under the Corporate Credit Facility may be prepaid at any time without premium or penalty. The Corporate Credit Facility is guaranteed by the Company and the obligations under the Corporate Credit Facility are, subject to some exceptions, secured by a continuing security interest in substantially all of the assets of the Company. As of December 31, 2023 and 2022, the Company is in compliance with all of the covenants required in its Corporate Credit Facility.

On October 24, 2022, the Company exercised its option to extend the Corporate Credit Facility with respect to the revolving commitments for a single one-year term resulting in a maturity date of June 30, 2025. As of December 31, 2023, there was \$326.0 million available for borrowing under the Corporate Credit Facility. Subject to conditions provided in the Corporate Credit Facility, the commitments under Corporate Credit Facility may be increased up to an additional \$150.0 million if the lenders agree to increase their commitments or if the lenders agree for the increase to be funded by any additional lender proposed by the Company, through the OP.

The Corporate Credit Facility is a non-recourse obligation and contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the document evidencing the loan, defaults in payments under any other security instrument, and bankruptcy or other insolvency events. As of **December 31, 2022** December 31, 2023, the Company believes it is compliant with all provisions. As of December 31, 2023, there was \$24.0 million in principal outstanding on the Corporate Credit Facility. For additional information regarding our Corporate Credit Facility, see Note **65** to our consolidated financial statements.

Advances under the **Amended and Restated** Corporate Credit Facility accrue interest at a per annum rate equal to, at the Company's election, either LIBOR plus a margin of 1.90% to 2.40%, depending on the Company's total leverage ratio, or a base rate determined according to the highest of (a) the prime rate, (b) the federal funds rate plus 0.50%, (c) LIBOR plus 1.0% or (d) 0.0% plus a margin of 0.90% to 1.40%, depending on the Company's total leverage ratio. An unused commitment fee at a rate of 0.15% or 0.25%, depending on the outstanding aggregate revolving commitments, applies to unutilized borrowing capacity under the **Amended and Restated** Corporate Credit Facility. Amounts owing under the **Amended and Restated** Corporate Credit Facility may be prepaid at any time without premium or penalty. The **Amended and Restated** Corporate Credit Facility is guaranteed by the Company and the obligations under the **Amended and Restated** Corporate Credit Facility are, subject to some exceptions, secured by a continuing security interest in substantially all of the assets of the Company. The Company is in compliance with all the covenants in its Corporate Credit Facility.

#### **Interest Rate Swap Agreements**

In order to fix a portion of, and mitigate the risk associated with, our floating rate indebtedness (without incurring substantial prepayment penalties or defeasance costs typically associated with fixed rate indebtedness when repaid early or refinanced), we, through the OP, have entered into six interest rate swap transactions with KeyBank and four with Truist Bank (collectively the "Counterparties") with a combined notional amount of \$1.2 billion which are effective as of **December 31, 2022** December 31, 2023. As of **December 31, 2022** December 31, 2023, the interest rate swaps we have entered into effectively replace the floating interest rate (one-month LIBOR) (SOFR) with respect to \$1.6 billion \$1.5 billion of our floating rate

mortgage debt outstanding with a weighted average fixed rate of 1.0682%. During the term of these interest rate swap agreements, we are required to make monthly fixed rate payments of 1.0682%, on a weighted average basis, on the notional amounts, while the Counterparties are obligated to make monthly floating rate payments based on one-month LIBOR Adjusted SOFR to us referencing the same notional amounts. For purposes of hedge accounting under FASB ASC 815, *Derivatives and Hedging*, we have designated these interest rate swaps as cash flow hedges of interest rate risk. See Notes 5 and 7 to our consolidated financial statements 6 for additional information.

The following table contains summary information regarding our outstanding interest rate swaps (dollars in thousands):

Effective Date	Termination Date	Counterparty	Notional	Fixed Rate (1)
June 1, 2019	June 1, 2024	KeyBank	\$ 50,000	2.002%
June 1, 2019	June 1, 2024	Truist	50,000	2.002%
September 1, 2019	September 1, 2026	KeyBank	100,000	1.462%
September 1, 2019	September 1, 2026	KeyBank	125,000	1.302%
January 3, 2020	September 1, 2026	KeyBank	92,500	1.609%
March 4, 2020	June 1, 2026	Truist	100,000	0.820%
June 1, 2021	September 1, 2026	KeyBank	200,000	0.845%
June 1, 2021	September 1, 2026	KeyBank	200,000	0.953%
March 1, 2022	March 1, 2025	Truist	145,000	0.573%
March 1, 2022	March 1, 2025	Truist	105,000	0.614%
			\$ 1,167,500	1.068%(2)

Effective Date	Termination Date	Counterparty	Notional	Fixed Rate (1)
June 1, 2019	June 1, 2024	KeyBank	\$ 50,000	2.002%
June 1, 2019	June 1, 2024	Truist	50,000	2.002%
September 1, 2019	September 1, 2026	KeyBank	100,000	1.462%
September 1, 2019	September 1, 2026	KeyBank	125,000	1.302%
January 3, 2020	September 1, 2026	KeyBank	92,500	1.609%
March 4, 2020	June 1, 2026	Truist	100,000	0.820%
June 1, 2021	September 1, 2026	KeyBank	200,000	0.845%
June 1, 2021	September 1, 2026	KeyBank	200,000	0.953%
March 1, 2022	March 1, 2025	Truist	145,000	0.573%
March 1, 2022	March 1, 2025	Truist	105,000	0.614%
	\$ 1,167,500			1.068%(2)

(1)

(1) The floating rate option for the interest rate swaps is one-month LIBOR. As of December 31, 2022, one-month LIBOR was 4.392%.

(2) Represents the weighted average fixed rate of the interest rate swaps.

The floating rate option for the interest rate swaps is Adjusted SOFR. As of December 31, 2022 December 31, 2023, Adjusted SOFR was 5.459%.

(2) Represents the weighted average fixed rate of the interest rate swaps.

As of December 31, 2023, the Company had the following outstanding interest rate swaps that were designated as cash flow hedges of interest rate risk with future effective dates (dollars in thousands):

Effective Date	Termination Date	Counterparty	Notional Amount	Fixed Rate (1)
September 1, 2026	January 1, 2027	KeyBank	\$ 92,500	1.7980%
Effective Date	Termination Date	Counterparty	Notional Amount	Fixed Rate (1)
September 1, 2026	January 1, 2027	KeyBank	\$ 92,500	1.7980%

(1) The floating rate option for the interest rate swaps is Adjusted SOFR. As of December 31, 2023, Adjusted SOFR was 5.459%.

(2) Represents the weighted average fixed rate of the interest rate swaps.

(2) Represents the weighted average fixed rate of the forward interest rate swaps.

(1) The floating rate option for the interest rate swaps is one-month LIBOR. As of December 31, 2022, one-month LIBOR was 4.392%.

(2) Represents the weighted average fixed rate of the forward interest rate swaps.

#### Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of December 31, 2022 December 31, 2023 for the next five calendar years subsequent to December 31, 2022 December 31, 2023. We used one-month LIBOR SOFR as of December 31, 2022 December 31, 2023 to calculate interest expense due by period on our floating rate debt and net interest expense due by period on our interest rate swaps.

	Payments Due by Period (in thousands)						
	Total	2024	2025	2026	2027	2028	Thereafter
<b>Operating Properties Mortgage Debt</b>							
Principal payments	\$ 1,463,076	\$ 292	\$ 133,388	\$ 290,324	\$ —	\$ 80,641	\$ 958,431
Interest expense	(1) 538,777	52,170	61,158	59,280	72,975	71,072	222,122
Total	\$ 2,001,853	\$ 52,462	\$ 194,546	\$ 349,604	\$ 72,975	\$ 151,713	\$ 1,180,553
<b>Held For Sale Properties Mortgage Debt</b>							
Principal payments	\$ 88,160	\$ 68,160	\$ 20,000	\$ —	\$ —	\$ —	\$ —
Interest expense	4,784	3,778	1,006	—	—	—	—
Total	\$ 92,944	\$ 71,938	\$ 21,006	\$ —	\$ —	\$ —	\$ —
<b>Credit Facility</b>							
Principal payments	\$ 24,000	\$ —	\$ 24,000	\$ —	\$ —	\$ —	\$ —
Interest expense	2,770	1,857	913	—	—	—	—
Total	\$ 26,770	\$ 1,857	\$ 24,913	\$ —	\$ —	\$ —	\$ —
<b>Total contractual obligations and commitments</b>							
	\$ 2,121,567	\$ 126,257	\$ 240,465	\$ 349,604	\$ 72,975	\$ 151,713	\$ 1,180,553







Payments Due by Period (in thousands)							(1)
	Total	2023	2024	2025	2026	2027	Thereafter
<b>Operating Properties</b>							
<b>Mortgage Debt</b>							
Principal payments	\$ 1,538,868	\$ 307	\$ 28,464	\$ 177,400	\$ 290,324	\$ —	\$ 1,042,373
Interest expense	(1) 500,005	49,464	50,230	55,439	51,427	59,820	233,625
Total	\$ 2,038,873	\$ 49,771	\$ 78,694	\$ 232,839	\$ 341,751	\$ 59,820	\$ 1,275,998
<b>Held For Sale Properties</b>							
<b>Mortgage Debt</b>							
Principal payments	\$ 68,160	\$ —	\$ 68,160	\$ —	\$ —	\$ —	\$ —
Interest expense	6,288	4,196	2,092	—	—	—	—
Total	\$ 74,448	\$ 4,196	\$ 70,252	\$ —	\$ —	\$ —	\$ —
<b>Credit Facility</b>							
Principal payments	\$ 74,500	\$ —	\$ —	\$ 74,500	\$ —	\$ —	\$ —
Interest expense	12,460	4,991	5,007	2,462	—	—	—
Total	\$ 86,960	\$ 4,991	\$ 5,007	\$ 76,962	\$ —	\$ —	\$ —
<b>Total contractual</b>	—	—	—	—	—	—	—

Interest expense obligations includes the impact of expected settlements of our floating rate debt obligations. As of December 31, 2023, the Company total impact of expected settlements on the \$1.2 billion notional amount as of December 31, 2023 to determine our expected settlements through the terms of the

**obligations****and****commitments**

\$2,200,281	\$58,958	\$153,953	\$309,801	\$341,751	\$59,820	\$1,275,998
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>















































































































	Location of gain (loss)	Amount of gain (loss)		
		recognized in income	2022	2021
Derivatives not designated as hedging instruments:				
For the year ended December 31,				
Interest rate products	Interest expense	\$ 3,446	\$ (112)	\$ (33)

*Other Financial Instruments Carried at Fair Value*

Redeemable noncontrolling interests in the OP have a redemption feature and are marked to their redemption value if such value exceeds the carrying value of the redeemable noncontrolling interests in the OP (see Note 109 to our consolidated financial statements). The redemption value is based on the fair value of the Company's common stock at the redemption date, and therefore, is calculated

based on the fair value of the Company's common stock at the balance sheet date. Since the valuation is based on observable inputs such as quoted prices for similar instruments in active markets, redeemable noncontrolling interests in the OP are classified as Level 2 if they are adjusted to their redemption value.

*Financial Instruments Not Carried at Fair Value*

At December 31, 2022 December 31, 2023 and 2021, 2022, respectively, the fair values of cash and cash equivalents, restricted cash, accounts receivable, prepaid and other assets, excluding interest rate caps, accounts payable and other accrued liabilities, accrued real estate taxes payable, accrued interest payable, security deposits and prepaid rent approximated their carrying values because of the short term nature of these instruments. The estimated fair values of other financial instruments were determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company would realize on the disposition of the financial instruments. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

Long-term indebtedness is carried at amounts that reasonably approximate their fair value. In calculating the fair value of its long-term indebtedness, the Company used interest rate and spread assumptions that reflect current credit worthiness and market conditions available for the issuance of long-term debt with similar terms and remaining maturities. These financial instruments utilize Level 2 inputs.

The table below presents the carrying value and estimated fair value of our debt at December 31, 2022 December 31, 2023 and 2021 2022 (in thousands):

	December 31, 2023				December 31, 2022			
	Carrying Value		Estimated Fair Value		Carrying Value		Estimated Fair Value	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Fixed rate debt	\$ 33,817	\$ 31,950	\$ 33,817	\$ 31,857				
Floating rate debt (1)	\$ 1,541,419	\$ 1,335,635	\$ 1,647,711	\$ 1,506,741				
	December 31, 2022	December 31, 2021	(1)	Includes balances outstanding under our Corporate Credit Facility and held for sale debt.				
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value				
Fixed rate debt	\$ 33,817	\$ 31,857	\$ 69,285	\$ 71,141				
Floating rate debt (1)	\$ 1,647,711	\$ 1,506,741	\$ 1,491,861	\$ 1,525,298				

(1) Includes balances outstanding under our Amended and Restated Corporate Credit Facility.

Real estate assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In such cases, the Company will evaluate the recoverability of such real estate assets based on estimated future cash flows and the estimated liquidation value of such real estate assets and provide for impairment if such undiscounted cash

F-25

flows are insufficient to recover the carrying amount of the real estate asset. If impaired, the real estate asset will be written down to its estimated fair value. There can be no assurance that the estimates discussed herein, using Level 3 inputs, are indicative of the amounts the Company could realize on disposition of the real estate asset. The Company did not record any impairment charges related to real estate assets for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021.

## 8.7. Stockholders' Equity

### Common Stock

During the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021, the Company issued 124,994, 165,134, 133,097 and 137,608, 133,097 shares of common stock pursuant to its long-term incentive plan (see "Long Term Incentive Plan" below) and zero, 52,091, 350,513 and 1,278,306, 350,513 pursuant to its at-the-market offering (see "At-the-Market Offering" below).

As of December 31, 2022 December 31, 2023, the Company had 25,549,319, 25,674,313 shares of common stock, par value \$0.01 \$0.01 per share, issued and outstanding.

### Share Repurchase Program

On June 15, 2016, the Board authorized the Company to repurchase up to \$30.0 million \$30.0 million of its common stock, par value \$0.01 \$0.01 per share, during a two-year period that was set to expire on June 15, 2018 June 15, 2018 (the "Share Repurchase Program"). On April 30, 2018, the Board increased the Share Repurchase Program from \$30.0 million to up to \$40.0 million \$40.0 million and extended it by an additional two years to June 15, 2020 June 15, 2020. On March 13, 2020, the Board further increased the Share Repurchase Program from \$40.0 million to up to \$100.0 million \$100.0 million and extended it to March 12, 2023 March 12, 2023. On October 24, 2022, the Board authorized us the Company to repurchase an indeterminate number of shares of our common stock at an aggregate market value of up to \$100.0 million \$100.0 million during a two year period that will expire on October 24, 2024 October 24, 2024. This authorization replaced the Board's prior authorization of the Share Repurchase Program. The Company may utilize various methods to affect the repurchases, and the timing and extent of the repurchases will depend upon several factors, including market and business conditions, regulatory requirements and other corporate considerations, including whether the Company's

common stock is trading at a significant discount to net asset value per share. Repurchases under this program may be discontinued at any time.

During the years ended December 31, 2023 and 2021, the Company did not repurchase any shares of its common stock. During the year ended December 31, 2022, the Company repurchased 168,473 shares of its common stock for approximately \$11.1 million, \$11.1 million, or \$66.04 \$66.04 per share. During the year ended December 31, 2021, the Company did not repurchase any shares of its common stock. Since the inception of the Share Repurchase Program through December 31, 2022 December 31, 2023, the Company has repurchased 2,550,628 shares of its common stock, par value \$0.01 \$0.01 per share, at a total cost of approximately \$72.3 million, \$72.4 million, or \$28.36 \$28.36 per share, share on average.

#### Treasury Shares

From time to time, in accordance with the Company's Share Repurchase Program, the Company may repurchase shares of its common stock in the open market. Until any such shares are retired, the cost of the shares is included in common stock held in treasury at cost on the consolidated balance sheet. The number of shares of common stock classified as treasury shares reduces the number of shares of the Company's common stock outstanding and, accordingly, are considered in the weighted average number of shares outstanding during the period. During the year ended December 31, 2022 and 2021, the Company retired 168,473 and 133,097 shares of common stock, respectively, stock. As of December 31, 2022 December 31, 2023 and 2021, 2022, the Company did not have any shares of common stock held in treasury.

#### Long Term Incentive Plan

On June 15, 2016, the Company's stockholders approved a long-term incentive plan (the "2016 LTIP") and the Company filed a registration statement on Form S-8 registering 2,100,000 shares of common stock, par value \$0.01 \$0.01 per share, which the Company may issue pursuant to the 2016 LTIP. The 2016 LTIP authorizes the compensation committee of the Board to provide equity-based compensation in the form of stock options, appreciation rights, restricted shares, restricted stock units, performance shares, performance units and certain other awards denominated or payable in, or otherwise based on, the Company's common stock or factors that may influence the value of the Company's common stock, plus cash incentive awards, for the purpose of providing the Company's directors, officers and other key employees (and those of the Adviser and the Company's subsidiaries), the Company's non-employee directors, and potentially certain non-employees who perform employee-type functions, incentives and rewards for performance.

F-26

#### Restricted Stock Units.

Under the 2016 LTIP, restricted stock units may be granted to the Company's directors, officers and other key employees (and those of the Adviser and the Company's subsidiaries) and typically vest over a three to five-year period for officers, employees and certain key employees of the Adviser and annually for directors. Compensation expense is recognized on a straight-line basis over the total requisite service period for the entire reward. Beginning on the date of grant, restricted stock units earn dividends that are payable in cash on the vesting date. On February 20, 2020, pursuant to the following table includes the 2016 LTIP, the Company granted 168,183 number of restricted stock units granted to its directors, officers, employees and certain key employees of the Adviser. On May 11, 2020, pursuant to Adviser under the 2016 LTIP:

Summary of Grants				
	February	March	May	Total
2019	186,662	—	—	186,662
2020	168,183	—	116,852	285,035
2021	204,663	—	—	204,663
2022	142,519	—	—	142,519
2023	—	260,709	—	260,709
Total	702,027	260,709	116,852	1,079,588

As of December 31, 2023 and 2022, the Company had 620,137 and 527,926 unvested units under the 2016 LTIP, the Company granted 116,852 restricted stock units to its directors, officers, employees and certain key employees of the Adviser. On February 18, 2021, pursuant to the 2016 LTIP, the Company granted 204,663 restricted stock units to its directors, officers, employees and certain key employees of the Adviser. During the year ended December 31, 2022, pursuant to the 2016 LTIP, the Company granted 142,159 restricted stock units to its directors, officers, employees and certain key employees of the Adviser, respectively.

The following table includes the number of restricted stock units granted, vested, forfeited and outstanding as of December 31, 2022 December 31, 2023:

	2023	
	Number of Units	Weighted Average Grant Date Fair Value
Outstanding January 1,	527,926	\$ 52.66

Granted		260,709	47.50
Vested		(160,811) (1)	39.02
Forfeited		(7,687)	50.88
Outstanding December 31,		620,137	\$ 47.50

	2022	(1)	Certain key employees of the Adviser elected to net the taxes owed upon vesting against the shares issued resulting in 124,994 shares being issued as shown on the consolidated statement of stockholders' equity.
	Weighted Average		
	Number of Units	Grant Date	
		Fair Value	
Outstanding			
January 1,	589,283	\$ 39.17	
Granted	142,159	83.88	
Vested	(202,927)(1)	23.44	
Forfeited	(589)	33.99	
Outstanding			
December 31,	527,926	\$ 52.66	

(1) Certain key employees of the Adviser elected to net the taxes owed upon vesting against the shares issued resulting in 165,134 shares being issued as shown on the consolidated statement of stockholders' equity.

The following table contains information regarding the vesting of restricted stock units under the 2016 LTIP for the next five calendar years subsequent to December 31, 2022 December 31, 2023:

	Shares Vesting			
	February	March	May	Total
2024	132,525	63,329	21,877	217,731
2025	97,154	49,098	21,769	168,021
2026	64,147	47,988	—	112,135
2027	26,281	47,988	—	74,269
2028	—	47,981	—	47,981
Total	320,107	256,384	43,646	620,137

	Shares Vesting		
	February	May	Total
2023	138,964	21,879	160,843
2024	132,568	21,877	154,445
2025	97,680	21,877	119,557
2026	65,984	—	65,984
2027	27,097	—	27,097
Total	462,293	65,633	527,926

As of December 31, 2022, December 31, 2023 and 2022, the Company had issued 982,204 and 857,210 shares of common stock under the 2016 LTIP. LTIP, respectively. For the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, the Company recognized approximately \$7.9 million, \$7.0 million \$9.3 million, \$7.9 million and \$5.1 million, \$7.0 million, respectively, of equity-based compensation expense related to grants of restricted stock units. As of December 31, 2022, December 31, 2023 and 2022, the Company had recognized a liability of approximately \$1.7 million \$2.1 million and \$1.7 million, respectively, related to dividends earned on restricted stock units that are payable in cash upon vesting which is included in accounts payable and other accrued liabilities on the consolidated balance sheets. Forfeitures are recognized as they occur.

#### At-the-Market Offering

On February 20, 2019 As of December 31, 2023, the Company the OP had total unrecognized compensation expense on restricted awards of approximately \$21.5 million, and the Adviser entered into separate equity distribution agreements with each of Jefferies LLC ("Jefferies"), Raymond James & Associates, Inc. ("Raymond James") and Truist Securities, Inc. f/k/a SunTrust Robinson Humphrey, Inc. ("Truist", and together with Raymond James and Jefferies, the "2019 ATM Sales Agents"), pursuant to which the Company could issue and sell from time to time shares of the Company's common stock, par value \$0.01 per share, having an aggregate sales price of up to \$100,000,000 (the "2019 ATM Program"). Sales of shares of common stock, if any, could be made in transactions that were deemed expense is expected to be "at the market" offerings, as defined in Rule 415 under the Securities Act, including, without limitation, sales made by means recognized over a weighted average vesting period of ordinary brokers' transactions on the New York Stock Exchange, to or through a market maker at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices based on prevailing market prices. In addition to the issuance and sale of shares of common stock, the Company could enter into forward sale agreements with each of Jefferies and Raymond James,

or their respective affiliates, through the 2019 ATM Program. During the year ended December 31, 2019, the Company issued 1,565,322 shares of common stock at an average price of \$45.98 per share for gross proceeds of approximately \$72.0 million. The Company paid approximately \$1.1 million in fees to the 2019 Sales Agents with respect to such sales and incurred other issuance costs of approximately \$1.0 million, both of which were netted against the gross proceeds and recorded in additional paid in capital. During the three months ended March 31, 2020, the Company issued 560,000 shares of common stock at an average price of \$50.00 per share for gross proceeds of \$28.0 million under the 2019 ATM Program. The Company paid approximately \$0.4 million in fees to the 2019 ATM Sales Agents with respect to such sales and incurred other issuance costs of approximately \$0.3 million, both of which were netted against the gross proceeds and recorded in additional paid in capital. On February 27, 2020, the 2019 ATM Program reached aggregate sales of \$100,000,000 and therefore expired. The following table contains summary information of the 2019 ATM Program since its inception: 1.5 years.

F-27

Gross proceeds	\$	99,973,433
Common shares issued		2,125,322
Gross average sale price per share	\$	47.04
Sales commissions	\$	1,144,579
Offering costs		1,293,298
Net proceeds		97,535,556
Average price per share, net	\$	45.89

#### At-the-Market Offering

On March 4, 2020, the Company, the OP and the Adviser entered into separate equity distribution agreements with each of Jefferies LLC ("Jefferies"), Raymond James & Associates, Inc. ("Raymond James"), KeyBanc Capital Markets Inc. ("KeyBanc") and Truist Securities (f/k/a SunTrust Robinson Humphrey, Inc., "SunTrust," and together with Jefferies, Raymond James and KeyBanc, the "2020 ATM Sales Agents"), pursuant to which the Company **may** **could** issue and sell from time to time shares of the Company's common stock, par value \$0.01 per share, having an aggregate sales price of up to \$225,000,000 (\$225,000,000) (the "2020 ATM Program"). Sales of shares of common stock, **if any, may be** **were** made in transactions that are deemed to be "at the market" offerings, as defined in Rule 415 under the Securities Act, including, without limitation, sales made by means of ordinary brokers' transactions on the New York Stock Exchange, to or through a market maker at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices based on prevailing market prices. In addition to the issuance and sale of shares of common stock, the Company **may enter** **entered** into forward sale agreements with each of Jefferies, KeyBanc and Raymond James, or their respective affiliates, through the

2020 ATM Program. During the year ended December 31, 2020, the Company issued 718,306 shares of common stock at an average price of \$43.92 per share for gross proceeds of \$31.5 million under the 2020 ATM Program. The Company paid approximately \$0.5 million in fees to the 2020 ATM Sales Agents with respect to such sales and incurred other issuance costs of approximately \$0.6 million, both of which were netted against the gross proceeds and recorded in additional paid in capital. During the year ended December 31, 2021, the Company issued 350,513 shares of common stock at an average price of \$75.41 per share for gross proceeds of \$26.4 million under the 2020 ATM Program. The Company paid approximately \$0.4 million in fees to the 2020 ATM Sales Agents with respect to such sales and incurred other issuance costs of approximately \$0.4 million, both of which were netted against the gross proceeds and recorded in additional paid in capital. During the year ended December 31, 2022, the Company issued 52,091 shares of common stock at a gross average sales price of \$83.16 for gross proceeds of approximately \$4.3 million under the 2020 ATM Program. The Company incurred sales commission fees and offering cost of \$0.1 million and \$0.3 million for the period ended December 31, 2022. The following table contains summary information of the 2020 ATM Program since its inception:

Gross proceeds	\$	62,310,967
Common shares issued		1,120,910
Gross average sale price per share	\$	55.59
Sales commissions	\$	934,665
Offering costs		1,353,015
Net proceeds		60,023,287
Average price per share, net	\$	53.55
Gross proceeds	\$	62,310,967
Common shares issued		1,120,910
Gross average sale price per share	\$	55.59

Sales commissions	\$ 934,665
Offering costs	1,353,015
Net proceeds	60,023,287
Average price per share, net	\$ 53.55

#### 9.8. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of shares of the Company's common stock outstanding, which excludes any unvested restricted stock units issued pursuant to the 2016 LTIP. Diluted earnings (loss) per share is computed by adjusting basic earnings (loss) per share for the dilutive effect of the assumed vesting of restricted stock units. During periods of net loss, the assumed vesting of restricted stock units is anti-dilutive and is not included in the calculation of earnings (loss) per share.

The effect of the conversion of OP Units held by noncontrolling limited partners is not reflected in the computation of basic and diluted earnings (loss) per share as they are exchangeable for common stock on a one-for-one basis. The income (loss) allocable to such units is allocated on this same basis and reflected as net income (loss) attributable to redeemable noncontrolling interests in the OP in the accompanying consolidated statements of operations and comprehensive income (loss). As such, the assumed conversion of these units would have no net impact on the determination of diluted earnings (loss) per share. See Note 10 to our consolidated financial statements 8 for additional information.

The following table sets forth the computation of basic and diluted earnings (loss) per share for the periods presented (in thousands, except per share amounts):

	For the Year Ended December 31,		
	2023	2022	2021
<b>Numerator for earnings (loss) per share:</b>			
Net income (loss)	\$ 44,433	\$ (9,291)	\$ 23,106
Net income (loss) attributable to redeemable noncontrolling interests in the Operating Partnership	169	(31)	69
<b>Net income (loss) attributable to common stockholders</b>	<b>\$ 44,264</b>	<b>\$ (9,260)</b>	<b>\$ 23,037</b>
<b>Denominator for earnings (loss) per share:</b>			
Weighted average common shares outstanding	25,654	25,610	25,170
Denominator for basic earnings (loss) per share	25,654	25,610	25,170
Weighted average unvested restricted stock units	591	542	590
Denominator for diluted earnings (loss) per share	(1)	26,245	25,610
			25,760
<b>Earnings (loss) per weighted average common share:</b>			
Basic	\$ 1.73	\$ (0.36)	\$ 0.92
Diluted	\$ 1.69	\$ (0.36)	\$ 0.89
	For the Year Ended December 31,		
	2022	2021	2020
<b>Numerator for earnings (loss) per share:</b>			
Net income (loss)	\$ (9,291)	\$ 23,106	\$ 44,150
Net income (loss) attributable to redeemable noncontrolling interests in the Operating Partnership	(31)	69	132
<b>Net income (loss) attributable to common stockholders</b>	<b>\$ (9,260)</b>	<b>\$ 23,037</b>	<b>\$ 44,018</b>
<b>Denominator for earnings (loss) per share:</b>			
Weighted average common shares outstanding	25,610	25,170	24,715
Denominator for basic earnings (loss) per share	25,610	25,170	24,715
Weighted average unvested restricted stock units	542	590	519
Denominator for diluted earnings (loss) per share	(1)	25,610	25,760
			25,234
<b>Earnings (loss) per weighted average common share:</b>			
Basic	\$ (0.36)	\$ 0.92	\$ 1.78
Diluted	\$ (0.36)	\$ 0.89	\$ 1.74

(1) If the Company sustains a net loss for the period presented, unvested restricted stock units are not included in the diluted earnings (loss) per share calculation.

(1) If the Company sustains a net loss for the period presented, unvested restricted stock units are not included in the diluted earnings per share calculation.

## 10.9. Noncontrolling Interests

### Redeemable Noncontrolling Interests in the OP

Interests in the OP held by limited partners are represented by OP Units. Net income (loss) is allocated to holders of OP Units based upon net income (loss) attributable to common stockholders and the weighted average number of OP Units outstanding to total common shares plus OP Units outstanding during the period. Capital contributions, distributions, and profits and losses are allocated to OP Units in accordance with the terms of the partnership agreement of the OP. Each time the OP distributes cash to the Company, outside limited partners of the OP receive their pro-rata share of the distribution. Redeemable noncontrolling interests in the OP have a redemption feature and are marked to their redemption value if such value exceeds the carrying value of the redeemable noncontrolling interests in the OP.

On April 1, 2022, the Company acquired The Adair and Estates on Maryland, from investors in a Delaware Statutory Trust managed by an entity affiliated with the Adviser, for total consideration of \$143.4 million \$143.4 million (the "Purchase Price"). The Purchase Price consisted of 26,558,31,071 OP Units (valued at \$2.4 million) \$2.9 million that were issued on April 1, 2022 in connection with the acquisition and approximately \$71.1 million \$70.7 million in cash and debt. The fair value of the OP Units was determined based on the April 1, 2022 share price of NXRT as the OP units are convertible to common stock on a one to one basis.

On June 30, 2017, the Company and the OP entered into a contribution agreement with BH Equities, LLC and its affiliates (collectively, "BH Equity"), whereby the Company purchased 100% of the joint venture interests in the portfolio owned by BH Equity, representing approximately 8.4% ownership in the portfolio (the "BH Buyout"), for total consideration of approximately \$51.7 million \$51.7 million (the "Purchase Amount"). The Purchase Amount consisted of approximately \$49.7 million \$49.7 million in cash that was paid on June 30, 2017 and 73,233 OP Units (initially valued at \$2.0 million) \$2.0 million that were issued on August 1, 2017. The number of OP Units issued was calculated by dividing \$2.0 million \$2.0 million by the midpoint of the range of the Company's net asset value as publicly disclosed in connection with the Company's release of its second quarter of 2017 earnings results, which was \$27.31 \$27.31 per share.

In connection with the issuance of OP Units to BH Equity on August 1, 2017, the Company and the OP amended the partnership agreement of the OP (the "Amendment"). Pursuant to the Amendment, limited partners holding OP Units have the right to cause the OP to redeem their units at a redemption price equal to and in the form of the Cash Amount (as defined in the partnership agreement of the OP), provided that such OP Units have been outstanding for at least one year. The Company, through the OP GP, as the general partner of the OP may, in its sole discretion, purchase the OP Units by paying to the limited partner either the Cash Amount or the REIT Share Amount (one share of common stock of the Company for each OP Unit), as defined in the partnership agreement of the OP. Notwithstanding the foregoing, a limited partner will not be entitled to exercise its redemption right to the extent the issuance of the Company's common stock to the redeeming limited partner would (1) be prohibited, as determined in the Company's sole discretion, under the Company's charter or (2) cause the acquisition of common stock by such redeeming limited partner to be "integrated" with any other distribution of the Company's common stock for purposes of complying with the Securities Act. Accordingly, the Company records the OP Units held by noncontrolling limited partners outside of permanent equity and reports the OP Units at the greater of their carrying value or their redemption value using the Company's stock price at each balance sheet date.

The following table sets forth the redeemable noncontrolling interests in the OP for the years ended December 31, 2022 December 31, 2023 and 2022 (in thousands):

Redeemable noncontrolling interests in the OP, December 31, 2021	\$	6,139
Net loss attributable to redeemable noncontrolling interests in the OP		(31)
Other comprehensive income attributable to redeemable noncontrolling interests in the OP		338
Distributions to redeemable noncontrolling interests in the OP		(519)
Issuance of operating partnership units for purchase of noncontrolling interests		2,444
Adjustment to reflect redemption value of redeemable noncontrolling interests in the OP		(2,740)
Redeemable noncontrolling interests in the OP, December 31, 2022	\$	5,631
Net income attributable to redeemable noncontrolling interests in the OP		169
Other comprehensive loss attributable to redeemable noncontrolling interests in the OP		(123)
Distributions to redeemable noncontrolling interests in the OP		(184)
Issuance of operating partnership units for purchase of noncontrolling interests		415
Redemption of operating partnership units of noncontrolling interests		(70)
Adjustment to reflect redemption value of redeemable noncontrolling interests in the OP		(592)
Redeemable noncontrolling interests in the OP, December 31, 2023	\$	5,246
Redeemable noncontrolling interests in the OP, December 31, 2021	\$	6,139
Net loss attributable to redeemable noncontrolling interests in the OP		(31)
Other comprehensive income attributable to redeemable noncontrolling interests in the OP		338

Distributions to redeemable noncontrolling interests in the OP	(519)
Issuance of operating partnership units for purchase of noncontrolling interests	2,444
Adjustment to reflect redemption value of redeemable noncontrolling interests in the OP	(2,740)
<b>Redeemable noncontrolling interests in the OP, December 31, 2022</b>	<b>\$ 5,631</b>

F-29

#### Noncontrolling Interests

Noncontrolling interests have in the past and may in the future be comprised of joint venture partners' interests in joint ventures the Company consolidates. When applicable, the Company reports its joint venture partners' interests in its consolidated joint ventures and other subsidiary interests held by third parties as noncontrolling interests. The Company records these noncontrolling interests at their initial fair value, adjusting the basis prospectively for their share of the respective consolidated investment's net income or loss, equity contributions, return of capital, and distributions. The adjustment to reflect redemption value of redeemable noncontrolling interests in the OP records the OP Units at the greater of their carrying value or their redemption value using the Company's stock

price at each balance sheet date. Generally, these noncontrolling interests are not redeemable by the equity holders and are presented as part of permanent equity. Income and losses are allocated to the noncontrolling interest holder based on its economic ownership percentage.

#### Fees and Reimbursements to BH and its Affiliates

The Company has entered into management agreements Management Agreements with BH Management Services, LLC ("BH"), the Company's property manager and an independently owned third party, who manages the Company's properties and supervises the implementation of the Company's value-add program. BH is an affiliate of BH Equity, LLC and its affiliates (collectively, ("BH Equity")), who was a noncontrolling interest member of the Company's joint ventures prior to the BH Buyout purchase by the Company of 100% of the joint venture interests in the portfolio owned by BH Equity, representing approximately 8.4% ownership in the portfolio (the "BH Buyout") on June 30, 2017. Through BH Equity's noncontrolling interests in such joint ventures, BH Equity was deemed to be a related party. With the completion of the BH Buyout, BH Equity is no longer deemed to be a related party. BH Equity became a noncontrolling limited partner of the OP upon execution of the Amendment. BH and its affiliates do not have common ownership in any joint venture with the Adviser; there is also no common ownership between BH and its affiliates and the Adviser.

The property management fee paid to BH is approximately 3% of the monthly gross income from each property managed. Currently, BH manages all of the Company's properties. Additionally, the Company may pay BH certain other fees, including: (1) a fee of \$15-\$25 per unit for the one-time setup and inspection of properties, (2) a construction supervision fee of 5-6% of total project costs, which is capitalized, (3) acquisition fees and due diligence costs reimbursements, and (4) other owner approved fees at \$55 per hour. BH also acts as a paymaster for the properties and is reimbursed at cost for various operating expenses it pays on behalf of the properties. The following is a summary of fees that the properties incurred to BH and its affiliates, as well as reimbursements paid to BH from the properties for various operating expenses, for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021 (in thousands):

	For the Year Ended December 31,		
	2023	2022	2021
<b>Fees incurred</b>			
Property management fees	(1) \$ 8,051	\$ 7,606	\$ 6,308
Construction supervision fees	(2) 2,062	2,000	1,098
Design fees	(2) 67	198	88
Acquisition fees	(3) (83)	45	677
<b>Reimbursements</b>			
Payroll and benefits	(4) 18,809	21,310	18,802
Other reimbursements	(5) 8,001	4,695	3,574

(1) Incl  
proj  
mai  
fees  
con  
stat  
ope  
con  
incc

	For the Year Ended December 31,			(1) Included in property management fees on the consolidated statements of operations and comprehensive income.
	2022	2021	2020	
<b>Fees incurred</b>				
Property management fees	(1)	\$ 7,606	\$ 6,308	\$ 5,949
Construction supervision fees	(2)	2,000	1,098	1,848
Design fees	(2)	198	88	666
Acquisition fees (3)		45	677	201
<b>Reimbursements</b>				
Payroll and benefits	(4)	21,310	18,802	18,284
Other reimbursements (5)		4,695	3,574	3,253

#### 11.10. Related Party Transactions

##### Advisory and Administrative Fee

In accordance with the Advisory Agreement, the Company pays the Adviser an advisory fee equal to 1.00% of the Average Real Estate Assets (as defined below). The duties performed by the Company's Adviser under the terms of the Advisory Agreement include, but are not limited to: providing daily management for the Company, selecting and working with third party service providers, managing the Company's properties or overseeing the third party property manager, formulating an investment strategy for the Company and selecting suitable properties and investments, managing the Company's outstanding debt and its interest rate exposure through derivative instruments, determining when to sell assets, and managing the value-add program or overseeing a third party vendor that implements the value-add program. "Average Real Estate Assets" means the average of the aggregate book value of Real Estate Assets before reserves for depreciation or other non-cash reserves, computed by taking the average of the book value of real estate assets at the end of each month (1) for which any fee under the Advisory Agreement is calculated or (2) during the year for which any expense reimbursement under the Advisory Agreement is calculated. "Real Estate Assets" is defined broadly in the Advisory Agreement to include, among other things, investments in real estate-related securities and mortgages and reserves for capital expenditures (the value-add program). The advisory fee is payable monthly in arrears in cash, unless the Adviser elects, in its sole discretion, to receive all or a portion of the advisory fee in shares of common stock, subject to certain limitations.

In accordance with the Advisory Agreement, the Company also pays the Adviser an administrative fee equal to **0.20%** of the Average Real Estate Assets. The administrative fee is payable monthly in arrears in cash, unless the Adviser elects, in its sole discretion, to receive all or a portion of the administrative fee in shares of common stock, subject to certain limitations.

The advisory and administrative fees paid to the Adviser on the Contributed Assets (as defined in the Advisory Agreement) are subject to an annual cap of approximately **\$5.4 million** (\$5.4 million) (the "Contributed Assets Cap") (see "Expense Cap" below).

Pursuant to the terms of the Advisory Agreement, the Company will reimburse the Adviser for all documented Operating Expenses and Offering Expenses it incurs on behalf of the Company. "Operating Expenses" include legal, accounting, financial and due diligence services performed by the Adviser that outside professionals or outside consultants would otherwise perform, the Company's pro rata share of rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of the Adviser required for the Company's operations, and compensation expenses under the 2016 LTIP. Operating Expenses do not include expenses for the advisory and administrative services described in the Advisory Agreement. Certain Operating Expenses, such as the Company's ratable share of rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses incurred by the Adviser or its affiliates that relate to the operations of the Company, may be billed monthly to the Company under a shared services agreement. "Offering Expenses" include all expenses (other than underwriters' discounts) in connection with an offering, including, without limitation, legal, accounting, printing, mailing and filing fees and other documented offering expenses. For the years ended **December 31, 2022** December 31, 2023, **2021** 2022 and **2020**, 2021, the Adviser did not bill any Operating Expenses or Offering Expenses to the Company and any such expenses the Adviser incurred during the periods are considered to be permanently waived.

#### Expense Cap

Pursuant to the terms of the Advisory Agreement, expenses paid or incurred by the Company for advisory and administrative fees payable to the Adviser and Operating Expenses will not exceed **1.5%** of Average Real Estate Assets per calendar year (or part thereof that the Advisory Agreement is in effect (the "Expense Cap")). The Expense Cap does not limit the reimbursement of expenses related to Offering Expenses. The Expense Cap also does not apply to legal, accounting, financial, due diligence and other service fees incurred in connection with mergers and acquisitions, extraordinary litigation or other events outside the Company's ordinary course of business or any out-of-pocket acquisitions or due diligence expenses incurred in connection with the acquisition or disposition of real estate assets. Also, advisory and administrative fees are further limited on Contributed Assets to approximately **\$5.4 million** (\$5.4 million) in any calendar year. "Contributed Assets" refers to all Real Estate Assets contributed to the Company as part of its Spin-Off. The Contributed Assets Cap is not reduced for dispositions of such assets subsequent to its Spin-Off. Advisory and administrative fees on New Assets are not subject to the above limitation and are based on an annual rate of **1.2%** on Average Real Estate Assets, but are subject to the Expense Cap. New Assets are all Real Estate Assets that are not Contributed Assets.

For the years ended **December 31, 2022** December 31, 2023, **2021** 2022 and **2020**, 2021, the Company incurred advisory and administrative fees of **\$7.5 million**, **\$7.6 million** (\$7.6 million), **\$7.5 million** and **\$7.7 million**, (\$7.6 million), respectively. For the years ended **December 31, 2022** December 31, 2023, **2021** 2022 and **2020**, 2021, the Adviser elected to voluntarily waive the advisory and administrative fees of **\$21.0 million**, **\$15.4 million** (\$21.7 million), **\$21.0 million** and **\$9.1 million**, (\$17.3 million), respectively. The advisory and administrative fees waived by the Adviser for the years ended **December 31, 2022** December 31, 2023, **2021** 2022 and **2020**, 2021 are considered to be permanently waived for the periods. The Adviser is not contractually obligated to waive fees on New Assets in the future and may cease waiving fees on New Assets at its discretion.

F-31

---

#### Other Related Party Transactions

The Company has in the past, and may in the future, utilize the services of affiliated parties. For the years ended **December 31, 2022** December 31, 2023, **2021** 2022 and **2020**, 2021, the Company paid approximately **\$0.8 million**, **\$0.0 million** (\$0.2 million), **\$0.8 million** and **\$0.2 million**, (\$0.2 million), respectively, to **NexBank Title, Inc.** ("NexBank Title"). **NexBank Title** is an affiliate of the Adviser through common beneficial ownership. **NexBank Title** provides title insurance and work related to providing title insurance on properties related to acquisitions, dispositions and refinancing transactions. These amounts are either capitalized as real estate assets or deferred financing costs, expensed as loss on extinguishment of debt and modification costs, or expensed as selling costs when determining gain (loss) on sales of real estate, depending on the appropriate accounting as determined for each specific transaction. The Company holds multiple operating accounts at **NexBank Capital, Inc.** ("NexBank").

**NexBank** is an affiliate of the Adviser through common beneficial ownership.

On July 30, 2021, three of our property-owning subsidiaries entered into agreements with **NLMF Holdco, LLC**, an entity under common control with our Adviser and in which we own a **10%** equity interest, to provide faster, more reliable and lower cost internet to our residents. The lease of the fiber facilities and easement is between **NLMF Holdco, LLC** and **NLMF Leaseco, LLC**, which is wholly and separately owned by **NLMF Leaseco Owner, LLC**, which is controlled by Matt McGraner, one of our officers. The fiber management and internet services agreement is managed by **NLMF Leaseco, LLC**. The Company accounts for its interest in **NLMF Holdco, LLC** using the equity method of

accounting. As of December 31, 2022, December 31, 2023 and 2022, the Company has funded approximately \$0.3 million \$0.3 million to NLMF Holdco, LLC which is included in prepaid and other assets on the consolidated balance sheet of the Company. For the year ended December 31, 2022 December 31, 2023, the Company recognized \$0.2 million of NLMF Holdco, LLC net income in equity in earnings of affiliate on the consolidated statement of operations and comprehensive income. The Company incurred expenses of \$0.1 million \$2.9 million, \$0.1 million and \$0.1 million for fiber internet service to NLMF Leaseco, LLC for the years ended December 31, 2023, 2022 and 2021, respectively, which is included in property operating expenses on the consolidated statement of operations and comprehensive income (loss). Additionally, on July 30, 2021, we entered into agreements with NLMF Leaseco, LLC, which is controlled by Matt McGraner, one of our officers. We expect that these actions will provide faster, more reliable and lower cost internet to our residents. income.

On April 1, 2022, the Company acquired The Adair and Estates on Maryland, from investors in a Delaware Statutory Trust managed by an entity affiliated with the Adviser, for total consideration of \$143.4 million \$143.4 million (the "Purchase Price"). The Purchase Price consisted of 26,55831,071 OP Units (valued at \$2.4 million) \$2.9 million that were issued on April 1, 2022 in connection with the acquisition and approximately \$71.1 million \$70.7 million in cash and debt. The fair value of the OP Units was determined based on the April 1, 2022 share price of NXRT as the OP units are convertible to common stock on a one to one basis.

On August 16, 2023, the Company entered into a purchase agreement with NexBank, an affiliate of the Adviser through common beneficial ownership, for the sale of Old Farm for \$103.0 million.

## 12.

### 11. Commitments and Contingencies

#### Commitments

In the normal course of business, the Company enters into various rehabilitation construction related purchase commitments with parties that provide these goods and services. In the event the Company were to terminate rehabilitation construction services prior to the completion of projects, the Company could potentially be committed to satisfy outstanding or uncompleted purchase orders with such parties. As of December 31, 2022, December 31, 2023 and 2022, management does not anticipate any material deviations from schedule or budget related to rehabilitation projects currently in process.

The Company's agreement with NLMF Holdco, LLC may result in additional funding requirements to cover future project costs. The maximum exposure of potential commitments is expected to be no more than \$4.0 million. As of December 31, 2022, the Company has funded approximately \$0.3 million to NLMF Holdco, LLC which is included in prepaid and other assets on the consolidated balance sheet of the Company. \$4.0 million.

#### Contingencies

In the normal course of business, the Company is subject to claims, lawsuits, and legal proceedings. While it is not possible to ascertain the ultimate outcome of all such matters, management believes that the aggregate amount of such liabilities, if any, in excess of amounts provided or covered by insurance, will not have a material adverse effect on the consolidated balance sheets or consolidated statements of operations and comprehensive income (loss) of the Company. The Company is not involved in any material litigation nor, to management's knowledge, is any material litigation currently threatened against the Company or its properties or subsidiaries.

Environmental liabilities could have a material adverse effect on the Company's business, assets, cash flows or results of operations. As of December 31, 2022, December 31, 2023 and 2022, the Company was not aware of any environmental liabilities. There can be no assurance that material environmental liabilities do not exist.

F-32

#### Self-Insurance Program

Effective March 1, 2019, the Company maintains a partial self-insurance program for property and casualty claims whereby it incurs the "first-loss" portion of a claim up to an aggregate loss amount. Claims resulting in losses in excess of a \$100,000 per occurrence property deductible will be paid by the Company up to an aggregate amount of \$1.2 million (the "2019 Aggregate Amount"). For the period from March 1, 2019 to February 29, 2020, the Company incurred a claim related to Cutter's Point (see Note 5 to our consolidated financial statements) as part of the 2019 Aggregate Amount. The claim related to Cutter's Point required the Company to fund the full 2019 Aggregate Amount with \$0.6 million being funded in December 2019 and the remaining \$0.6 million funded during the three months ended March 31, 2020. For the period from March 1, 2019 to February 29, 2020, there were no other potential claims, besides the claim involving Cutter's Point, that met the criteria as set forth under ASC 450-20.

On March 1, 2020, the Adviser entered into a self-insurance policy resulting in an aggregate amount of \$2,365,000 (the "2020 Aggregate Amount") which is allocated across properties managed by the Adviser with approximately \$1.5 million being allocated to the Company. As of December 30, 2020, all of the \$1.5 million of the 2020 Aggregate Amount allocated to the Company has been funded. Under ASC 450-20 "Loss Contingencies", the Company does not reserve for its self-insured aggregated amount or any portion thereof until a claim is made and the amount of the claim and the timing of payment on the claim can be reasonably estimated. For the period from March 1, 2020 to February 28, 2021, the Company incurred claims related to Venue 8651, Timber Creek and Winter Storm Uri.

On March 1, 2021, the Adviser entered into a new policy resulting in a new aggregate amount of \$2,468,750 (\$2,468,750) (the "2021 Aggregate Amount") which is allocated across properties managed by the Adviser with approximately \$1.6 million (\$1.6 million) being allocated to the Company. As of December 31, 2021, all of the \$1.6 million of the 2021 Aggregate Amount allocated to the Company has been prepaid. For the period from March 1, 2021 to February 28, 2022, the Company incurred claims related to its entire allocated 2021 Aggregate Amount at Old Farm and Silverbrook.

On March 1, 2022, the Adviser entered into a new self-insurance policy resulting in a new aggregate amount of \$2,497,500 (\$2,497,500) (the "2022 Aggregate Amount") which is allocated across properties managed by the Adviser with approximately \$1.8 million (\$1.8 million) being allocated to the Company. From March 1, 2022

On April 1, 2023, the Adviser entered into a new policy resulting in a new aggregate amount of \$2,950,000 (the "2023 Aggregate Amount") which is allocated across properties managed by the Adviser with approximately \$2.1 million being allocated to December 31, 2022 the Company. As of December 31, 2023, the Company incurred claims at Six Forks Station, Parc500, Hollister Place, Versailles, Timber Creek, Venue at 8651, The Preserve at Terrell Mill, High House at Cary and Arbors has funded \$1.8 million of Brentwood. As of December 31, 2022, all of the 2022 2023 Aggregate Amount allocated to the Company has been funded prepaid by the Company (see Note 5 to our consolidated financial statements) 4).

### 13.12. Subsequent Events

#### Sale of Old Farm and Stone Creek at Old FarmDividends Declared

On January 24, 2023, the Company signed a purchase and sale agreement to sell Old Farm and Stone Creek for a combined sales price of \$135.0 million.

#### Refinance of Venue on Camelback Mortgage

On January 31, 2023, the Company completed a refinance on the mortgage debt for Venue on Camelback. The refinance increased the outstanding principal balance from approximately \$28.1 million to \$42.8 million, and effectively pushed the maturity date of the mortgage debt from July 1, 2024 to February 1, 2033 15, 2024.

#### Principal Paydown on Corporate Credit Facility

On February 2, 2023, the Company paid down \$17.5 million of its outstanding principal balance on the Corporate Credit Facility.

#### Dividends Declared

On February 22, 2023, the Company's board of directors declared a quarterly dividend of \$0.42 (\$0.46242) per share, payable on March 31, 2023 March 28, 2024 to stockholders of record on March 15, 2023 March 15, 2024.

F-33

### NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES

#### SCHEDULE III

#### REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2022 2023

(in thousands)

Property Name	Location	Encumbrances (1)	Initial Cost to Company			Costs Capitalized		Gross Amount Carried at December 31, 2023			Accumulated	
			Buildings and			Subsequent to	Acquisition	Buildings and			Depreciation and	Date Acquired
			Land	Improvements (2)	Total			Land	Improvements (3)	Total		
Arbors on Forest Ridge	Bedford, Texas	\$ 19,184	\$ 2,330	\$ 10,475	\$ 12,805	\$ 4,090	\$ 2,330	\$ 14,253	\$ 16,583	\$ (6,364)	1/31/2014	
Cutter's Point	Richardson, Texas	21,524	3,330	12,515	15,845	9,219	3,330	21,382	24,712	(9,557)	1/31/2014	
The Summit at Sabal Park	Tampa, Florida	30,826	5,770	13,280	19,050	4,533	5,770	17,409	23,179	(7,040)	8/20/2014	
Courtney Cove	Tampa, Florida	36,146	5,880	13,070	18,950	6,309	5,880	18,948	24,828	(7,602)	8/20/2014	
Radbourne Lake	Charlotte, North Carolina	20,000	2,440	21,810	24,250	6,093	2,440	27,251	29,691	(9,853)	9/30/2014	
Sabal Palm at Lake Buena Vista	Orlando, Florida	42,100	7,580	41,920	49,500	9,508	7,558	50,063	57,621	(17,009)	11/5/2014	
Cornerstone	Orlando, Florida	46,804	1,500	30,050	31,550	7,248	1,500	36,404	37,904	(13,961)	1/15/2015	
The Preserve at Terrell Mill	Marietta, Georgia	71,098	10,170	47,830	58,000	22,634	10,170	68,650	78,820	(27,171)	2/6/2015	
Versailles	Dallas, Texas	40,247	6,720	19,445	26,165	9,357	6,720	28,221	34,941	(11,267)	2/26/2015	
Seasons 704 Apartments	West Palm Beach, Florida	33,132	7,480	13,520	21,000	6,516	7,480	19,635	27,115	(7,470)	4/15/2015	
Madera Point	Mesa, Arizona	34,457	4,920	17,605	22,525	5,125	4,920	22,101	27,021	(8,327)	8/5/2015	
Venue at 8651	Fort Worth, Texas	18,690	2,350	16,900	19,250	8,393	2,350	24,782	27,132	(9,227)	10/30/2015	

Parc500	West Palm Beach, Florida	29,416	3,860	19,424	23,284	8,259	3,860	27,192	31,052	(10,211)	7/27/2016
The Venue on Camelback	Phoenix, Arizona	42,788	8,340	36,520	44,860	8,925	8,340	44,722	53,062	(13,950)	10/11/2016
Old Farm	Houston, Texas	52,886	11,078	73,986	85,064	6,570	11,078	77,202	88,280	(17,393)	12/29/2016
Stone Creek at Old Farm	Houston, Texas	15,274	3,493	19,937	23,430	1,789	3,493	21,154	24,647	(4,625)	12/29/2016
Rockledge Apartments	Marietta, Georgia	93,129	17,451	96,577	114,028	18,247	17,451	111,803	129,254	(29,845)	6/30/2017
Atera Apartments	Dallas, Texas	46,198	22,371	37,090	59,461	6,936	22,371	42,686	65,057	(11,231)	10/25/2017
Versailles II	Dallas, Texas	12,061	4,124	20,667	24,791	3,831	4,124	23,811	27,935	(5,794)	9/26/2018
Brandywine I & II	Nashville, Tennessee	43,835	6,237	73,870	80,107	11,328	6,237	83,436	89,673	(20,087)	9/26/2018
Bella Vista	Phoenix, Arizona	29,040	10,942	37,661	48,603	4,754	10,942	41,496	52,438	(9,694)	1/28/2019
The Enclave	Tempe, Arizona	25,322	11,046	30,933	41,979	4,247	11,046	34,411	45,457	(8,242)	1/28/2019
The Heritage	Phoenix, Arizona	24,625	6,835	35,244	42,079	4,452	6,835	38,946	45,781	(8,946)	1/28/2019
Summers Landing	Fort Worth, Texas	10,109	1,798	17,628	19,426	3,451	1,798	20,546	22,344	(4,033)	6/7/2019
Residences at Glenview Reserve	Nashville, Tennessee	25,574	3,367	41,652	45,019	7,547	3,367	48,217	51,584	(10,085)	7/17/2019
Residences at West Place	Orlando, Florida	33,817	3,345	52,657	56,002	6,352	3,345	57,831	61,176	(10,582)	7/17/2019
Avant at Pembroke Pines	Pembroke Pines, Florida	177,101	48,436	275,671	324,107	37,666	48,436	306,348	354,784	(56,548)	8/30/2019
Arbors of Brentwood	Nashville, Tennessee	34,237	6,346	56,409	62,755	4,650	6,346	59,845	66,191	(10,597)	9/10/2019
Torreyana Apartments	Las Vegas, Nevada	50,580	23,824	44,560	68,384	3,363	23,824	46,722	70,546	(7,984)	11/22/2019
Bloom	Las Vegas, Nevada	59,830	23,803	83,290	107,093	7,647	23,803	89,086	112,889	(15,449)	11/22/2019
Bella Solaria	Las Vegas, Nevada	40,328	12,605	54,262	66,867	4,459	12,605	57,562	70,167	(9,696)	11/22/2019
Fairways at San Marcos	Chandler, Arizona	60,228	10,993	73,785	84,778	5,401	10,993	77,511	88,504	(10,426)	11/2/2020
The Verandas at Lake Norman	Charlotte, North Carolina	34,925	9,510	54,270	63,780	3,056	9,510	56,355	65,865	(5,783)	6/30/2021
Creekside at Matthews	Charlotte, North Carolina	29,648	11,515	46,741	58,256	3,541	11,515	49,281	60,796	(5,446)	6/30/2021
Six Forks Station	Raleigh, North Carolina	41,180	11,357	63,748	75,105	5,942	11,357	68,490	79,847	(6,458)	9/10/2021
High House at Cary	Cary, North Carolina	46,625	23,809	69,793	93,602	3,409	23,809	71,826	95,635	(5,948)	12/7/2021
The Adair	Sandy Springs, Georgia	35,115	8,344	57,156	65,500	2,888	8,344	60,044	68,388	(4,247)	4/1/2022
Estates on Maryland	Phoenix, Arizona	43,157	11,553	66,347	77,900	2,259	11,553	68,606	80,159	(4,810)	4/1/2022
		\$ 1,551,236	\$ 376,852	\$ 1,798,298	\$ 2,175,150	\$ 279,994	\$ 376,830	\$ 2,034,228	\$ 2,411,058	\$ (442,958)	

Costs Gross Amount Carried at (1) Encumbrances includes mortgage debt.

Property	Encumbrances	Initial Cost to Company		Capitalized		December 31, 2022		Accumulated		Depreciation
		Name	Location	Buildings and Improvements		Subsequent to Acquisition		Buildings and Improvements		
				(1)	Land	(2)	Total	Land	(3)	Total (4) (5) (6) Acquired
<b>Arbors on Forest Ridge</b>										
Forest	Bedford, Texas	\$ 19,184	\$ 2,330	\$ 10,475	\$ 12,805	\$ 3,677	\$ 2,330	\$ 13,840	\$ 16,170	\$ (5,735) 1/31/2014
Cutter's Point	Richardson, Texas	21,524	3,330	12,515	15,845	8,546	3,330	20,709	24,039	(6,992) 1/31/2014
<b>Grand Prairie, Silverbrook</b>										
Silverbrook	Texas	46,088	4,860	25,540	30,400	9,343	4,860	34,090	38,950	(13,536) 1/31/2014
<b>The Summit at Sabal Park</b>										
Courtney	Tampa, Florida	30,826	5,770	13,280	19,050	3,478	5,770	16,354	22,124	(6,219) 8/20/2014
Cove	Florida	36,146	5,880	13,070	18,950	5,164	5,880	17,803	23,683	(6,628) 8/20/2014
<b>Charlotte, Radbourne Lake</b>										

Timber Creek	Charlotte, North Carolina	24,100	11,260	11,490	22,750	9,973	11,260	20,664	31,924	(8,307)	9/30/2014
<b>Sabal Palm</b>											
at Buena Vista	Lake Orlando, Florida	42,100	7,580	41,920	49,500	6,366	7,580	46,899	54,479	(14,731)	11/5/2014
<b>Orlando,</b>											
Cornerstone	Florida	46,804	1,500	30,050	31,550	6,444	1,500	35,600	37,100	(12,285)	1/15/2015
<b>The Preserve</b> at Marietta,											
Terrell Mill	Georgia	71,098	10,170	47,830	58,000	18,581	10,170	64,597	74,767	(22,908)	2/6/2015
<b>Dallas,</b>											
Versailles	Texas	40,247	6,720	19,445	26,165	7,481	6,720	26,345	33,065	(9,994)	2/26/2015
<b>Seasons</b> West Palm											
704 Apartments	Florida	33,132	7,480	13,520	21,000	5,027	7,480	18,146	25,626	(6,265)	4/15/2015
<b>Madera</b> Mesa,											
Point	Arizona	34,457	4,920	17,605	22,525	4,492	4,920	21,468	26,388	(7,230)	8/5/2015
<b>Venue</b> at Fort Worth,											
8651 Apartments	Texas	18,690	2,350	16,900	19,250	7,018	2,350	23,407	25,757	(8,083)	10/30/2015
<b>West Palm Beach,</b>											
Parc500	Florida	29,416	3,860	19,424	23,284	7,316	3,860	26,249	30,109	(8,853)	7/27/2016
<b>The Venue</b>											
on Camelback	Phoenix, Arizona	28,093	8,340	36,520	44,860	7,367	8,340	43,164	51,504	(11,577)	10/11/2016
<b>Houston,</b>											
Old Farm	Texas	52,886	11,078	73,986	85,064	5,371	11,078	76,003	87,081	(17,393)	12/29/2016
<b>Stone Creek</b> at Houston,											
Old Farm	Texas	15,274	3,493	19,937	23,430	1,535	3,493	20,900	24,393	(4,625)	12/29/2016
<b>Rockledge</b> Marietta,											
Apartments	Georgia	93,129	17,451	96,577	114,028	12,493	17,451	106,049	123,500	(24,825)	6/30/2017
Atera	Dallas,	46,198	22,371	37,090	59,461	6,148	22,371	41,898	64,269	(9,378)	10/25/2017
<b>Crestmont</b> Dallas,											
Reserve	Texas	12,061	4,124	20,667	24,791	3,085	4,124	23,065	27,189	(4,782)	9/26/2018
<b>Brandywine</b> Nashville,											
I & II	Tennessee	43,835	6,237	73,870	80,107	8,968	6,237	81,076	87,313	(15,920)	9/26/2018
<b>Phoenix,</b>											
Bella Vista	Arizona	29,040	10,942	37,661	48,603	4,175	10,942	40,917	51,859	(7,717)	1/28/2019
<b>The Enclave</b> Tempe,											
Enclave	Arizona	25,322	11,046	30,933	41,979	3,666	11,046	33,830	44,876	(6,508)	1/28/2019
<b>The Heritage</b> Phoenix,											
Heritage	Arizona	24,625	6,835	35,244	42,079	3,958	6,835	38,452	45,287	(7,072)	1/28/2019
Summers	Fort Worth,	10,109	1,798	17,628	19,426	2,698	1,798	19,793	21,591	(3,073)	6/7/2019
<b>Residences</b> at Glenview Nashville,											
Reserve	Tennessee	25,873	3,367	41,652	45,019	5,760	3,367	46,430	49,797	(7,367)	7/17/2019
<b>Residences</b> at West Orlando.											
Place	Florida	33,817	3,345	52,657	56,002	4,440	3,345	55,919	59,264	(7,758)	7/17/2019

(2) Includes gross intangible lease assets of approximately \$46.7 million and buildings, improvements and furniture, fixtures and equipment of approximately \$1.8 billion, which includes total acquisition costs of approximately \$8.2 million incurred on the acquisitions and a fair market value adjustment, a premium of approximately \$0.9 million,

related to the assumption of debt.

Avant	at Pembroke												
Pembroke	Pines,												
Pines	Florida	177,101	48,436	275,671	324,107	27,973	48,436	296,655	345,091	(42,167)	8/30/2019	(3)	
Arbors	of Nashville,												
Brentwood	Tennessee	34,237	6,346	56,409	62,755	2,291	6,346	57,486	63,832	(7,910)	9/10/2019		
	Las												
Torreyana	Vegas,												
Apartments	Nevada	50,580	23,824	44,560	68,384	2,467	23,824	45,826	69,650	(5,970)	11/22/2019		
	Las												
	Vegas,												
Bloom	Nevada	59,830	23,803	83,290	107,093	5,626	23,803	87,065	110,868	(11,269)	11/22/2019		
	Las												
Bella	Vegas,												
Solara	Nevada	40,328	12,605	54,262	66,867	1,935	12,605	55,038	67,643	(7,133)	11/22/2019		
Fairways	at												
San	Chandler,												
Marcos	Arizona	60,228	10,993	73,785	84,778	4,294	10,993	76,404	87,397	(6,561)	11/2/2020		
The													
Verandas	Charlotte,												
at	Lake North												
Norman	Carolina	34,925	9,510	54,270	63,780	1,513	9,510	54,812	64,322	(3,218)	6/30/2021		
Creekside	Charlotte,												
at	North												
Matthews	Carolina	29,648	11,515	46,741	58,256	2,250	11,515	47,990	59,505	(2,943)	6/30/2021		
	Raleigh,												
Six	Forks North												
Station	Carolina	41,180	11,357	63,748	75,105	2,495	11,357	65,043	76,400	(3,273)	9/10/2021		
High	Cary,												
House	at North												
Cary	Carolina	46,625	23,809	69,793	93,602	1,279	23,809	69,696	93,505	(2,741)	12/7/2021		
	Sandy												
	Springs,												
The	Adair	Georgia	35,115	8,361	57,139	65,500	1,002	8,361	58,141	66,502	(1,498)	4/1/2022	
Estates	on	Phoenix,											
Maryland	Arizona	43,157	11,573	66,327	77,900	409	11,573	66,736	78,309	(1,722)	4/1/2022		
		\$1,607,028	\$393,009	\$1,835,291	\$2,228,300	\$231,223	\$393,009	\$2,020,836	\$2,413,845	\$371,293)			

Includes construction in progress of approximately \$8.3 million and furniture, fixtures and equipment of approximately \$192.0 million.

Encumbrances includes mortgage debt.

S-1

(1)

(2) Includes gross intangible lease assets of approximately \$48.3 million and buildings, improvements and furniture, fixtures and equipment of approximately \$1.8 billion, which includes total acquisition costs of approximately \$8.2 million incurred on the acquisitions of The Colonnade, Old Farm, Stone Creek at Old Farm, Hollister Place, Rockledge Apartments, Atera Apartments, Crestmont Reserve, Brandywine I & II, Bella Vista, The Enclave, The Heritage, Summers Landing, Residences at Glenview Reserve, Residences at West Place, Avant at Pembroke Pines, Arbors of Brentwood, Torreyana, Bloom, Bella Solara, Fairways at San Marcos, Verandas at Lake Norman, Creekside at Matthews, Six Forks Station, and Hudson High House and a fair market value adjustment, a premium of approximately \$0.9 million, related to the assumption of debt in connection with the acquisition of Parc500.

(3) Includes construction in progress of approximately \$10.6 million and furniture, fixtures and equipment of approximately \$158.3 million.

(4) The aggregate cost, net of accumulated depreciation, for U.S. federal income tax purposes as of December 31, 2022 was approximately \$2.0 billion (unaudited).

(5) Includes accumulated amortization of intangible lease assets of approximately \$0.0 million.

(6) Depreciation and amortization are computed on a straight-line basis over the estimated useful lives. The estimated useful life to compute depreciation for buildings is 30 years, for improvements is 15 years, and for furniture, fixtures and equipment is three years. The estimated useful life to compute amortization for intangible lease assets is six months.

**NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES**  
**SCHEDULE III**  
**REAL ESTATE AND ACCUMULATED DEPRECIATION**  
**DECEMBER 31, 2022 2023**

A summary of activity for real estate and accumulated depreciation for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021 is as follows (in thousands):

	For the Year Ended December 31,		
	2023	2022	2021
<b>Real Estate:</b>			
Balance, beginning of year	\$ 2,413,845	\$ 2,248,796	\$ 1,976,243
Additions:			
Real estate acquired	—	143,400	290,743
Improvements	72,262	58,715	43,202
Deductions:			
Real estate sold	(72,958)	(28,239)	(55,045)
Write-off of fully amortized assets and other	(2,091)	(8,827)	(6,347)
Balance, end of year	<u>\$ 2,411,058</u>	<u>\$ 2,413,845</u>	<u>\$ 2,248,796</u>
<b>Accumulated Depreciation and Amortization:</b>			
Balance, beginning of year	\$ 371,293	\$ 287,096	\$ 215,494
Depreciation expense	95,186	93,499	82,760
Amortization expense	—	4,149	4,118
Accumulated depreciation on sales	(23,327)	(6,459)	(11,028)
Write-off of fully amortized assets and other	(194)	(6,992)	(4,248)
Balance, end of year	<u>\$ 442,958</u>	<u>\$ 371,293</u>	<u>\$ 287,096</u>

S-2

	For the Year Ended December 31,		
	2022	2021	2020
<b>Real Estate:</b>			
Balance, beginning of year	\$ 2,248,796	\$ 1,976,243	\$ 1,942,221
Additions:			
Real estate acquired	143,400	290,743	84,778
Improvements	58,715	43,202	48,933
Deductions:			
Real estate sold	(28,239)	(55,045)	(85,588)
Write-off of fully amortized assets and other	(8,827)	(6,347)	(14,101)
Balance, end of year	<u>\$ 2,413,845</u>	<u>\$ 2,248,796</u>	<u>\$ 1,976,243</u>
<b>Accumulated Depreciation and Amortization:</b>			
Balance, beginning of year	\$ 287,096	\$ 215,494	\$ 160,411
Depreciation expense	93,499	82,760	75,609

Amortization expense	4,149	4,118	6,802
Accumulated depreciation on sales	(6,459)	(11,028)	(14,523)
Write-off of fully amortized assets and other	(6,992)	(4,248)	(12,805)
Balance, end of year	\$ 371,293	\$ 287,096	\$ 215,494

S-3

Exhibit 3.2

19.1

## NEXPOINT RESIDENTIAL TRUST, INC.

### AMENDED AND RESTATED BYLAWS **Insider Trading Policy**

#### ARTICLE I

##### I. **Introduction**

###### **OFFICES**

**Section 1. PRINCIPAL OFFICE.** The principal office purpose of this Insider Trading Policy (the "Policy") is to promote compliance with applicable securities laws by **NexPoint Residential Trust, Inc., a Maryland corporation** (the "Corporation" "Company") and its subsidiaries and all directors, officers and employees thereof (and members of the forgoing persons' immediate families and households), in order to preserve the State reputation and integrity of Maryland shall the Company and the Adviser (as defined in **Section IX** below), as well as that of all persons affiliated with them. Questions regarding this policy should be located at directed to the General Counsel or the appropriate compliance officer of the Company.

##### II. **Policy**

It is the Company's policy to comply with all applicable federal and state securities laws, including those relating to buying or selling securities in the Company ("Company Securities"). In the course of conducting the Company's business, employees or representatives may become aware of material, nonpublic information regarding the Company, its subsidiaries and divisions, or other companies with which we do business (this so-called "material, nonpublic information" is defined in **Section IV** below). Employees or agents of the Company and members of their immediate families may not buy or sell Company Securities, or securities of any other publicly-held company, while in possession of material, nonpublic information obtained during the course of employment or other involvement with Company business, even if the decision to buy or sell is not based upon the material, nonpublic information.

In addition, entities such place as trusts or foundations over which an employee has control, may not buy or sell securities while the employee is in possession of such material, nonpublic information. If you have material, nonpublic information, you may not disclose that information to others, even to family members or other employees, except for employees whose job responsibilities require the information.

This policy will continue to apply to any employee or agent whose relationship with the Company terminates as long as the individual possesses material, nonpublic information that he or she obtained in the course of their employment or relationship with the Company.

For additional information regarding the persons covered by this Policy, see **Section IX** below.

##### III. **Applicability**

The general policy stated above applies to all employees. In order to ensure compliance with the policy, the Board of Directors may designate.

of the Company has adopted the following additional procedures, which apply to directors, officers and certain employees and representatives of the Company and its wholly-owned subsidiaries, as specified in **Annex A** ("Covered Persons") and their Related Persons (as defined in **Section 2. IV.D ADDITIONAL OFFICES** below). The Corporation may Company has determined that these Covered Persons are likely to have additional offices, including a principal executive office, at such places as access to material, nonpublic information by virtue of their position with the Board Company. These procedures apply regardless of Directors may from time to time determine the dollar amount of the trade or the business source of the Corporation may require material, nonpublic information. Any questions regarding the applicability of this policy to a specific situation should be referred to the Company's General Counsel or the appropriate compliance officer.

##### IV. **Definition/Explanations**

###### **A. Who is an "Insider"?**

#### ARTICLE II

## MEETINGS OF STOCKHOLDERS

**Section 1.PLACE** The concept of "insider" is broad. Any person who possesses material, nonpublic information is considered an insider as to that information. Insiders include Company directors, officers, employees, independent contractors and those persons in a special relationship with the Company (e.g., its auditors, consultants or attorneys). **All meetings** The definition of stockholders shall be held at an insider is transaction specific; that is, an individual is an insider with respect to each material, nonpublic item of which he or she is aware.

### B. What is "Material" Information?

The materiality of a fact depends upon the **principal executive office** circumstances. A fact is considered "material" if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy, sell or hold a security or where the fact is likely to have a significant effect on the market price of the **Corporation** security. Material information can be positive or **at** negative and can relate to virtually any aspect of a company's business or to any type of security, debt or equity. Some examples of material information include:

- unpublished financial results (including earnings estimates);
- news of a pending or proposed company transaction;
- major litigation;
- recapitalizations;
- significant changes in corporate objectives;
- a change in control or a significant change in management;
- news of a significant sale of assets;
- changes in dividend policies;
- financial liquidity problems; and
- cybersecurity attacks, breaches or other incidents.

The above list is only illustrative and many other types of information may be considered "material" depending on the circumstances. The materiality of particular information is subject to reassessment on a regular basis. When in doubt, please contact the Company's General Counsel or the appropriate compliance officer.

### C. What is "Nonpublic" Information?

Information is "nonpublic" if it is not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors through a report filed with the Securities and Exchange Commission or through such other place **media** as shall be set **Dow Jones, Reuters, The Wall Street Journal or Associated Press**. The circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination. In addition, even after a public announcement of material information, a reasonable period of time must elapse in order for the market to react to the information. However, in accordance with these **Bylaws** and stated in **SEC** guidance, if the **notice of the meeting**. The **Board of Directors** information becomes publicly available on **EDGAR**, no waiting time is **authorized to determine that necessary**.

Unless available on **EDGAR**, generally, one should allow at least one full trading day following publication as a **meeting not be held at any place, but instead may be held partially or solely by means of remote communication**. In accordance with these **Bylaws** and subject to any guidelines and procedures adopted by the **Board of Directors**, stockholders and proxy holders may participate in any meeting of stockholders held by means of remote communication and may vote at **reasonable waiting period before such meeting as permitted by Maryland law**. Participation in a meeting by these means constitutes presence in person at the meeting.

**Section 2.ANUAL MEETING.** An annual meeting of stockholders for the election of directors and the transaction of any business within the powers of the Corporation shall be held on the date and at the time and place set by the **Board of Directors**.

### Section 3.SPECIAL MEETINGS.

**(a)General.** Each of the chairman of the board, chief executive officer, president and **Board of Directors** may call a special meeting of stockholders. Except as provided in subsection (b)(4) of this Section 3, a special meeting of stockholders shall be held on the date and at the time and place set by the chairman of the board, chief executive officer, president or **Board of Directors**, whoever has called the meeting. Subject to subsection (b) of this Section 3, a special meeting of stockholders shall also be called by the secretary of the Corporation to act on any matter that may properly be considered at a meeting of stockholders upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled **information** is deemed to be cast on such matter at such meeting.

**(b)Stockholder-Requested Special Meetings.** (1) Any stockholder of record seeking to have stockholders request a special meeting shall, by sending written notice to the secretary (the "Record Date Request Notice") at the **principal executive office** of the Corporation by registered mail, return receipt requested, request the **Board of Directors** to fix a record date to determine the stockholders entitled to request a special meeting (the "Request Record Date").

AmericasActive:18062345.2

The Record Date Request Notice shall set forth the purpose of the meeting and the matters proposed to be acted on at it, shall be signed by one or more stockholders of record as of the date of signature (or their agents duly authorized in a writing accompanying the Record Date Request Notice), shall bear the date of signature of each such stockholder (or such agent) and shall set forth all information and certifications relating to each such stockholder and each matter proposed to be acted on at the meeting that would be required to be disclosed in connection with the solicitation of proxies for the election of directors in an election contest (even public. Therefore, if an election contest announcement is not involved), or would otherwise be required in connection with such a solicitation, in each case pursuant to Regulation 14A (or any successor provision) under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act"). Upon receiving the Record Date Request Notice, the Board of Directors may fix a Request Record Date. The Request Record Date shall not precede and shall not be more than ten days after the close of business on the date on which the resolution fixing the Request Record Date is adopted by the Board of Directors. If the Board of Directors, within ten days after the date on which a valid Record Date Request Notice is received, fails to adopt a resolution fixing the Request Record Date, the Request Record Date shall be the close of business on the tenth day after the first date on which a Record Date Request Notice is received by the secretary.

(2) In order for any stockholder to request a special meeting to act on any matter that may properly be considered at a special meeting of stockholders, one or more written requests for a special meeting (collectively, the "Special Meeting Request") signed by stockholders of record (or their agents duly authorized in a writing accompanying the request) as of the Request Record Date entitled to cast not less than a majority of all of the votes entitled to be cast on such matter at such meeting (the "Special Meeting Percentage") shall be delivered to the secretary. In addition, the Special Meeting Request shall (a) set forth the purpose of the meeting and the matters proposed to be acted on at it (which shall be limited to those lawful matters set forth in the Record Date Request Notice received by the secretary), (b) bear the date of signature of each such stockholder (or such agent) signing the Special Meeting Request, (c) set forth (i) the name and address, as they appear in the Corporation's books, of each stockholder signing such request (or on whose behalf the Special Meeting Request is signed), (ii) the class, series and number of all shares of stock of the Corporation which are owned (beneficially or of record) by each such stockholder and (iii) the nominee holder for, and number of, shares of stock of the Corporation owned beneficially but not of record by such stockholder, (d) be sent to the secretary by registered mail, return receipt requested, and (e) be received by the secretary within 60 days after the Request Record Date. Any requesting stockholder (or agent duly authorized in a writing accompanying the revocation of the Special Meeting Request) may revoke his, her or its request for a special meeting at any time by written revocation delivered to the secretary.

(3) The secretary shall inform the requesting stockholders of the reasonably estimated cost of preparing and mailing or delivering the notice of the meeting (including the Corporation's proxy materials). The secretary shall not be required to call a special meeting upon stockholder request and such meeting shall not be held unless, in addition to the documents required by paragraph (2) of this Section 3(b), the secretary receives payment of such reasonably estimated cost prior to the preparation and mailing or delivery of such notice of the meeting.

(4) In the case of any special meeting called by the secretary upon the request of stockholders (a "Stockholder-Requested Meeting"), such meeting shall be held at such place, date and time as may be designated by the Board of Directors; *provided*, however, that the date

AmericasActive:18062345.2

of any Stockholder-Requested Meeting shall be not more than 90 days after the record date for such meeting (the "Meeting Record Date"); and *provided further* that if the Board of Directors fails to designate, within ten days after the date that a valid Special Meeting Request is actually received by the secretary (the "Delivery Date"), a date and time for a Stockholder-Requested Meeting, then such meeting shall be held at 2:00 p.m., local time, on the 90th day after the Meeting Record Date or, if such 90th day is not a Business Day (as defined below), on the first preceding Business Day; and *provided further* that in the event that the Board of Directors fails to designate a place for a Stockholder-Requested Meeting within ten days after the Delivery Date, then such meeting shall be held at the principal executive office of the Corporation. In fixing a date for a Stockholder-Requested Meeting, the Board of Directors may consider such factors as it deems relevant, including, without limitation, the nature of the matters to be considered, the facts and circumstances surrounding any request for the meeting and any plan of the Board of Directors to call an annual meeting or a special meeting. In the case of any Stockholder-Requested Meeting, if the Board of Directors fails to fix a Meeting Record Date that is a date within 30 days after the Delivery Date, then the close of business on the 30th day after the Delivery Date shall be the Meeting Record Date. The Board of Directors may revoke the notice for any Stockholder-Requested Meeting in the event that the requesting stockholders fail to comply with the provisions of paragraph (3) of this Section 3(b).

(5) If written revocations of the Special Meeting Request have been delivered to the secretary and the result is that stockholders of record (or their agents duly authorized in writing), as of the Request Record Date, entitled to cast less than the Special Meeting Percentage have delivered, and not revoked, requests for a special meeting on the matter to the secretary: (i) if the notice of meeting has not already been delivered, the secretary shall refrain from delivering the notice of the meeting and send to all requesting stockholders who have not revoked such requests written notice of any revocation of a request for a special meeting on the matter, or (ii) if the notice of meeting has been delivered and if the secretary first sends to all requesting stockholders who have not revoked requests for a special meeting on the matter written notice of any revocation of a request for the special meeting and written notice of the Corporation's intention to revoke the notice of the meeting or for the chairman of the meeting to adjourn the meeting without action on the matter, (A) the secretary may revoke the notice of the meeting at any time before ten days made before the commencement of trading on a Monday, an employee may trade in Company Securities as early as Tuesday of that week, because one full trading day would have elapsed by then (all of Monday). If the meeting or (B) announcement is made on Monday after trading begins, employees may not trade in Company Securities until Wednesday. If the chairman announcement is made on Friday after trading begins, employees may not trade in Company Securities until Tuesday of the meeting following week. Note that this restriction is in addition to any other restrictions that apply under this policy, including the requirement that trades be pre-cleared (see Section V.C. below) and that trading may *not* occur during Blackout Periods (see Section V.G. below).

#### D. Who is a "Related Person"?

For purposes of this Policy, a "Related Person" includes (1) your spouse, minor children and anyone else living in your household, (2) partnerships in which you are a general partner, (3) corporations in which you either

---

singly or together with other "Related Persons" own a controlling interest, (4) trusts of which you are a trustee, settlor or beneficiary, (5) estates of which you are an executor or beneficiary, or (6) any other group or entity where the meeting insider has or shares with others the power to order and adjourn the meeting without acting on the matter. Any request for decide whether to buy Company Securities. Although a special meeting received after a revocation by the secretary of a notice of a meeting shall person's parent, child or sibling may not be considered a request Related Person (unless living in the same household), a parent or sibling may be a "tippee" for securities laws purposes. See Section V.D. below for a new special meeting. discussion on the prohibition on "tipping."

### V. Guidelines

#### A. Non-disclosure of Material, Nonpublic Information

(6)The chairman Material, nonpublic information must not be disclosed to anyone, except the designated persons within the Company or certain third-party agents of the board, chief executive officer, president Company (such as investment banking advisors or a majority of the Board of Directors may appoint regionally or nationally recognized independent inspectors of elections outside legal counsel) whose positions require them to act as the agent of the Corporation for the purpose of promptly performing a ministerial review of the validity of any purported Special Meeting Request received know it, until such information has been publicly released by the secretary. For the purpose of permitting the inspectors to perform such review, no such purported Special Meeting Request shall be deemed to have been received by the secretary until the earlier of (i) five Business Days after actual receipt by the secretary of such purported request and (ii) such date as the independent inspectors certify to the Corporation Company.

#### B. Prohibited Trading in Company Securities

No Covered Persons or their Related Persons may place a purchase or sell order or recommend that the valid requests received by the secretary represent, as of the Request Record Date, stockholders of record entitled to cast not less than the Special Meeting Percentage. Nothing contained in this paragraph (6) shall in any way be construed to suggest or imply that the Corporation or any stockholder shall not be entitled to contest the validity of any request, whether during or after such five Business Day period, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

AmericasActive:18062345.2

(7)For purposes of these Bylaws, "Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Texas or New York are authorized or obligated by law or executive order to close.

Section 4.NOTICE. Not less than ten nor more than 90 days before each meeting of stockholders, the secretary shall give to each stockholder entitled to vote at such meeting and to each stockholder not entitled to vote who is entitled to notice of the meeting notice in writing or by electronic transmission stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by any statute, the purpose for which the meeting is called, by mail, by presenting it to such stockholder personally, by leaving it at the stockholder's residence or usual place of business, by electronic transmission or by any other means permitted by Maryland law. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder at the stockholder's address as it appears on the records of the Corporation, with postage thereon prepaid. If transmitted electronically, such notice shall be deemed to be given when transmitted to the stockholder by an electronic transmission to any address or number of the stockholder at which the stockholder receives electronic transmissions. The Corporation may give a single notice to all stockholders who share an address, which single notice shall be effective as to any stockholder at such address, unless such stockholder objects to receiving such single notice or revokes a prior consent to receiving such single notice. Failure to give notice of any meeting to one or more stockholders, or any irregularity in such notice, shall not affect the validity of any meeting fixed in accordance with this Article II or the validity of any proceedings at any such meeting.

Subject to Section 11(a) of this Article II, any business of the Corporation may be transacted at an annual meeting of stockholders without being specifically designated in the notice, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of stockholders except as specifically designated in the notice. The Corporation may postpone or cancel a meeting of stockholders by making a public announcement (as defined in Section 11(c)(3) of this Article II) of such postponement or cancellation prior to the meeting. Notice of the date, time and place to which the meeting is postponed shall be given not less than ten days prior to such date and otherwise in the manner set forth in this section.

**Section 5.ORGANIZATION AND CONDUCT.** Every meeting of stockholders shall be conducted by an individual appointed by the Board of Directors to be chairman of the meeting or, in the absence of such appointment or appointed individual, by the chairman of the board or, in the case of a vacancy in the office or absence of the chairman of the board, by one of the following officers present at the meeting in the following order: the vice chairman of the board, if there is one, the chief executive officer, the president, the vice presidents in their order of rank and seniority, the secretary, or, in the absence of such officers, a chairman chosen by the stockholders by the vote of a majority of the votes cast by stockholders present in person or by proxy. The secretary, or, in the secretary's absence, an assistant secretary, or, in the absence of both the secretary and assistant secretaries, an individual appointed by the Board of Directors or, in the absence of such appointment, an individual appointed by the chairman of the meeting shall act as secretary. In the event that the secretary presides at a meeting of stockholders, an assistant secretary, or, in the absence of all assistant secretaries, an individual appointed by the Board of Directors or the chairman of the meeting, shall record the minutes of the meeting. Even if present at the meeting, the person holding the office named herein may delegate to another person the power to act as chairman place a purchase or secretary sell order in Company Securities (including initial elections, changes in elections or reallocation of the meeting. The order of business and all other matters of procedure at any meeting of stockholders shall be determined by the chairman of the meeting. The chairman of the meeting may prescribe such

AmericasActive:18062345.2

rules, regulations and procedures and take such action as, in the discretion of the chairman and without any action by the stockholders, are appropriate for the proper conduct of the meeting, including, without limitation, (a) restricting admission to the time set for the commencement of the meeting; (b) limiting attendance at the meeting to stockholders of record of the Corporation, their duly authorized proxies and such other individuals as the chairman of the meeting may determine; (c) limiting participation at the meeting on any matter to stockholders of record of the Corporation entitled to vote on such matter, their duly authorized proxies and other such individuals as the chairman of the meeting may determine; (d) recognizing speakers at the meeting and determining when and for how long speakers and any individual speaker may address the meeting; (e) determining when and for how long the polls should be opened and when the polls should be closed; (f) maintaining order and security at the meeting; (g) removing any stockholder or any other individual who refuses to comply with meeting procedures, rules or guidelines as set forth by the chairman of the meeting; (h) concluding a meeting or recessing or adjourning the meeting, whether or not a quorum is present, to a later date and time and at a place either (i) announced at the meeting or (ii) provided at a future time through means announced at the meeting; and (i) complying with any state and local laws and regulations concerning safety and security. Unless otherwise determined by the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

**Section 6.QUORUM.** At any meeting of stockholders, the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at such meeting on any matter shall constitute a quorum; but this section shall not affect any requirement under any statute or the charter of the Corporation (the "Charter") for the vote necessary for the approval of any matter. If such quorum is not established at any meeting of the stockholders, the chairman of the meeting may adjourn the meeting from time to time to a date not more than 120 days after the original record date without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified. The date, time and place of the meeting, as reconvened, shall be either (a) announced at the meeting or (b) provided at a future time through means announced at the meeting.

The stockholders present either in person or by proxy, at a meeting which has been duly called and at which a quorum has been established, may continue to transact business until adjournment, notwithstanding the withdrawal from the meeting of enough stockholders to leave fewer than would be required to establish a quorum.

**Section 7.VOTING.** A plurality of all the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to elect a director. Each share entitles the holder thereof to vote for as many individuals as there are directors to be elected and for whose election the holder is entitled to vote. A majority of the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required by statute, by the Charter or by these Bylaws. Unless otherwise provided by statute or by the Charter, each outstanding share, regardless of class, entitles the holder thereof to cast one vote on each matter submitted to a vote at a meeting of stockholders. Voting on any question or in any election may be *viva voce* unless the chairman of the meeting shall order that voting be by ballot or otherwise.

**Section 8.PROXIES.** A holder of record of shares of stock of the Corporation may cast votes in person or by proxy that is (a) executed or authorized by the stockholder or by the

AmericasActive:18062345.2

stockholder's duly authorized agent in any manner permitted by law, (b) compliant with Maryland law and these Bylaws and (c) filed in accordance with the procedure established by the Corporation. Such proxy or evidence of authorization of such proxy shall be filed with the secretary of the Corporation before or at the meeting. No proxy shall be valid more than eleven months after its date unless otherwise provided in the proxy.

Any stockholder directly or indirectly soliciting proxies from other stockholders must use a proxy card color other than white, which shall be reserved for the exclusive use by the Board of Directors.

**Section 9.VOTING OF STOCK BY CERTAIN HOLDERS.** Stock of the Corporation registered in the name of a corporation, limited liability company, partnership, joint venture, trust or other entity, if entitled to be voted, may be voted by the president or a vice president, managing member, manager, general partner or trustee thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such stock pursuant to a bylaw or a resolution of the governing body of such corporation or other entity or agreement of the partners of a partnership presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such stock. Any trustee or fiduciary, in such capacity, may vote stock registered in such trustee's or fiduciary's name, either in person or by proxy.

Shares of stock of the Corporation directly or indirectly owned by it shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares entitled to be voted at any given time, unless they are held by it in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time.

The Board of Directors may adopt by resolution a procedure by which a stockholder may certify in writing to the Corporation that any shares of stock registered in the name of the stockholder are held for the account of a specified person other than the stockholder. The resolution shall set forth the class of stockholders who may make the certification, the purpose for which the certification may be made, the form of certification and the information to be contained in it; if the certification is with respect to a record date, the time after the record date within which the certification must be received by the Corporation; and any other provisions with respect to the procedure which the Board of Directors considers necessary or desirable. On receipt by the Corporation of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the holder of record of the specified stock in place of the stockholder who makes the certification.

**Section 10. INSPECTORS.** The Board of Directors or the chairman of the meeting may appoint, before or at the meeting, one or more inspectors for the meeting and any successor to the inspector. Except as otherwise provided by the chairman of the meeting, the inspectors, if any, shall (i) determine the number of shares of stock represented at the meeting, in person or by proxy, and the validity and effect of proxies, (ii) receive and tabulate all votes, ballots or consents, (iii) report such tabulation to the chairman of the meeting, (iv) hear and determine all challenges and questions arising in connection with the right to vote, and (v) do such acts as are proper to fairly conduct the election or vote. Each such report shall be in writing and signed by the inspector or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be *prima facie* evidence thereof.

AmericasActive:18062345.2

#### **Section 11. ADVANCE NOTICE OF STOCKHOLDER NOMINEES FOR DIRECTOR AND OTHER STOCKHOLDER PROPOSALS.**

**(a) Annual Meetings of Stockholders.** (1) Nominations of individuals for election to the Board of Directors and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record both at the time of giving of notice by the stockholder as provided for in this Section 11(a) and at the time of the annual meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on any such other business and who has complied with this Section 11(a).

(2) For any nomination or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a)(1) of this Section 11, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation and any such other business must otherwise be a proper matter for action by the stockholders. To be timely, a stockholder's notice shall set forth all information and certifications required under this Section 11 and shall be delivered to the secretary at the principal executive office of the Corporation not earlier than the 150th day nor later than 5:00 p.m., Eastern Time, on the 120th day prior to the first anniversary of the date of the proxy statement (as defined in Section 11(c)(4) of this Article II) for the preceding year's annual meeting; provided, however, that in connection with the Corporation's first annual meeting or in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year's annual meeting, in order for notice by the stockholder to be timely, such notice must be so delivered not earlier than the 150th day prior to the date of such annual meeting and not later than 5:00 p.m., Eastern Time, on the later of the 120th day prior to the date of such annual meeting, as originally convened, or the tenth day following the day on which public announcement of the date of such meeting is first made. The public announcement of a postponement or adjournment of an annual meeting shall not commence a new time period for the giving of a stockholder's notice as described above.

(3) Such stockholder's notice shall set forth:

(i) as to each individual whom the stockholder proposes to nominate for election or reelection as a director (each, a "Proposed Nominee"), all information **funds** relating to 401(k) plan accounts, but excluding the Proposed Nominee that would be required to be disclosed in connection with **exercise** of options under a Company equity plan if such exercise does not involve the solicitation of proxies for the election of the Proposed Nominee as a director in an election contest (even if an election contest is not involved), or would otherwise be required in connection with such solicitation, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act (including such person's written consent to being named in a proxy statement as a nominee and to serving as a director if elected);

(ii) as to any other business that the stockholder proposes to bring before the meeting, (A) a description of such business, the text of the proposal or business (including the text of any resolutions proposed for consideration), the stockholder's reasons for proposing such business at the meeting and any material interest in such business of such stockholder or any Stockholder Associated Person (as defined below), individually or in the aggregate, including any anticipated benefit to the stockholder or the Stockholder Associated Person therefrom and (B) any other information relating to such item of business that would be required to be disclosed in a proxy statement or other filing required to be made in connection

AmericasActive:18062345.2

with solicitations of proxies in support of the business proposed to be brought before the meeting pursuant to Regulation 14A (or any successor provision) under the Exchange Act;

(iii) as to the stockholder giving the notice, any Proposed Nominee and any Stockholder Associated Person,

(A)the class, series and number of all shares of stock or other securities of the Corporation or any affiliate thereof (collectively, the "Company Securities"), if any, which are owned (beneficially or of record) by such stockholder, Proposed Nominee or Stockholder Associated Person, the date on which each such Company Security was acquired and the investment intent of such acquisition, and any short interest (including any opportunity to profit or share in any benefit from any decrease in the price of such stock or other security) in any Company Securities of any such person;

(B)the nominee holder for, and number ~~sale~~ of any Company Securities, ~~owned beneficially but not~~ during a Blackout Period (see Section V.G. below) or when he or she has knowledge of record by such stockholder, Proposed Nominee or Stockholder Associated Person;

(C)whether and ~~material information concerning the extent to which such stockholder, Proposed Nominee or Stockholder Associated Person, directly or indirectly (through brokers, nominees or otherwise), is subject to or during the last six months has engaged in any hedging, derivative or other transaction or series of transactions or entered into any other agreement, arrangement or understanding (including any short interest, any borrowing or lending of securities or any proxy or voting agreement), the effect or intent of which is to (I) manage risk or benefit of changes in the price of Company Securities for such stockholder, Proposed Nominee or Stockholder Associated Person or (II) increase or decrease the voting power of such stockholder, Proposed Nominee or Stockholder Associated Person in the Corporation or any affiliate thereof disproportionately to such person's economic interest in the Company Securities,~~

(D)any substantial interest, direct or indirect (including, without limitation, any existing or prospective commercial, business or contractual relationship with the Corporation), by security holdings or otherwise, of such stockholder, Proposed Nominee or Stockholder Associated Person, in the Corporation or any affiliate thereof, other than an interest arising from the ownership of Company Securities where such stockholder, Proposed Nominee or Stockholder Associated Person receives no extra or special benefit not shared on a *pro rata* basis by all other holders of the same class or series, and

(E)a description in reasonable detail of all agreements, arrangements and understandings, written or oral and formal or informal, (i) between or among the stockholder giving the notice, any Proposed Nominee and/or any Stockholder Associated Person or (ii) between or among the stockholder giving the notice, any Proposed Nominee, any Stockholder Associated Person and/or any other person or entity (naming each such person or entity) in connection with or related to the nomination, including without limitation (a) any understanding, formal or informal, written or oral, that the stockholder giving the notice, any Proposed Nominee and/or any Stockholder Associated Person may have reached with any other stockholder of the Corporation (including their names) with respect to how such stockholder will vote its shares of the Corporation at any meeting of the Corporation's stockholders or take other action in support of or related to the nomination or any business proposed, or other action to be taken, by the stockholder giving the notice, any Proposed Nominee and/or any Stockholder Associated Person, and (b) any agreements that would be

AmericasActive:18062345.2

required to be disclosed by the stockholder giving the notice, any Proposed Nominee, any Stockholder Associated Person and/or any other person or entity pursuant to Item 5 or Item 6 of a Schedule 13D that would be filed pursuant to the Exchange Act (regardless of whether the requirement to file a Schedule 13D is applicable to the stockholder giving the notice, any Proposed Nominee, any Stockholder Associated Person and/or other person or entity);

(iv)as to the stockholder giving the notice, any Stockholder Associated Person with an interest or ownership referred to in clauses (ii) or (iii) of this paragraph (3) of this Section 11(a) and any Proposed Nominee;

(A)the name and address of such stockholder, as they appear on the Corporation's stock ledger, and the current name and address, if different, of each such Stockholder Associated Person and any Proposed Nominee, and

(B)the investment strategy or objective, if any, of such stockholder and each such Stockholder Associated Person who is not an individual and a copy of the prospectus, offering memorandum or similar document, if any, provided to investors or potential investors in such stockholder and each such Stockholder Associated Person;

(v)the name and address of any person who contacted or was contacted by the stockholder giving the notice or any Stockholder Associated Person about the Proposed Nominee or other business proposal prior to the date of such stockholder's notice;

(vi)to the extent known by the stockholder giving the notice, the name and address of any other person supporting the nominee for election or reelection as a director or the proposal of other business on the date of such stockholder's notice; and

(vii)a representation from such stockholder, any Proposed Nominee and/or any Stockholder Associated Person as to whether any of them intends or is part of a group that intends to engage in a solicitation in support of such proposal of business or in support of director nominees other than the Board of Directors' nominees in accordance with Rule 14a-19 promulgated under the Exchange Act (including a statement that any such person intends to solicit the holders of shares representing at least 67% of the voting power of shares entitled to vote on the election of directors in support of director nominees other than the Board of Directors' nominees), and, if so, confirming the names of the participants in the solicitation (as defined in Item 4 of Schedule 14A under the Exchange Act).

(4)Such stockholder's notice shall also be:

(A) accompanied by a certificate executed by the Proposed Nominee that such Proposed Nominee (a) is not, and will not become, a party to any agreement, arrangement or understanding with any person or entity other than the Corporation in connection with service or action as a director that has not been

disclosed to the Corporation, (b) public. In addition, in some circumstances the Company's directors and officers may be prohibited from trading in Company Securities during any period when certain participants or beneficiaries of individual account plans (such as some pension fund plans) maintained by the Company are subject to a temporary trading suspension in Company Securities.

#### C. Twenty-Twenty Hindsight/Pre-Clearance

If securities transactions ever become the subject of scrutiny, they are likely to be viewed after-the-fact with the benefit of hindsight. Therefore, Covered Persons must obtain prior clearance from the Company's General Counsel or the appropriate compliance officer, or his or her designee, before he, she or any of his or her Related Persons makes any purchases or sales of Company Securities. An exercise of a stock option under a Company equity plan need not be pre-cleared if such exercise does not involve the sale of any Company Securities. Each proposed transaction will serve as evaluated to determine if it raises insider trading concerns or other concerns under the federal or state securities laws and regulations. Any advice will relate solely to the restraints imposed by law and will not constitute advice regarding the investment aspects of any transaction. Clearance of a director transaction is valid only for a 48-hour period. If the transaction order is not placed within that 48-hour period, clearance of the Corporation if elected and will notify transaction must be re-requested. If clearance is denied, the Corporation simultaneously with fact of such denial must be kept confidential by the notification person requesting such clearance.

#### D. "Tipping" Information to the stockholder of the Proposed Nominee's actual Others

Insiders may be liable for communicating or potential unwillingness or inability tipping material, nonpublic information to serve as a director and (c) does not need any permission or consent from any third party ("tippee"), not limited to serve just Related Persons. Further, insider trading violations are not limited to trading or tipping by insiders. Persons other than insiders also can be liable for insider trading, including tippees who trade on material, nonpublic information tipped to them and individuals who trade on material, nonpublic information which has been misappropriated. Tippees inherit an insider's duties and are liable for trading on material, nonpublic information illegally tipped to them by an insider. Similarly, just as insiders are liable for the insider trading of their tippees, so are tippees who pass the information along to others who trade. In other words, a director tippee's liability for insider trading is no different from that of an insider. Tippees can obtain material, nonpublic information by receiving overt tips from others or through, among other things, conversations at social, business or other gatherings. Therefore, it is the Corporation, if elected, Company's policy that has not been obtained, including any employer or any other board on which such Proposed Nominee serves, Covered Persons are required to keep completely and attaching copies of any and strictly confidential all requisite permissions or consents;

AmericasActive:18062345.2

(B) accompanied by a signed and completed Proposed Nominee questionnaire (which questionnaire shall be provided by the Corporation, upon request, to the stockholder providing the notice and shall include all nonpublic information relating to the Proposed Nominee that would be Company.

#### E. Avoid Speculation

Covered Persons and their Related Persons may not trade in options, warrants, puts and calls or similar instruments on Company Securities or sell Company Securities "short." In addition, Covered Persons and their Related Persons should consult the General Counsel or the appropriate compliance officer regarding the holding of Company Securities in margin accounts. Investing in Company Securities provides an opportunity to share in the future growth of the Company. Investment in the Company and sharing in the growth of the Company, however, does not mean short-range speculation based on fluctuations in the market. Such activities may put the personal gain of the Covered Person or Related Person in conflict with the best interests of the Company and its securityholders. Except as required to be disclosed perform their job, Covered Persons and their Related Persons are also prohibited from discussing the Company, its business or its stock online or on social media.

Anyone may, of course, exercise options granted to them by the Company and, subject to the restrictions discussed in connection this Policy and other applicable Company policies, sell shares acquired through exercise of options.

#### F. Trading in Securities of Other Public Companies

No Covered Person or Related Person may place purchase or sell orders or recommend that another person place a purchase or sell order in the securities of another company if the person learns of material, nonpublic information about the other company in the course of his/her service to, or employment with, the solicitation of proxies for the election Company.

#### G. Trading Restrictions

In addition to being subject to all of the Proposed Nominee other limitations in this Policy, Covered Persons and their Related Persons may not buy or sell Company Securities in the public market beginning as a director in an election contest (even if an election contest is not involved), or would otherwise be required in connection with such solicitation, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act, or would be required pursuant to the rules of any national securities exchange on which any securities of the Corporation are listed or over-the-counter market on which any securities commencement of the Corporation are traded); and

(C)accompanied by a certificate executed by the stockholder certifying that such stockholder will: (A) comply with Rule 14a-19 promulgated under the Exchange Act in connection with such stockholder's solicitation of proxies in support of any Proposed Nominee; (B) notify the Corporation as promptly as practicable of any determination by the stockholder to no longer solicit proxies for the election of any Proposed Nominee as a director at the meeting; (C) furnish such other or additional information as the Corporation may request for the purpose of determining whether the requirements of this Section 11 have been complied with and of evaluating any nomination or other business described in the stockholder's notice; and (D) appear in person or by proxy at the meeting to nominate any Proposed Nominees or to bring such business before the meeting, as applicable, and acknowledging that, if the stockholder does not so appear in person or by proxy at the meeting to present each Proposed Nominee or bring such business before the meeting, as applicable, the Corporation need not bring such Proposed Nominee or such business for a vote at such meeting and any proxies or votes cast in favor of the election of any Proposed Nominee or any proposal related to such other business need not be counted or considered.

(5)Notwithstanding anything in this subsection (a) of this Section 11 to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased, and there is no public announcement of such action at least 130 days prior to the first anniversary of the date of the proxy statement (as defined in Section 11(c)(4) of this Article II) for the preceding year's annual meeting, a stockholder's notice required by this Section 11(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive office of the Corporation not later than 5:00 p.m., Eastern Time, trading on the tenth day of the month following the end of each fiscal quarter and ending as of the commencement of trading on the second trading day after the release of the Company's quarterly or annual report or earnings release (the "Blackout Period"). This policy does not apply to the exercise of stock options under a Company equity plan if such exercise does not involve the sale of any Company Securities. In addition, you should remember that even if a Blackout Period is not in effect you cannot trade if you are in possession of material, nonpublic information, and you still must receive pre-clearance.

From time to time the Company, through the General Counsel or the appropriate compliance officer, may also close trading during a non-Blackout Period in light of developments that could involve material, nonpublic information. In these situations, the General Counsel or the appropriate compliance officer will notify particular individuals that they should not engage in trading of Company Securities (except as permitted under a Rule 10b5-1 plan as described below) and should not disclose to others the fact that a temporary ban on trading has been imposed. If the relationship of an individual with the Company should terminate while such a notice is in effect, the prohibition will continue to apply until the General Counsel or the appropriate compliance officer gives notice that the ban has been lifted.

#### H. Pre-arranged Trading Plans

SEC Rule 10b5-1(c) provides a defense from insider trading liability if trades occur pursuant to a pre-arranged "trading plan" that meets specified conditions. Under this rule, if you enter into a binding contract, an instruction or a written plan that specifies the amount, price and date on which such public announcement is first made by the Corporation.

(6)For purposes of this Section 11, "Stockholder Associated Person" of any stockholder shall mean (i) any person acting in concert with such stockholder, (ii) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder (other than a stockholder that is a depository) and (iii) any person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such stockholder or such Stockholder Associated Person.

(b)Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting and, except as contemplated by and in accordance with the next two sentences of this Section 11(b), no stockholder may nominate an individual for election to the Board of Directors or make a proposal of other business to be considered at a special

AmericasActive:18062345.2

meeting. Nominations of individuals for election to the Board of Directors may be made at a special meeting of stockholders at which directors securities are to be elected only (i) by purchased or sold, and if these arrangements are established at a time when you do not possess material, nonpublic information, you entered the direction contract, instruction or written plan in good faith, and purchases and sales under the contract, instruction or plan do not start until the applicable cooling-off period expires, then you may claim a defense to insider trading liability if the transactions under the trading plan occur at a time when you have subsequently learned of material, nonpublic information. Arrangements under the Board of Directors rule may specify the amount, price and date through a formula or (ii) provided that may specify trading parameters which another person has discretion to administer, but you must not exercise any subsequent discretion affecting the special meeting has been called transactions, and if your broker or any other person exercises discretion in accordance with Section 3(a) of this Article II for implementing the purpose of electing directors, by trades, you must not influence his or her actions and he or she must not possess any stockholder of the Corporation who is a stockholder of record both at the time of giving of notice provided for in this Section 11 and material, nonpublic information at the time of the special meeting, who trades. Trading plans can be established for a single trade or a series of trades, subject to the limitations on SEC Rule 10b5-1. The Company prefers that your trading plan provide for trades quarterly during a non-Blackout Period.

It is important that you document the details of a trading plan properly. Please note that, in addition to vote at the meeting requirements of a trading plan described above, there are a number of additional procedural conditions to Rule 10b5-1(c) that must be satisfied before you can rely on a trading plan as an affirmative defense against an insider trading charge. These requirements include, among others, that you act in good faith, that you not modify your trading instructions while you possess material, nonpublic information and that you not enter into or alter a corresponding or hedging transaction or position. Because this rule is complex, the Company recommends that you work with a broker and the General Counsel or the appropriate compliance officer and be sure you fully understand the limitations and conditions of the rule before you establish a trading plan.

All trading plans, including any amendment or modification of an existing trading plan, must be reviewed and approved by the General Counsel or the appropriate compliance officer before they are implemented. The General Counsel or the appropriate compliance officer maintains guidelines that all plans must meet in order to be considered for approval. These guidelines include the requirement that a plan, including any amendment or modification of an existing trading plan, only be entered into during non-Blackout Periods. In addition, you must notify the General Counsel before terminating any existing trading plan.

#### I. No Circumvention

No circumvention of this policy is permitted. Do not try to accomplish indirectly what is prohibited directly by this policy. The short-term benefits to an individual cannot outweigh the potential liability that may result when an employee is involved in the election illegal trading of each individual so nominated securities.

#### VI. Penalties for Insider Trading

Penalties for trading on or communicating material, nonpublic information are severe, both for individuals involved in such unlawful conduct and their employers. A person can be subject to some or all of the penalties below even if he or she does not permanently benefit from the violation. Penalties include:

- civil injunctions;
- treble damages;
- disgorgement of profits;
- jail sentences of up to 20 years and criminal fines of up to \$5 million per violation;
- civil fines for the person who has complied committed the violation of up to three times the profit gained or loss avoided, whether or not the person actually benefited;
- fines for the employer or other controlling/supervisory person of up to the greater of \$1.2 million or three times the amount of the profit gained or loss avoided plus, in the case of entities only, a criminal penalty of up to \$2.5 million; and
- criminal penalties up to 25 years in prison for knowingly executing a "scheme or artifice to defraud any person" in connection with any registered securities.

In addition, any violation of this policy statement can be expected to result in serious sanctions by the Company, including dismissal of the persons involved.

#### VII. Acknowledgment

All Covered Persons must certify in writing that they have read and intend to comply with the notice procedures and other procedural requirements set forth in this Section 11. In Policy. See Annex B. Additionally, your broker-dealer will need to sign a Broker Instruction and Representation Letter in the event the Corporation calls you establish a special meeting of stockholders Rule 10b5-1 trading plan. See Annex C for the purpose of electing one or more individuals to the Board of Directors, any stockholder may nominate an individual or individuals (as the case may be) for election as a director as specified in the Corporation's notice of meeting, if the stockholder's notice, containing the information and certifications required by paragraphs (a)(3) and (4) of this Section 11, is delivered to the secretary at the principal executive office of the Corporation not earlier than the 120th day prior to such special meeting and not later than 5:00 p.m., Eastern Time, on the later of the 90th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting. The public announcement of a postponement or adjournment of a special meeting shall not commence a new time period for the giving of a stockholder's notice as described above.

(c)General. (1) If any information or certification submitted pursuant to this Section 11 by any stockholder proposing a nominee for election as a director or any proposal for other business at a meeting of stockholders, including any information, certification or questionnaire from a Proposed Nominee, shall be inaccurate in any material respect, such information, certification or questionnaire may be deemed not to have been provided in accordance with this Section 11. Any such stockholder shall notify the Corporation of any inaccuracy or change (within two Business Days of becoming aware sample of such inaccuracy or change) in any such information, certification or questionnaire. Upon written request by the secretary or the Board of Directors, any such stockholder or Proposed Nominee shall provide, within five Business Days of delivery of such request (or such other period as may be specified in such request), (A) written verification, satisfactory, in the discretion of the Board of Directors or any authorized officer of the Corporation, to demonstrate the accuracy of any information submitted by the stockholder or Proposed Nominee pursuant to this Section 11, (B) a written update of any information (including, if requested by the Corporation, written confirmation by such stockholder that it continues to intend to bring such nomination or other business proposal before the meeting and, if applicable, satisfy the requirements of Rule 14a-19 (or any successor provision) of the Exchange Act) submitted by the stockholder pursuant to this Section 11 as of an earlier date and (C) an updated certification by each Proposed Nominee that such individual will serve as a director of the Corporation if elected. If a stockholder or Proposed Nominee fails to provide such written verification, update or certification within such period, the information as to which such written verification, update or certification was requested may be deemed not to have been provided in accordance with this Section 11. letter.

#### VIII. Amendment; Waivers

(2)Only such individuals who are nominated in accordance with this Section 11 shall be eligible for election by stockholders as directors, and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with this Section 11. A stockholder proposing a Proposed Nominee does not have the right to (i) nominate a number of Proposed Nominees that exceeds the number of directors to be elected at the meeting or (ii) substitute or replace any Proposed Nominee unless such substitute or replacement is nominated in accordance with this Section 11 (including the timely provision of all information and certifications with respect to such substitute or replacement Proposed Nominee in accordance with the deadlines set forth in this Section 11). If the

AmericasActive:18062345.2

Corporation provides notice to a stockholder that the number of Proposed Nominees proposed by such stockholder exceeds the number of directors to be elected at a meeting, the stockholder must provide written notice to the Corporation within five Business Days stating the names of the Proposed Nominees that have been withdrawn so that the number of Proposed Nominees proposed by such stockholder no longer exceeds the number of directors to be elected at a meeting. If any individual who is nominated in accordance with this Section 11 becomes unwilling or unable to serve on the Board of Directors, then the nomination with respect to such individual shall no longer be valid and no votes may validly be cast for such individual. The chairman of the meeting shall have the power to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with these Bylaws and, if such nomination or other business was not made or proposed in accordance with these Bylaws, to declare that no action shall be taken on such nomination or other business and such nomination or other business shall be disregarded, notwithstanding that proxies or votes in respect of such nomination or other business may have been received by the Corporation.

(3)In addition to the other provisions of this Section 11 and Section 3 of this Article II, as applicable, a stockholder shall also comply with all applicable requirements of state and federal law, including the Exchange Act, with respect to the matters set forth in this Section 11 and Section 3 of this Article II, as applicable. Notwithstanding the foregoing provisions of this Section 11, the Corporation will disregard any proxy authority granted in favor of, or votes for, Proposed Nominees other than the Corporation's nominees if the stockholder or Stockholder Associated Person (each, a "Soliciting Stockholder") soliciting proxies in support of such Proposed Nominees abandons the solicitation or does not (i) comply with Rule 14a-19 promulgated under the Exchange Act, including any failure by the Soliciting Stockholder to (A) provide the Corporation with any notices required thereunder in a timely manner or (B) comply with the requirements of Rule 14a-19(a)(2) and Rule 14a-19(a)(3) promulgated under the Exchange Act, or (ii) timely provide evidence in accordance with the following sentence that is sufficient, in the discretion of the Board of Directors, to demonstrate that such Soliciting Stockholder has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act. Upon request by the Corporation, if any Soliciting Stockholder provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act (or is not required to provide notice because the information required by Rule 14a-19(b) has been provided in a preliminary or definitive proxy statement previously filed by such Soliciting Stockholder), such Soliciting Stockholder shall deliver to the Corporation, no later than five Business Days prior to the applicable meeting of stockholders, evidence that is sufficient, in the discretion of the Board of Directors, to demonstrate that such Soliciting Stockholder has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act

(4)For purposes of this Section 11, "the date of the proxy statement" shall have the same meaning as "the date of the company's proxy statement released to shareholders" as used in Rule 14a-8(e) promulgated under the Exchange Act, as interpreted by the Securities and Exchange Commission from time to time. "Public announcement" shall mean disclosure (A) in a press release reported by the Dow Jones News Service, Associated Press, Business Wire, PR Newswire or other widely circulated news or wire service or (B) in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to the Exchange Act.

(5)Nothing in this Section 11 shall be deemed to affect any right of a stockholder to request inclusion of a proposal in, or the right of the Corporation to omit a

AmericasActive:18062345.2

proposal from, any proxy statement filed by the Corporation with the Securities and Exchange Commission pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

(6) Nothing in this Section 11 shall require disclosure of revocable proxies received by the stockholder or Stockholder Associated Person pursuant to a solicitation of proxies after the filing of an effective Schedule 14A by such stockholder or Stockholder Associated Person under Section 14(a) of the Exchange Act.

(7) Notwithstanding anything in these Bylaws to the contrary, except as otherwise determined by the chairman of the meeting, if the stockholder giving notice as provided for in this Section 11 does not appear in person or by proxy at such annual or special meeting to present each nominee for election as a director or the proposed business, as applicable, such matter shall not be considered at the meeting.

Section 12. **CONTROL SHARE ACQUISITION ACT.** Notwithstanding any other provision of the Charter or these Bylaws, Title 3, Subtitle 7 of the Maryland General Corporation Law, or any successor statute (the "MGCL"), shall not apply to any acquisition by any person of shares of stock of the Corporation. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

## ARTICLE III

### DIRECTORS

Section 1. **GENERAL POWERS.** The business and affairs of the Corporation shall be managed under the direction of its Board of Directors.

Section 2. **NUMBER, TENURE AND RESIGNATION.** At any regular meeting or at any special meeting called for that purpose, a majority of the entire Board of Directors may establish, increase or decrease the number of directors, provided that the number thereof shall never be less than the minimum number required by the MGCL, nor more than 15, and further provided that the tenure of office of a director shall not be affected by any decrease in the number of directors. Any director of the Corporation may resign at any time by delivering his or her resignation to the Board of Directors, the chairman of the board or the secretary. Any resignation shall take effect immediately upon its receipt or at such later time specified in the resignation. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation.

Section 3. **ANNUAL AND REGULAR MEETINGS.** An annual meeting of the Board of Directors shall be held immediately after and at the same place as the annual meeting of stockholders, no notice other than this Bylaw being necessary. In the event such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors. The Board of Directors may provide, by resolution, the time and place of regular meetings of the Board of Directors without other notice than such resolution.

Section 4. **SPECIAL MEETINGS.** Special meetings of Company reserves the Board of Directors may be called by or right to amend this policy at the request of the chairman of the board, the chief executive officer, the president or a majority of the directors then in office. The person or persons authorized to call special

AmericasActive:18062345.2

meetings of the Board of Directors may fix the time and place of any special meeting of the Board of Directors called by them. The Board of Directors may provide, by resolution, the time and place of special meetings of the Board of Directors without other notice than such resolution.

Section 5. **NOTICE.** Notice of any special meeting of the Board of Directors shall be delivered personally or by telephone, electronic mail, facsimile transmission, courier or United States mail to each director at his or her business or residence address. Notice by personal delivery, telephone, electronic mail or facsimile transmission shall be given at least 24 hours prior to the meeting. Notice by United States mail shall be given at least three days prior to the meeting. Notice by courier shall be given at least two days prior to the meeting. Telephone notice shall be deemed to be given when the director or his or her agent is personally given such notice in a telephone call to which the director or his or her agent is a party. Electronic mail notice shall be deemed to be given upon transmission of the message to the electronic mail address given to the Corporation by the director. Facsimile transmission notice shall be deemed to be given upon completion of the transmission of the message to the number given to the Corporation by the director and receipt of a completed answer-back indicating receipt. Notice by United States mail shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. Notice by courier shall be deemed to be given when deposited with or delivered to a courier properly addressed. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Board of Directors need be stated in the notice, unless specifically required by statute or these Bylaws.

Section 6. **QUORUM.** A majority of the directors shall constitute a quorum for transaction of business at any meeting of the Board of Directors, provided that, if less than a majority of such directors is present at such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to applicable law, the Charter or these Bylaws, the vote of a majority or other percentage of a particular group of directors is required for action, a quorum must also include a majority or such other percentage of such group.

The directors present at a meeting which has been duly called and at which a quorum has been established may continue to transact business until adjournment, notwithstanding the withdrawal from the meeting of enough directors to leave fewer than required to establish a quorum.

**Section 7.VOTING.** The action of a majority of the directors present at a meeting at which a quorum is present shall be the action of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable law, the Charter or these Bylaws. If enough directors have withdrawn from a meeting to leave fewer than required to establish a quorum, but the meeting is not adjourned, the action of the majority of that number of directors necessary to constitute a quorum at such meeting shall be the action of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable law, the Charter or these Bylaws.

**Section 8.ORGANIZATION.** At each meeting of the Board of Directors, the chairman of the board or, in the absence of the chairman, the vice chairman of the board or lead director, if any, shall act as chairman of the meeting. In the absence of both the chairman and vice chairman of the board, the chief executive officer or, in the absence of the chief executive officer, the president or, in the absence of the president, a director chosen by a majority of the directors present, shall act as chairman of the meeting. The secretary or, in his or her absence,

AmericasActive:18062345.2

an assistant secretary of the Corporation, or, in the absence of the secretary and all assistant secretaries, an individual appointed by the chairman of the meeting, shall act as secretary of the meeting.

**Section 9.MEETINGS BY REMOTE COMMUNICATION.** Directors may participate in a meeting by means of a conference telephone or other means of remote communication if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

**Section 10.CONSENT BY DIRECTORS WITHOUT A MEETING.** Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by each director and is filed with the minutes of proceedings of the Board of Directors.

**Section 11.VACANCIES.** If for any reason any or all of the directors cease to be directors, such event shall not terminate the Corporation or affect these Bylaws or the powers of the remaining directors hereunder. Except as may be provided by the Board of Directors in setting the terms of any class or series of stock, any vacancy on the Board of Directors may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum. Any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies.

**Section 12.COMPENSATION.** Directors shall not receive any stated salary for their services as directors but, by resolution of the Board of Directors, may receive compensation per year and/or per meeting and/or per visit to real property or other facilities owned or leased by the Corporation and for any service or activity they performed or engaged in as directors. Directors may be reimbursed for expenses of attendance, if any, at each annual, regular or special meeting of the Board of Directors or of any committee thereof and for their expenses, if any, in connection with each property visit and any other service or activity they perform or engage in as directors; but nothing herein contained shall be construed to preclude any directors from serving the Corporation in any other capacity and receiving compensation therefor.

**Section 13.RELIANCE.** Each director and officer of the Corporation shall, in the performance of his or her duties with respect to the Corporation, be entitled to rely on any information, opinion, report or statement, including any financial statement or other financial data, prepared or presented by an officer or employee of the Corporation whom the director or officer reasonably believes to be reliable and competent in the matters presented, by a lawyer, certified public accountant or other person, as to a matter which the director or officer reasonably believes to be within the person's professional or expert competence, or, with respect to a director, by Company, a committee of the Board, and, in some circumstances, their designees, may grant a waiver of Directors this policy on which a case-by-case basis, but only under special circumstances.

## IX. Other

For purposes of this Policy, the director does not serve, as to a matter within its designated authority, if the director reasonably believes the committee to merit confidence.

**Section 14.RATIFICATION.** The Board of Directors terms "officers," "employees," "General Counsel or the stockholders may ratify any action appropriate compliance officer," "representatives," "agents," "Covered Persons" and "insiders" include, and this Policy applies to, individuals that are employed by NexPoint Real Estate Advisors, L.P. (the "Adviser"), or inaction by an affiliate of the Corporation or its officers Adviser, and perform roles on behalf of the Company pursuant to the extent that the Board of Directors or the stockholders could have originally authorized the matter, **Advisory Agreement**, dated March 16, 2015, as amended June 15, 2016, and if so ratified, shall have the same force and effect as if originally duly authorized, and such ratification shall be binding upon the Corporation and its stockholders. Any action or inaction questioned in any stockholders' derivative proceeding or any other proceeding on the ground of lack of authority, defective or

AmericasActive:18062345.2

irregular execution, adverse interest of a director, officer or stockholder, non-disclosure, miscomputation, the application of improper principles or practices of accounting or otherwise, may be ratified, before or after judgment, by the Board of Directors or by the stockholders, and such ratification shall constitute a bar to any claim or execution of any judgment in respect of such questioned action or inaction.

**Section 15.CERTAIN RIGHTS OF DIRECTORS.** Any director, in his or her personal capacity or in a capacity as an affiliate, employee, or agent of any other person, or otherwise, may have business interests and engage in business activities similar to, in addition to or in competition with those of or relating to the Corporation.

**Section 16.EMERGENCY PROVISIONS.** Notwithstanding any other provision in the Charter or these Bylaws, this Section 16 shall apply during the existence of any catastrophe, or other similar emergency condition, as a result of which a quorum of the Board of Directors under Article III of these Bylaws cannot readily be obtained (an "Emergency"). During any Emergency, unless otherwise provided by the Board of Directors, (i) a meeting of the Board of Directors or a committee thereof may be called by any director or officer by any means feasible under the circumstances; (ii) notice of any meeting of the Board of Directors during such an Emergency may be given less than 24 hours prior to the meeting to as many directors and by such means as may be feasible at the time, including publication, television further amended or radio; and (iii) the number of directors necessary to constitute a quorum shall be one-third of the entire Board of Directors.

## ARTICLE IV

### COMMITTEES

**Section 1.NUMBER, TENURE AND QUALIFICATIONS.** The Board of Directors may appoint from among its members an Executive Committee, an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and one or more other committees, composed of one or more directors, to serve at the pleasure of the Board of Directors. In the absence of any member of any such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint another director to act in the place of such absent member.

**Section 2.POWERS.** The Board of Directors may delegate to committees appointed under Section 1 of this Article any of the powers of the Board of Directors, except as prohibited by law. Except as may be otherwise provided by the Board of Directors, any committee may delegate some or all of its power and authority to one or more subcommittees, composed of one or more directors, as the committee deems appropriate in its sole and absolute discretion.

**Section 3.MEETINGS.** Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Directors. A majority of the members of the committee shall constitute a quorum for the transaction of business at any meeting of the committee. The act of a majority of the committee members present at a meeting shall be the act of such committee. The Board of Directors may designate a chairman of any committee, and such chairman or, in the absence of a chairman, any two members of any committee (if there are at least two members of the committee) may fix the time and place of its meeting unless the Board shall otherwise provide.

**Section 4.MEETINGS BY REMOTE COMMUNICATION.** Members of a committee of the Board of Directors may participate in a meeting by means of a conference telephone or

AmericasActive:18062345.2

other means of remote communication if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

**Section 5.CONSENT BY COMMITTEES WITHOUT A MEETING.** Any action required or permitted to be taken at any meeting of a committee of the Board of Directors may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by each member of the committee and is filed with the minutes of proceedings of such committee.

**Section 6.VACANCIES.** Subject to the provisions hereof, the Board of Directors shall have the power at any time to change the membership of any committee, to fill any vacancy, to designate an alternate member to replace any absent or disqualified member or to dissolve any such committee.

## ARTICLE V

### OFFICERS

**Section 1. GENERAL PROVISIONS.** The officers of the Corporation shall include a president, a secretary and a treasurer and may include a chairman of the board, a vice chairman of the board, a chief executive officer, one or more vice presidents, a chief operating officer, a chief financial officer, one or more assistant secretaries and one or more assistant treasurers. In addition, the Board of Directors may from time to time elect such other officers with such powers and duties as it shall deem necessary or desirable. The officers of the Corporation shall be elected annually by the Board of Directors, except that the chief executive officer or president may from time to time appoint one or more vice presidents, assistant secretaries and assistant treasurers or other officers. Each officer shall serve until his or her successor is elected and qualifies or until his or her death, or his or her resignation or removal in the manner hereinafter provided. Any two or more offices except president and vice president may be held by the same person. Election of an officer or agent shall not of itself create contract rights between the Corporation and such officer or agent.

**Section 2. REMOVAL AND RESIGNATION.** Any officer or agent of the Corporation may be removed, with or without cause, by the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Corporation may resign at any time by delivering his or her resignation to the Board of Directors, the chairman of the board, the chief executive officer, the president or the secretary. Any resignation shall take effect immediately upon its receipt or at such later time specified in the resignation. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Corporation.

**Section 3. VACANCIES.** A vacancy in any office may be filled by the Board of Directors for the balance of the term.

**Section 4. CHAIRMAN OF THE BOARD.** The Board of Directors may designate from among its members a chairman of the board, who shall not, solely by reason of these Bylaws, be an officer of the Corporation. The Board of Directors may designate the chairman of the board as an executive or non-executive chairman. The chairman of the board shall preside

AmericasActive:18062345.2

over the meetings of the Board of Directors. The chairman of the board shall perform such other duties as may be assigned to him or her by these Bylaws or the Board of Directors.

**Section 5. CHIEF EXECUTIVE OFFICER.** The Board of Directors may designate a chief executive officer. In the absence of such designation, the chairman of the board shall be the chief executive officer of the Corporation. The chief executive officer shall have general responsibility for implementation of the policies of the Corporation, as determined by the Board of Directors, and for the management of the business and affairs of the Corporation. He or she may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of chief executive officer and such other duties as may be prescribed by the Board of Directors from time to time.

**Section 6. CHIEF OPERATING OFFICER.** The Board of Directors may designate a chief operating officer. The chief operating officer shall have the responsibilities and duties as determined by the Board of Directors or the chief executive officer.

**Section 7. CHIEF FINANCIAL OFFICER.** The Board of Directors may designate a chief financial officer. The chief financial officer shall have the responsibilities and duties as determined by the Board of Directors or the chief executive officer.

**Section 8. PRESIDENT.** In the absence of a chief executive officer, the president shall in general supervise and control all of the business and affairs of the Corporation. In the absence of a designation of a chief operating officer by the Board of Directors, the president shall be the chief operating officer. He or she may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time to time.

**Section 9. VICE PRESIDENTS.** In the absence of the president or in the event of a vacancy in such office, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election) shall perform the duties of the president and when so acting shall have all the powers of and be subject to all the restrictions upon the president; and shall perform such other duties as from time to time may be assigned to such vice president by the chief executive officer, the president or the Board of Directors. The Board of Directors may designate one or more vice presidents as executive vice president, senior vice president, or vice president for particular areas of responsibility.

**Section 10. SECRETARY.** The secretary shall (a) keep the minutes of the proceedings of the stockholders, the Board of Directors and committees of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation; (d) keep a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholder; (e) have general charge of the stock transfer books of the Corporation; and (f) in general perform such other duties as from time to time may be assigned to him or her by the chief executive officer, the president or the Board of Directors.

AmericasActive:18062345.2

**Section 11. TREASURER.** The treasurer shall have the custody of the funds and securities of the Corporation, shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation, shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors and in general perform such other duties as from time to time may be assigned to

him or her by the chief executive officer, the president or the Board of Directors. In the absence of a designation of a chief financial officer by the Board of Directors, the treasurer shall be the chief financial officer of the Corporation.

The treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the president and Board of Directors, at the regular meetings of the Board of Directors or whenever it may so require, an account of all his or her transactions as treasurer and of the financial condition of the Corporation.

Section 12. **ASSISTANT SECRETARIES AND ASSISTANT TREASURERS.** The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or treasurer, respectively, or by the chief executive officer, the president or the Board of Directors.

Section 13. **COMPENSATION.** The compensation of the officers shall be fixed ~~restated~~ from time to time by ~~or under and among~~ the authority Company, NexPoint Residential Trust Operating Partnership, L.P. and the Adviser.

Adopted July 24, 2023

---

#### ANNEX A

##### COVERED PERSONS

Brian Mitts  
Edward Constantino  
Scott Kavanaugh  
James Dondero  
Arthur Laffer  
Carol Swain  
Catherine Wood  
Matt McGraner  
Matthew Goetz  
Dennis Charles "D.C." Sauter, Jr.  
David Willmore  
Bonner McDermett  
Paul Richards

---

#### ANNEX B

##### ACKNOWLEDGEMENT OF POLICY

NexPoint Residential Trust, Inc.  
300 Crescent Court  
Suite 700  
Dallas, Texas 75201

To the Board of Directors Directors:

I acknowledge that I have read and no officer shall be prevented from receiving such compensation understand the NexPoint Residential Trust, Inc. Insider Trading Policy and agree to abide by reason its provisions.

Signature:

Name (Please Print):

Address:

Email:

#### ANNEX C

##### **NEXPOINT RESIDENTIAL TRUST, INC.**

###### **Sample Broker Instruction/Representation Letter**

(Name of Employee)

(Address)

(Telephone/Fax/E-mail)

(Date)

(Name of Broker)

(Name of Brokerage House)

(Address)

Dear (Name of Broker):

With regard to my holdings of securities in NexPoint Residential Trust, Inc. (the "Company") and those of my related parties, (names of related parties), held in my account with you, I instruct you:

1. Not to enter any order (except for orders under and pursuant to pre-approved Rule 10b5-1 plans) without first:
  - verifying with the Company that the transaction was pre-cleared by calling [•], at [•], or the [•] at [•]; and
  - complying with your firm's compliance procedures (e.g., Rule 144)
2. To report immediately to the Company via telephone at [•]; and in writing via e-mail to [•] or [•] or by fax to [•] the details of every transaction involving Company stock including gifts, transfers, pledges, and all Rule 10b5-1 transactions.

Please execute and return both of the fact that he or she is also a director.

#### **ARTICLE VI**

##### **CONTRACTS, CHECKS AND DEPOSITS**

Section 1. **CONTRACTS.** The Board enclosed copies of Directors may authorize any officer or agent to enter into any contract or to execute and deliver any instrument this representation letter in the name of and on enclosed business-reply envelope to:

NexPoint Residential Trust, Inc.

300 Crescent Court

Suite 700

Dallas, Texas 75201

Sincerely,

/s/ (Employee)

#### **Acknowledgement**

On behalf of (Name of Brokerage Firm) and for myself, I acknowledge the Corporation and such authority may be general or confined to specific instances.

Any agreement, deed, mortgage, lease or other document shall be valid and binding upon the Corporation when duly authorized or ratified by action of the Board of Directors and executed by an authorized person.

Section 2.CHECKS AND DRAFTS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or agent of the Corporation in such manner as shall from time to time be determined by the Board of Directors.

Section 3.DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited or invested from time to time foregoing instructions with regard to the credit holdings of the Corporation as the Board (Name of Directors, the chief executive officer, the president, the chief financial officer, or any other officer designated by the Board Insider) and his/her related parties holdings of Directors may determine.

## ARTICLE VII

### STOCK

Section 1.CERTIFICATES. Except as may be otherwise provided by the Board of Directors, stockholders of the Corporation are not entitled to certificates representing the shares

AmericasActive:18062345.2

of stock held by them. In the event that the Corporation issues shares of stock represented by certificates, such certificates shall be in such form as prescribed by the Board of Directors or a duly authorized officer, shall contain the statements and information required by the MGCL and shall be signed by the officers of the Corporation in any manner permitted by the MGCL. In the event that the Corporation issues shares of stock without certificates, to the extent then required by the MGCL, the Corporation shall provide to the record holders of such shares a written statement of the information required by the MGCL to be included on stock certificates. There shall be no differences in the rights and obligations of stockholders based on whether or not their shares are represented by certificates.

Section 2.TRANSFERS. All transfers of shares of stock shall be made on the books of the Corporation, by the holder of the shares, in person or by his or her attorney, in such manner as the Board of Directors or any officer of the Corporation may prescribe and, if such shares are certificated, upon surrender of certificates duly endorsed. The issuance of a new certificate upon the transfer of certificated shares is subject to the determination of the Board of Directors that such shares shall no longer be represented by certificates. Upon the transfer of any uncertificated shares, the Corporation shall provide to the record holders of such shares, to the extent then required by the MGCL, a written statement of the information required by the MGCL to be included on stock certificates.

The Corporation shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by the laws of the State of Maryland.

Notwithstanding the foregoing, transfers of shares of any class or series of stock will be subject in all respects to the Charter and all of the terms and conditions contained therein.

Section 3.REPLACEMENT CERTIFICATE. Any officer of the Corporation may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, destroyed, stolen or mutilated, upon the making of an affidavit of that fact by the person claiming the certificate to be lost, destroyed, stolen or mutilated; provided, however, if such shares have ceased to be certificated, no new certificate shall be issued unless requested in writing by such stockholder and the Board of Directors has determined that such certificates may be issued. Unless otherwise determined by an officer of the Corporation, the owner of such lost, destroyed, stolen or mutilated certificate or certificates, or his or her legal representative, shall be required, as a condition precedent to the issuance of a new certificate or certificates, to give the Corporation a bond in such sums as it may direct as indemnity against any claim that may be made against the Corporation.

Section 4.FIXING OF RECORD DATE. The Board of Directors may set, in advance, a record date for the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or determining stockholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of stockholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days and, in the case of a meeting of stockholders, not less than ten days, before the date on which the meeting or particular action requiring such determination of stockholders of record is to be held or taken.

AmericasActive:18062345.2

When a record date for the determination of stockholders entitled to notice of and to vote at any meeting of stockholders has been set as provided in this section, such record date shall continue to apply to the meeting if adjourned or postponed, except if the meeting is adjourned or postponed to a date more than 120 days after the record date originally fixed for the meeting, in which case a new record date for such meeting shall be determined as set forth herein.

**Section 5. STOCK LEDGER.** The Corporation shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate stock ledger containing the name and address of each stockholder and the number of shares of each class held by such stockholder.

**Section 6. FRACTIONAL STOCK; ISSUANCE OF UNITS.** The Board of Directors may authorize the Corporation to issue fractional shares of stock or authorize the issuance of scrip, all on such terms and under such conditions as it may determine. Notwithstanding any other provision of the Charter or these Bylaws, the Board of Directors may authorize the issuance of units consisting of different securities of the Corporation. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Corporation, except that the Board **NexPoint Residential Trust, Inc.** and signify my agreement to comply with them.

---

Is/ Date / /

Name of Directors may provide that for a specified period securities of the Corporation issued in such unit may be transferred on the books of the Corporation only in such unit. Broker

## ARTICLE VIII

### ACCOUNTING YEAR

The Board of Directors shall have the power, from time to time, to fix the fiscal year of the Corporation by a duly adopted resolution.

## ARTICLE IX

### DISTRIBUTIONS

**Section 1. AUTHORIZATION.** Dividends and other distributions upon the stock of the Corporation may be authorized by the Board of Directors, subject to the provisions of law and the Charter. Dividends and other distributions may be paid in cash, property or stock of the Corporation, subject to the provisions of law and the Charter.

**Section 2. CONTINGENCIES.** Before payment of any dividends or other distributions, there may be set aside out of any assets of the Corporation available for dividends or other distributions such sum or sums as the Board of Directors may from time to time, in its absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends, for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall determine, and the Board of Directors may modify or abolish any such reserve.

## ARTICLE X

### INVESTMENT POLICY

AmericasActive:18062345.2

---

Subject to the provisions of the Charter, the Board of Directors may from time to time adopt, amend, revise or terminate any policy or policies with respect to investments by the Corporation as it shall deem appropriate in its sole discretion.

## ARTICLE XI

### SEAL

**Section 1. SEAL.** The Board of Directors may authorize the adoption of a seal by the Corporation. The seal shall contain the name of the Corporation and the year of its incorporation and the words "Incorporated Maryland." The Board of Directors may authorize one or more duplicate seals and provide for the custody thereof.

**Section 2. AFFIXING SEAL.** Whenever the Corporation is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word "(SEAL)" adjacent to the signature of the person authorized to execute the document

on behalf of the Corporation.

## ARTICLE XII

### INDEMNIFICATION AND ADVANCE OF EXPENSES

To the maximum extent permitted by Maryland law in effect from time to time, the Corporation shall indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, shall pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any individual who is a present or former director or officer of the Corporation and who is made or threatened to be made a party to, or witness in, the proceeding by reason of his or her service in that capacity or (b) any individual who, while a director or officer of the Corporation and at the request of the Corporation, serves or has served as a director, officer, trustee, member, manager or partner of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to, or witness in, the proceeding by reason of his or her service in that capacity. The rights to indemnification and advance of expenses provided by the Charter and these Bylaws shall vest immediately upon election of a director or officer. The Corporation may, with the approval of its Board of Directors, provide such indemnification and advance for expenses to an individual who served a predecessor of the Corporation in any of the capacities described in (a) or (b) above and to any employee or agent of the Corporation or a predecessor of the Corporation. The indemnification and payment or reimbursement of expenses provided in these Bylaws shall not be deemed exclusive of or limit in any way other rights to which any person seeking indemnification or payment or reimbursement of expenses may be or may become entitled under any bylaw, resolution, insurance, agreement or otherwise.

Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Charter or these Bylaws inconsistent with this Article, shall apply to or affect in any respect the applicability of the preceding paragraph with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

## ARTICLE XIII

### WAIVER OF NOTICE

AmericasActive:18062345.2

---

Whenever any notice of a meeting is required to be given pursuant to the Charter or these Bylaws or pursuant to applicable law, a waiver thereof in writing or by electronic transmission, given by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice of such meeting, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

## ARTICLE XIV

### EXCLUSIVE FORUM FOR CERTAIN LITIGATION

Unless the Corporation consents in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland (or, if and only if the Circuit Court for Baltimore City, Maryland lacks subject matter jurisdiction, any state court located within the State of Maryland or, if and only if all such state courts lack subject matter jurisdiction, the United States District Court for the District of Maryland) will be the sole and exclusive forum for (a) any Internal Corporate Claim, as such term is defined in the MGCL, or any successor provision thereof, (b) any derivative action or proceeding brought on behalf of the Corporation, (c) any action asserting a claim of breach of any duty owed by any director or officer or other employee of the Corporation to the Corporation or to the stockholders of the Corporation, (d) any action asserting a claim against the Corporation or any director or officer or other employee of the Corporation arising pursuant to any provision of the MGCL, the Charter or these Bylaws, (e) any action or proceeding to interpret, apply, enforce or determine the validity of the Charter or these Bylaws of the Corporation (including any right, obligation, or remedy thereunder), (f) any action or proceeding as to which the MGCL confers jurisdiction on the Circuit Court for Baltimore City, Maryland, or (g) any action asserting a claim against the Corporation or any director or officer or other employee of the Corporation that is governed by the internal affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court's having personal jurisdiction over the indispensable parties named as defendants. This Article XIV shall not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction.

Unless the Corporation consents in writing to the selection of an alternative forum, the federal district courts of the United States of America will, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended.

Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article XIV.

## ARTICLE XV

### AMENDMENT OF BYLAWS

These Bylaws may be altered, amended or repealed, in whole or in part, and new Bylaws may be adopted by the Board of Directors. In addition, except as otherwise provided by

AmericasActive:18062345.2

law or by the Charter or these Bylaws, these Bylaws may be altered, amended or repealed, in whole or in part, and new Bylaws may be adopted by the stockholders of the Corporation, without the approval of the Board of Directors, by the affirmative vote of a majority of the votes entitled to be cast on the matter by stockholders entitled to vote generally in the election of directors.

AmericasActive:18062345.2

Exhibit 21.1

The Company has the following subsidiaries:

Entity	Jurisdiction
BH Willowdale Manager, LLC	Delaware
C-1 Arbors, Inc.	Delaware
C-1 Cutter's Point, Inc.	Delaware
C-1 Eaglecrest, Inc.	Delaware
C-1 Silverbrook, Inc.	Delaware
FRBH Abbington SM, Inc.	Delaware
FRBH Abbington, LLC	Delaware
FRBH Arbors, LLC	Delaware
FRBH Beechwood SM, Inc.	Delaware
FRBH Beechwood, LLC	Delaware
FRBH C1 Residential, LLC	Delaware
FRBH Courtney Cove SM, Inc.	Delaware
FRBH Courtney Cove, LLC	Delaware
FRBH CP, LLC	Delaware
FRBH Duck Creek, LLC	Delaware
FRBH Eaglecrest, LLC	Delaware
FRBH Edgewater JV, LLC	Delaware
FRBH Edgewater Owner, LLC	Delaware
FRBH Edgewater SM, Inc.	Delaware
FRBH JAX-TPA, LLC	Delaware
FRBH Nashville Residential, LLC	Delaware
FRBH Regatta Bay, LLC	Delaware
FRBH Sabal Park SM, Inc.	Delaware
FRBH Sabal Park, LLC	Delaware
FRBH Silverbrook, LLC	Delaware
FRBH Timberglen, LLC	Delaware
FRBH Willow Grove SM, Inc.	Delaware
FRBH Willow Grove, LLC	Delaware
FRBH Woodbridge SM, Inc.	Delaware
FRBH Woodbridge, LLC	Delaware

Freedom C1 Residential, LLC	Delaware
Freedom Duck Creek, LLC	Delaware
Freedom Edgewater, LLC	Delaware
Freedom JAX-TPA Residential, LLC	Delaware
Freedom Miramar Apartments, LLC	Delaware
Freedom Willowdale, LLC	Delaware
HRT North Atlanta, LLC	Delaware
HRT Timber Creek, LLC	Delaware
HRTBH North Atlanta, LLC	Delaware
HRTBH Timber Creek, LLC	Delaware
Landmark at West Place, LLC	Delaware
LAT Briley Parkway, LLC	Delaware
NexPoint Residential Trust Operating Partnership GP, LLC	Delaware
NexPoint Residential Trust Operating Partnership, L.P.	Delaware

---

NXRT Abbington, LLC	Delaware
NXRT Atera II, LLC	Delaware
NXRT Atera, LLC	Delaware
NXRT AZ2, LLC	Delaware
NXRT Barrington Mill, LLC	Delaware
NXRT Bayberry, LLC	Delaware
NXRT Bella Solara, LLC	Delaware
NXRT Bella Solara Owner, LLC	Dealware Delaware

---

NXRT Bella Vista, LLC	Delaware
NXRT Bloom, LLC	Delaware
NXRT Bloom Owner, LLC	Delaware
NXRT Brandywine GP I, LLC	Delaware
NXRT Brandywine GP II, LLC	Delaware
NXRT Brandywine LP, LLC	Delaware
NXRT Brentwood, LLC	Delaware
NXRT Brentwood Owner, LLC	Delaware
NXRT Cedar Pointe Tenant, LLC	Texas
NXRT Cedar Pointe, LLC	Delaware
NXRT Cityview, LLC	Delaware
NXRT Cornerstone, LLC	Delaware
NXRT Crestmont, LLC	Delaware
NXRT Enclave, LLC	Delaware
NXRT Fairways at San Marcos, LLC	Delaware
NXRT Fairways at San Marcos Owner, LLC	Delaware
NXRT Glenview, LLC	Delaware
NXRT H2 TRS, LLC	Delaware
NXRT Heritage, LLC	Delaware
NXRT Hollister TRS, LLC	Delaware
NXRT Hollister, LLC	Delaware

NXRT High House, LLC	Delaware
NXRT Matthews, LLC	Delaware
NXRT Nashville Residential, LLC	Delaware
NXRT NLMF Member, LLC	Delaware
NXRT North Dallas 3, LLC	Delaware
NXRT Old Farm, LLC	Delaware
NXRT Pembroke, LLC	Delaware
NXRT Pembroke Owner, LLC	Delaware
NXRT PHX 3, LLC	Delaware
NXRT Radbourne Lake, LLC	Delaware
NXRT Rockledge, LLC	Delaware
NXRT Sabal Palms, LLC	Delaware
NXRT Six Forks, LLC	Delaware
NXRT SM, Inc.	Delaware
NXRT Steeplechase, LLC	Delaware
NXRT Stone Creek, LLC	Delaware
NXRT Summers Landing GP, LLC	Delaware
NXRT Summers Landing LP, LLC	Delaware
NXRT Torreyana, LLC	Delaware
NXRT Torreyana Owner, LLC	Delaware
NXRT Vanderbilt, LLC	Delaware
NXRT Verandas, LLC	Delaware
NXRT West Place, LLC	Delaware

---

NXRTBH AZ2, LLC	Delaware
NXRTBH Barrington Mill Owner, LLC	Delaware
NXRTBH Barrington Mill SM, Inc.	Delaware
NXRTBH Barrington Mill, LLC	Delaware
NXRTBH Bayberry, LLC	Delaware
NXRTBH Cityview, LLC	Delaware
NXRTBH Colonnade, LLC	Delaware
NXRTBH Cornerstone Owner, LLC	Delaware
NXRTBH Cornerstone SM, Inc.	Delaware
NXRTBH Cornerstone, LLC	Delaware
NXRTBH Dana Point SM, Inc.	Delaware
NXRTBH Dana Point, LLC	Delaware
NXRTBH Foothill SM, Inc.	Delaware

---

NXRTBH Foothill, LLC	Delaware
NXRTBH Heatherstone SM, Inc.	Delaware
NXRTBH Heatherstone, LLC	Delaware
NXRTBH Hollister Tenant, LLC	Texas
NXRTBH Hollister, LLC	Delaware
NXRTBH Madera SM, Inc.	Delaware
NXRTBH Madera, LLC	Delaware

NXRTBH McMillan, LLC	Delaware
NXRTBH North Dallas 3, LLC	Delaware
NXRTBH Old Farm II, LLC	Delaware
NXRTBH Old Farm Tenant, LLC	Delaware
NXRTBH Old Farm, LLC	Delaware
NXRTBH Radbourne Lake, LLC	Delaware
NXRTBH Rockledge, LLC	Delaware
NXRTBH Sabal Palms, LLC	Delaware
NXRTBH Steeplechase, LLC	Delaware
NXRTBH Stone Creek, LLC	Delaware
NXRTBH Vanderbilt, LLC	Delaware
NXRTBH Versailles SM, Inc.	Delaware
NXRTBH Versailles, LLC	Delaware
Pear Ridge Partners, LLC	Delaware
RTT Hollister, LLC	Texas
RTT Rockledge, LLC	Texas
SOF Brandywine I Owner, L.P.	Delaware
SOF Brandywine II Owner, L.P.	Delaware
SOF-X GS Owner, L.P.	Delaware

Exhibit 23.1

[REDACTED]

KPMG LLP

Suite 1400

2323 Ross Avenue

Dallas, TX 75201-2721

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the registration statement (No. 333-236876) on Form S-3 of our reports dated **February 23, 2023****February 27, 2024**, with respect to the consolidated financial statements and financial statement schedule III of NexPoint Residential Trust, Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Dallas, Texas

February 23, 2023 27, 2024

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jim Dondero, certify that:

1. I have reviewed this Annual Report on Form 10-K of NexPoint Residential Trust, Inc.;

2Based 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;

3Based 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;

4The 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:

adesigned 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;

bdesigned 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

ddisclosed 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

5The 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: **February 23, 2023** **February 27, 2024**

/s/ Jim Dondero

Jim Dondero

President

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Brian Mitts, certify that:

1. I have reviewed this Annual Report on Form 10-K of NexPoint Residential Trust, Inc.;

2Based 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;

3Based 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;

4The 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:

adesigned 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;

bdesigned 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

ddisclosed 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: **February 23, 2023** **February 27, 2024**

*/s/* Brian Mitts

Brian Mitts

Chief Financial Officer

(Principal Financial Officer)

**Exhibit 32.1**

**CERTIFICATIONS 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 Annual Report on Form 10-K of NexPoint Residential Trust, Inc. (the "Company") for the fiscal year ending **December 31, 2022** **December 31, 2023**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Jim Dondero, President of the Company, and Brian Mitts, Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

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

Dated: **February 23, 2023** **February 27, 2024**

*/s/* Jim Dondero

Jim Dondero

President

Dated: **February 23, 2023** **February 27, 2024**

*(Principal Executive Officer)*

*/s/ Brian Mitts*

**Brian Mitts**

Chief Financial Officer

*(Principal Financial Officer)*

#### DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.