



Clipper Realty Inc.

SUPPLEMENTAL DATA

Third Quarter 2019



Clipper Realty Inc. Announces Third Quarter 2019 Results

Reports Record Revenues, Clover House Refinancing and Property Acquisition

NEW YORK, November 12, 2019 /Business Wire/ -- Clipper Realty Inc. (NYSE: CLPR) (the “Company”), a leading owner and operator of multifamily residential and commercial properties in the New York metropolitan area, today announced financial and operating results for the three months ended September 30, 2019.

Highlights for the Three Months Ended September 30, 2019

- Achieved record quarterly revenues of \$29.4 million for the third quarter of 2019, representing an increase of 5.3% compared to the same period in 2018. Residential rental income increased 7.0% and 3.5% at the Flatbush Gardens and Tribeca House properties, respectively
- Recorded quarterly income from operations of \$8.5 million for the third quarter of 2019
- Achieved quarterly net operating income (“NOI”)¹ of \$15.4 million for the third quarter of 2019, representing an increase of 1.2% compared to the same period in 2018
- Recorded quarterly net loss of \$0.2 million for the third quarter of 2019
- Achieved quarterly adjusted funds from operations (“AFFO”)¹ of \$5.4 million for the third quarter of 2019
- Declared a dividend of \$0.095 per share for the third quarter of 2019

The Company also announced today (i) the refinancing of its Clover House property, and (ii) the acquisition of property located at 1010 Pacific Street in Brooklyn, to be redeveloped as a multifamily rental building.

David Bistricher, Co-Chairman and Chief Executive Officer, commented,

“We are very pleased with our third quarter 2019 results, with ongoing solid revenue growth reflecting the quality of our portfolio and the operational excellence of our team, and proud that our portfolio is 99% leased. With strong management and prudent capital improvements, we believe our properties will deliver meaningful cash flow growth over time. As we approach year-end and beyond, we remain focused on executing our strategic initiatives, including expertly operating our high-quality portfolio, driving cash flow, enhancing efficiencies through asset repositioning and increasing scale, to create long-term value for our shareholders. As previously disclosed, our Clover House property reached stabilization following a three-month lease-up period; we are pleased to announce that we have refinanced the property with an \$82 million, ten-year, fixed rate, interest-only loan. The Company’s entire outstanding debt balance is now fixed at a blended 3.9% interest rate. We are also excited to acquire 1010 Pacific Street, adjacent to downtown Brooklyn, which we plan to redevelop as a fully amenitized, 119,000 rentable square foot residential building, further expanding our high-quality portfolio.”

Financial Results

For the third quarter of 2019, revenues grew by \$1.5 million, or 5.3%, to \$29.4 million, compared to \$27.9 million for the third quarter of 2018. The growth was primarily attributable to improvements in rental rates and occupancy at the Flatbush Gardens and Tribeca House properties, which had residential rental income increases of 7.0% and 3.5%, respectively, compared to the same period in 2018, and bringing the Clover

¹ NOI and AFFO are non-GAAP financial measures. For a definition of these financial measures and a reconciliation of such measures to the most comparable GAAP measures, see “Reconciliation of Non-GAAP Measures” at the end of this release

House property online during the quarter. Commercial rental income grew 0.7% to \$7.3 million for the third quarter of 2019.

For the third quarter of 2019, net loss was \$0.2 million, or \$0.01 per share, compared to net income of \$1.3 million, or \$0.02 per share (\$1.1 million, or \$0.02 per share, excluding a non-recurring \$0.2 million gain on involuntary conversion), for the third quarter of 2018. The change was primarily attributable to the revenue increases discussed above, offset by higher property operating expenses, property taxes, insurance expense, and depreciation and amortization expense (inclusive of the impact of bringing the Clover House property online during the quarter), and higher interest expense from the refinancings of the 250 Livingston Street property in May 2019 and December 2018.

For the third quarter of 2019, AFFO was \$5.4 million, or \$0.12 per share, compared to \$5.8 million, or \$0.13 per share, for the third quarter of 2018. The change was primarily attributable to the revenue increases discussed above, offset by higher property operating expenses, property taxes, insurance expense and interest expense.

Balance Sheet

At September 30, 2019, notes payable (excluding unamortized loan costs) was \$973.5 million, compared to \$925.6 million at December 31, 2018; the increase reflected the refinancing of the 250 Livingston Street property in May 2019, partially offset by scheduled principal amortization.

Clover House Refinancing

On November 8, 2019, the Company refinanced the debt on its Clover House property with an \$82 million, ten-year, fixed rate, interest-only secured first mortgage loan. With the proceeds, the Company repaid the existing loans on the property totaling \$64.7 million due May 2020, which bore interest at a one-month LIBOR plus 3.85% annual rate. Net remaining proceeds of \$16 million increased the Company's cash position. The refinancing is expected to reduce annual interest expense by approximately \$0.7 million, based on current rates.

1010 Pacific Street Acquisition and Redevelopment

On November 8, 2019, the Company acquired property located at 1010 Pacific Street in Brooklyn, New York, for \$31 million. The property is located adjacent to downtown Brooklyn, approximately one mile from the Atlantic Terminal/Barclays Center hub. The Company plans to redevelop the property as a nine-story, fully amenitized multifamily rental building, including indoor parking, with approximately 119,000 rentable square feet. The building is expected to have 175 total residential units, 70% of which will be free-market and 30% affordable; the property is eligible for a thirty-five year 421(a) tax abatement due to the affordable component. The construction process is estimated to take approximately two years.

Capital Expenditures

The Company continued to strategically develop its properties, selectively repositioning assets and driving ongoing rent growth. For the third quarter of 2019, the Company incurred \$13.0 million of capital expenditures, compared to \$10.1 million for the same period in 2018. The majority of these expenditures were related to renovation projects at the Clover House property; since acquisition, the Company funded \$5.7 million of the expenditures under a \$14.7 million construction loan. Other capital projects included unit upgrades at the Tribeca House property.

Dividend

The Company today declared a third quarter dividend of \$0.095 per share to shareholders of record on November 25, 2019, payable December 3, 2019.

Conference Call and Supplemental Material

The Company will host a conference call on November 12, 2019, at 5:30 PM Eastern Time to discuss the third quarter 2019 results. The conference call can be accessed by dialing (800) 346-7359 or (973) 528-0008, conference entry code 371156. A replay of the call will be available from November 12, 2019, following the call, through November 26, 2019, by dialing (800) 332-6854 or (973) 528-0005, replay conference ID 371156. Supplemental data to this release can be found under the “Quarterly Earnings” navigation tab on the “Investors” page of our website at www.clipperrealty.com. The Company’s filings with the Securities and Exchange Commission (“SEC”) are filed at www.sec.gov under Clipper Realty Inc.

About Clipper Realty Inc.

Clipper Realty Inc. (NYSE: CLPR) is a self-administered and self-managed real estate company that acquires, owns, manages, operates and repositions multifamily residential and commercial properties in the New York metropolitan area, with a portfolio in Manhattan and Brooklyn. For more information on the Company, please visit www.clipperrealty.com.

Forward-Looking Statements

Various statements contained in this press release, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements may include estimates concerning the amount of capital projects and the success of specific properties. Our forward-looking statements are generally accompanied by words such as "estimate," "project," "predict," "believe," "expect," "intend," "anticipate," "potential," "plan" or other words that convey the uncertainty of future events or outcomes. The forward-looking statements in this press release speak only as of the date of this press release.

We disclaim any obligation to update these statements unless required by law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control and which may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. For a discussion of these and other important factors that could affect our actual results, please refer to our filings with the SEC, including the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2018, and other reports filed from time to time with the SEC.

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Clipper Realty Inc.
Consolidated Balance Sheets
(In thousands, except for share and per share data)

	September 30,	December 31,
	2019	2018
	(unaudited)	
ASSETS		
Investment in real estate		
Land and improvements	\$ 540,859	\$ 497,343
Building and improvements	597,600	479,360
Tenant improvements	3,051	3,051
Furniture, fixtures and equipment	11,659	10,978
Real estate under development	-	125,467
Total investment in real estate	1,153,169	1,116,199
Accumulated depreciation	(103,958)	(90,462)
Investment in real estate, net	1,049,211	1,025,737
Cash and cash equivalents	43,552	37,028
Restricted cash	17,084	8,836
Tenant and other receivables, net of allowance for doubtful accounts of \$3,162 and \$2,624, respectively	4,979	3,580
Deferred rent	1,485	2,485
Deferred costs and intangible assets, net	9,053	9,964
Prepaid expenses and other assets	12,954	13,378
TOTAL ASSETS	\$ 1,138,318	\$ 1,101,008
LIABILITIES AND EQUITY		
Liabilities:		
Notes payable, net of unamortized loan costs of \$10,268 and \$12,049, respectively	\$ 963,218	\$ 913,564
Accounts payable and accrued liabilities	12,252	12,550
Security deposits	7,569	6,637
Below-market leases, net	1,754	2,923
Other liabilities	5,141	3,849
TOTAL LIABILITIES	989,934	939,523
Equity:		
Preferred stock, \$0.01 par value; 100,000 shares authorized (including 140 shares of 12.5% Series A cumulative non-voting preferred stock), zero shares issued and outstanding	-	-
Common stock, \$0.01 par value; 500,000,000 shares authorized, 17,814,672 and 17,812,755 shares issued and outstanding, respectively	178	178
Additional paid-in-capital	93,332	92,945
Accumulated deficit	(33,612)	(27,941)
Total stockholders' equity	59,898	65,182
Non-controlling interests	88,486	96,303
TOTAL EQUITY	148,384	161,485
TOTAL LIABILITIES AND EQUITY	\$ 1,138,318	\$ 1,101,008

Clipper Realty Inc.
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
REVENUES				
Residential rental income	\$ 22,117	\$ 20,675	\$ 64,035	\$ 60,449
Commercial rental income	7,323	7,273	21,503	21,667
TOTAL REVENUES	29,440	27,948	85,538	82,116
OPERATING EXPENSES				
Property operating expenses	7,357	6,806	21,667	20,643
Real estate taxes and insurance	6,740	5,824	18,178	16,534
General and administrative	1,904	1,858	6,151	7,602
Depreciation and amortization	4,929	4,351	14,068	13,382
TOTAL OPERATING EXPENSES	20,930	18,839	60,064	58,161
INCOME FROM OPERATIONS	8,510	9,109	25,474	23,955
Interest expense, net	(8,692)	(8,052)	(25,176)	(24,603)
Loss on extinguishment of debt	-	-	(1,771)	(6,981)
Gain on involuntary conversion	-	194	-	194
Net (loss) income	(182)	1,251	(1,473)	(7,435)
Net loss (income) attributable to non-controlling interests	109	(746)	879	4,434
Net (loss) income attributable to common stockholders	\$ (73)	\$ 505	\$ (594)	\$ (3,001)
Basic and diluted net (loss) income per share	\$ (0.01)	\$ 0.02	\$ (0.05)	\$ (0.18)
Weighted average common shares / OP units				
Common shares outstanding	17,815	17,813	17,814	17,813
OP units outstanding	26,317	26,317	26,317	26,317
Diluted shares outstanding	44,132	44,130	44,131	44,130

Clipper Realty Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,473)	\$ (7,435)
<i>Adjustments to reconcile net loss to net cash provided by operating activities:</i>		
Depreciation	13,496	12,330
Amortization of deferred financing costs	1,263	984
Amortization of deferred costs and intangible assets	933	1,407
Amortization of above- and below-market leases	(1,080)	(1,438)
Loss on extinguishment of debt	1,771	6,981
Gain on involuntary conversion	-	(194)
Deferred rent	1,000	771
Stock-based compensation	1,185	1,670
Change in fair value of interest rate caps	-	(237)
<i>Changes in operating assets and liabilities:</i>		
Tenant and other receivables	(1,399)	3,310
Prepaid expenses, other assets and deferred costs	1,839	2,295
Accounts payable and accrued liabilities	(1,369)	1,898
Security deposits	932	783
Other liabilities	1,292	682
Net cash provided by operating activities	18,390	23,807
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to land, buildings and improvements	(34,962)	(28,455)
Insurance proceeds from involuntary conversion	-	226
Sale and purchase of interest rate caps	-	385
Acquisition deposit	(1,550)	-
Net cash used in investing activities	(36,512)	(27,844)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and costs from sale of common stock	-	(7)
Payments of mortgage notes	(77,127)	(580,866)
Proceeds from mortgage notes	125,000	609,439
Dividends and distributions	(12,813)	(12,776)
Loan issuance and extinguishment costs	(2,166)	(8,338)
Net cash provided by financing activities	32,894	7,452
Net increase in cash and cash equivalents and restricted cash	14,772	3,415
Cash and cash equivalents and restricted cash - beginning of period	45,864	21,670
Cash and cash equivalents and restricted cash - end of period	\$ 60,636	\$ 25,085
Cash and cash equivalents and restricted cash - beginning of period:		
Cash and cash equivalents	\$ 37,028	\$ 7,940
Restricted cash	8,836	13,730
Total cash and cash equivalents and restricted cash - beginning of period	\$ 45,864	\$ 21,670
Cash and cash equivalents and restricted cash - end of period:		
Cash and cash equivalents	\$ 43,552	\$ 12,372
Restricted cash	17,084	12,713
Total cash and cash equivalents and restricted cash - end of period	\$ 60,636	\$ 25,085
Supplemental cash flow information:		
Cash paid for interest, net of capitalized interest of \$5,261 and \$4,054 in 2019 and 2018, respectively	\$ 26,214	\$ 23,582
Non-cash interest capitalized to real estate under development	937	888
Additions to investment in real estate included in accounts payable and accrued liabilities	7,069	6,920

Clipper Realty Inc.
Reconciliation of Non-GAAP Measures
(In thousands, except per share data)
(Unaudited)

Non-GAAP Financial Measures

We disclose and discuss funds from operations (“FFO”), adjusted funds from operations (“AFFO”), adjusted earnings before interest, income taxes, depreciation and amortization (“Adjusted EBITDA”) and net operating income (“NOI”) all of which meet the definition of “non-GAAP financial measure” set forth in Item 10(e) of Regulation S-K promulgated by the SEC.

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

Funds From Operations and Adjusted Funds From Operations

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

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

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

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

The following table sets forth a reconciliation of FFO and AFFO for the periods presented to net (loss) income before allocation to non-controlling interests, computed in accordance with GAAP (amounts in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
FFO				
Net (loss) income	\$ (182)	\$ 1,251	\$ (1,473)	\$ (7,435)
Real estate depreciation and amortization	4,929	4,351	14,068	13,382
FFO	<u>\$ 4,747</u>	<u>\$ 5,602</u>	<u>\$ 12,595</u>	<u>\$ 5,947</u>
AFFO				
FFO	\$ 4,747	\$ 5,602	\$ 12,595	\$ 5,947
Amortization of real estate tax intangible	122	119	361	355
Amortization of above- and below-market leases	(250)	(479)	(1,080)	(1,438)
Straight-line rent adjustments	184	258	1,000	771
Amortization of debt origination costs	334	232	1,263	984
Interest rate cap mark-to-market adjustments	0	-	0	(237)
Amortization of LTIP awards	325	411	1,185	1,670
Loss on extinguishment of debt	-	-	1,771	6,981
Gain on involuntary conversion	-	(194)	-	(194)
Non-recurring litigation-related expenses	87	-	87	-
Recurring capital spending	(126)	(184)	(405)	(426)
AFFO	<u>\$ 5,423</u>	<u>\$ 5,765</u>	<u>\$ 16,777</u>	<u>\$ 14,413</u>
<i>AFFO Per Share/Unit</i>	<u>\$ 0.12</u>	<u>\$ 0.13</u>	<u>\$ 0.38</u>	<u>\$ 0.33</u>

Adjusted Earnings Before Interest, Income Taxes, Depreciation and Amortization

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

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Adjusted EBITDA				
Net (loss) income	\$ (182)	\$ 1,251	\$ (1,473)	\$ (7,435)
Real estate depreciation and amortization	4,929	4,351	14,068	13,382
Amortization of real estate tax intangible	122	119	361	355
Amortization of above- and below-market leases	(250)	(479)	(1,080)	(1,438)
Straight-line rent adjustments	184	258	1,000	771
Amortization of LTIP awards	325	411	1,185	1,670
Interest expense, net	8,692	8,052	25,176	24,603
Loss on extinguishment of debt	-	-	1,771	6,981
Gain on involuntary conversion	-	(194)	-	(194)
Non-recurring litigation-related expenses	87	-	87	-
Adjusted EBITDA	\$ 13,907	\$ 13,769	\$ 41,095	\$ 38,695

Net Operating Income

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
NOI				
Income from operations	\$ 8,510	\$ 9,109	\$ 25,474	\$ 23,955
Real estate depreciation and amortization	4,929	4,351	14,068	13,382
General and administrative expenses	1,904	1,858	6,151	7,602
Amortization of real estate tax intangible	122	119	361	355
Amortization of above- and below-market leases	(250)	(479)	(1,080)	(1,438)
Straight-line rent adjustments	184	258	1,000	771
NOI	\$ 15,399	\$ 15,216	\$ 45,974	\$ 44,627

Clipper Realty Inc.
Consolidated Balance Sheets
(In thousands, except for share and per share data)

	September 30, 2019 <small>(unaudited)</small>	June 30, 2019 <small>(unaudited)</small>	March 31, 2019 <small>(unaudited)</small>	December 31, 2018	September 30, 2018 <small>(unaudited)</small>	June 30, 2018 <small>(unaudited)</small>	March 31, 2018 <small>(unaudited)</small>	December 31, 2017
ASSETS								
Investment in real estate								
Land and improvements	\$ 540,859	\$ 497,343	\$ 497,343	\$ 497,343	\$ 497,343	\$ 497,343	\$ 497,343	\$ 497,343
Building and improvements	597,600	489,383	483,786	479,360	475,278	471,155	467,737	463,727
Tenant improvements	3,051	3,051	3,051	3,051	3,040	3,030	3,028	3,023
Furniture, fixtures and equipment	11,659	11,364	11,052	10,978	10,707	10,535	10,434	10,245
Real estate under development	-	139,061	132,181	125,467	116,752	111,054	104,633	96,268
Total investment in real estate	1,153,169	1,140,202	1,127,413	1,116,199	1,103,120	1,093,117	1,083,175	1,070,606
Accumulated depreciation	(103,958)	(99,217)	(94,823)	(90,462)	(86,027)	(81,881)	(77,757)	(73,714)
Investment in real estate, net	1,049,211	1,040,985	1,032,590	1,025,737	1,017,093	1,011,236	1,005,418	996,892
Cash and cash equivalents	43,552	56,349	29,379	37,028	12,372	15,794	24,070	7,940
Restricted cash	17,084	16,455	13,255	8,836	12,713	12,456	13,591	13,730
Tenant and other receivables, net of allowance for doubtful accounts	4,979	3,358	2,908	3,580	3,259	2,683	3,543	6,569
Deferred rent	1,485	1,669	1,851	2,485	2,743	3,001	3,258	3,514
Deferred costs and intangible assets, net	9,053	9,373	9,665	9,964	10,311	10,677	11,164	11,894
Prepaid expenses and other assets	12,954	13,193	7,506	13,378	9,179	12,347	7,652	11,546
TOTAL ASSETS	\$ 1,138,318	\$ 1,141,382	\$ 1,097,154	\$ 1,101,008	\$ 1,067,670	\$ 1,068,194	\$ 1,068,696	\$ 1,052,085
LIABILITIES AND EQUITY								
Liabilities:								
Notes payable, net of unamortized loan costs	\$ 963,218	\$ 963,335	\$ 913,683	\$ 913,564	\$ 873,110	\$ 872,579	\$ 871,320	\$ 843,946
Accounts payable and accrued liabilities	12,252	12,711	12,562	12,550	13,713	12,000	9,888	8,595
Security deposits	7,569	7,035	6,704	6,637	6,831	6,680	6,437	6,048
Below-market leases, net	1,754	2,034	2,469	2,923	3,461	3,999	4,537	5,075
Other liabilities	5,141	3,751	4,489	3,849	3,512	3,294	3,609	2,830
TOTAL LIABILITIES	989,934	988,866	939,907	939,523	900,627	898,552	895,791	866,494
Equity:								
Preferred stock, \$0.01 par value; 100,000 shares authorized (including 140 shares of 12.5% Series A cumulative non-voting preferred stock)	-	-	-	-	-	-	-	-
Common stock, \$0.01 par value; 500,000,000 shares authorized	178	178	178	178	178	178	178	178
Additional paid-in-capital	93,332	93,235	92,980	92,945	92,864	92,726	92,475	92,273
Accumulated deficit	(33,612)	(31,847)	(29,687)	(27,941)	(25,616)	(24,429)	(22,861)	(17,539)
Total stockholders' equity	59,898	61,566	63,471	65,182	67,426	68,475	69,792	74,912
Non-controlling interests	88,486	90,950	93,776	96,303	99,617	101,167	103,113	110,679
TOTAL EQUITY	148,384	152,516	157,247	161,485	167,043	169,642	172,905	185,591
TOTAL LIABILITIES AND EQUITY	\$ 1,138,318	\$ 1,141,382	\$ 1,097,154	\$ 1,101,008	\$ 1,067,670	\$ 1,068,194	\$ 1,068,696	\$ 1,052,085

Clipper Realty Inc.
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
REVENUES				
Residential rental income	\$ 22,117	\$ 20,675	\$ 64,035	\$ 60,449
Commercial rental income	7,323	7,273	21,503	21,667
TOTAL REVENUES	29,440	27,948	85,538	82,116
OPERATING EXPENSES				
Property operating expenses	7,357	6,806	21,667	20,643
Real estate taxes and insurance	6,740	5,824	18,178	16,534
General and administrative	1,904	1,858	6,151	7,602
Depreciation and amortization	4,929	4,351	14,068	13,382
TOTAL OPERATING EXPENSES	20,930	18,839	60,064	58,161
INCOME FROM OPERATIONS	8,510	9,109	25,474	23,955
Interest expense, net	(8,692)	(8,052)	(25,176)	(24,603)
Loss on extinguishment of debt	-	-	(1,771)	(6,981)
Gain on involuntary conversion	-	194	-	194
Net (loss) income	(182)	1,251	(1,473)	(7,435)
Net loss (income) attributable to non-controlling interests	109	(746)	879	4,434
Net (loss) income attributable to common stockholders	\$ (73)	\$ 505	\$ (594)	\$ (3,001)
Basic and diluted net (loss) income per share	\$ (0.01)	\$ 0.02	\$ (0.05)	\$ (0.18)
Weighted average common shares / OP units				
Common shares outstanding	17,815	17,813	17,814	17,813
OP units outstanding	26,317	26,317	26,317	26,317
Diluted shares outstanding	44,132	44,130	44,131	44,130

Clipper Realty Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,		Three Months Ended			
	2019	2018	9/30/2019	6/30/2019	3/31/2019	12/31/2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income (loss)	\$ (1,473)	\$ (7,435)	\$ (182)	\$ (1,158)	\$ (133)	\$ (1,566)
<i>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</i>						
Depreciation	13,496	12,330	4,741	4,394	4,361	4,435
Amortization of deferred financing costs	1,263	984	335	424	504	305
Amortization of deferred costs and intangible assets	933	1,407	310	316	307	308
Amortization of above- and below-market leases	(1,080)	(1,438)	(250)	(406)	(424)	(479)
Loss on extinguishment of debt	1,771	6,981	-	1,771	-	1,891
Gain on involuntary converter	-	(194)	-	-	-	-
Deferred rent	1,000	771	184	182	634	258
Stock-based compensation	1,185	1,670	325	704	156	270
Change in fair value of interest rate caps	-	(237)	-	-	-	29
<i>Changes in operating assets and liabilities:</i>						
Tenant and other receivables	(1,399)	3,310	(1,621)	(450)	672	(321)
Prepaid expenses, other assets and deferred costs	1,839	2,295	1,769	(5,742)	5,812	(4,305)
Accounts payable and accrued liabilities	(1,369)	1,898	412	(1,135)	(646)	(2,413)
Security deposits	932	783	534	331	67	(194)
Other liabilities	1,292	682	1,390	(738)	640	337
Net cash provided by operating activities	18,390	23,807	7,947	(1,507)	11,950	(1,445)
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to land, buildings and improvement	(34,962)	(28,455)	(13,579)	(11,175)	(10,208)	(11,422)
Insurance proceeds from involuntary converter	-	226	-	-	-	-
Sale and purchase of interest rate caps	-	385	-	-	-	(29)
Acquisition deposit	(1,550)	-	(1,550)	-	-	-
Net cash used in investing activities	(36,512)	(27,844)	(15,129)	(11,175)	(10,208)	(11,451)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds and costs from sale of common stock	-	(7)	-	-	-	-
Payments of mortgage notes	(77,127)	(580,866)	(711)	(75,705)	(711)	(34,301)
Proceeds from mortgage notes	125,000	609,439	-	125,000	-	76,225
Dividends and distributions	(12,813)	(12,776)	(4,275)	(4,277)	(4,261)	(4,262)
Loan issuance and extinguishment costs	(2,166)	(8,338)	-	(2,166)	-	(3,987)
Net cash provided by financing activities	32,894	7,452	(4,986)	42,852	(4,972)	33,675
Net increase (decrease) in cash and cash equivalents and restricted cash	14,772	3,415	(12,168)	30,170	(3,230)	20,779
Cash and cash equivalents and restricted cash - beginning of period	45,864	21,670	72,804	42,634	45,864	25,085
Cash and cash equivalents and restricted cash - end of period	\$ 60,636	\$ 25,085	\$ 60,636	\$ 72,804	\$ 42,634	\$ 45,864
Cash and cash equivalents and restricted cash - beginning of period						
Cash and cash equivalents	\$ 37,028	\$ 7,940	\$ 56,349	\$ 29,379	\$ 37,028	\$ 12,372
Restricted cash	8,836	13,730	16,455	13,255	8,836	12,713
Total cash and cash equivalents and restricted cash - beginning of period	<u>\$ 45,864</u>	<u>\$ 21,670</u>	<u>\$ 72,804</u>	<u>\$ 42,634</u>	<u>\$ 45,864</u>	<u>\$ 25,085</u>
Cash and cash equivalents and restricted cash - end of period						
Cash and cash equivalents	\$ 43,552	\$ 12,372	\$ 43,552	\$ 56,349	\$ 29,379	\$ 37,028
Restricted cash	17,084	12,713	17,084	16,455	13,255	8,836
Total cash and cash equivalents and restricted cash - end of period	<u>\$ 60,636</u>	<u>\$ 25,085</u>	<u>\$ 60,636</u>	<u>\$ 72,804</u>	<u>\$ 42,634</u>	<u>\$ 45,864</u>
Supplemental cash flow information						
Cash paid for interest, net of capitalized interest of \$5,261 and \$4,054 in 2019 and 2018, respectively	\$ 26,214	\$ 23,582				
Non-cash interest capitalized to real estate under development	937	888				
Additions to investment in real estate included in accounts payable and accrued liabilities	7,069	6,920				

CLIPPER REALTY INC.
SUPPLEMENTAL DATA (UNAUDITED)
September 2019
(In thousands)

	Three months ended							
	Sep-19	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17
Revenue								
141 Livingston	\$ 2,998	\$ 2,901	\$ 2,952	\$ 2,823	\$ 2,905	\$ 2,851	\$ 2,825	\$ 3,527
250 Livingston	2,883	2,950	2,875	2,882	2,898	2,861	2,846	2,888
Flatbush Gardens	10,819	10,726	10,541	10,380	10,103	9,888	9,736	9,655
Tribeca	9,751	9,635	9,017	9,236	9,435	9,099	8,904	8,949
Aspen	1,858	1,824	1,801	1,826	1,846	1,838	1,804	1,759
10 West 65th Street	753	410	466	735	760	764	752	544
Clover House	378	-	-	-	-	-	-	-
Total Revenue	29,440	28,446	27,652	27,881	27,948	27,300	26,868	27,323
Operating Expenses								
141 Livingston	(1,066)	(884)	(898)	(812)	(903)	(768)	(825)	(843)
250 Livingston	(967)	(852)	(930)	(850)	(893)	(852)	(944)	(876)
Flatbush Gardens	(6,122)	(5,943)	(6,514)	(5,953)	(6,052)	(5,658)	(5,937)	(5,806)
Tribeca	(4,452)	(3,872)	(3,961)	(3,784)	(3,926)	(3,830)	(3,953)	(4,188)
Aspen	(658)	(564)	(627)	(606)	(572)	(548)	(594)	(569)
10 West 65th Street	(436)	(340)	(365)	(377)	(283)	(287)	(350)	(238)
Clover House	(396)	-	-	-	-	-	-	-
Total Operating Expenses	(14,097)	(12,454)	(13,294)	(12,383)	(12,630)	(11,944)	(12,604)	(12,521)
Net Operating Income GAAP ("NOI (GAAP)")								
141 Livingston	1,932	2,017	2,055	2,011	2,002	2,082	2,000	2,685
250 Livingston	1,916	2,098	1,946	2,032	2,005	2,009	1,902	2,012
Flatbush Gardens	4,697	4,783	4,027	4,427	4,051	4,230	3,799	3,848
Tribeca	5,299	5,763	5,056	5,452	5,509	5,269	4,951	4,761
Aspen	1,200	1,260	1,174	1,219	1,274	1,290	1,211	1,190
10 West 65th Street	317	70	101	358	477	477	402	306
Clover House	(18)	-	-	-	-	-	-	-
Total NOI (GAAP)	15,343	15,992	14,358	15,498	15,318	15,357	14,264	14,802
General and administrative expenses	(1,904)	(2,579)	(1,668)	(2,271)	(1,858)	(2,606)	(3,138)	(2,659)
Acquisition and other costs	-	-	-	(101)	-	-	-	(32)
Depreciation and amortization	(4,929)	(4,590)	(4,549)	(4,623)	(4,351)	(4,435)	(4,596)	(4,637)
Interest expense, net	(8,692)	(8,210)	(8,274)	(8,178)	(8,052)	(8,008)	(8,543)	(8,997)
Loss on extinguishment of debt	-	(1,771)	-	(1,891)	-	-	(6,981)	-
Gain on involuntary conversion	-	-	-	-	194	-	-	-
Net income (loss)	\$ (182)	\$ (1,158)	\$ (133)	\$ (1,566)	\$ 1,251	\$ 308	\$ (8,994)	\$ (1,523)

CLIPPER REALTY INC.
SUPPLEMENTAL DATA (UNAUDITED)
September 2019
(In thousands)

	Three months ended							
	Sep-19	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17
Funds from Operations ("FFO")								
Net income (loss)	\$ (182)	\$ (1,158)	\$ (133)	\$ (1,566)	\$ 1,251	\$ 308	\$ (8,994)	\$ (1,523)
Real estate depreciation and amortization	4,929	4,590	4,549	4,623	4,351	4,435	4,596	4,637
FFO	\$ 4,747	\$ 3,432	\$ 4,416	\$ 3,057	\$ 5,602	\$ 4,743	\$ (4,398)	\$ 3,114
Adjusted Funds from Operations ("AFFO")								
FFO	\$ 4,747	\$ 3,432	\$ 4,416	\$ 3,057	\$ 5,602	\$ 4,743	\$ (4,398)	\$ 3,114
Amortization of real estate tax intangible	122	120	119	120	119	118	118	392
Amortization of above- and below-market leases	(250)	(406)	(424)	(479)	(479)	(480)	(479)	(432)
Straight-line rent adjustments	184	182	634	258	258	257	256	74
Amortization of debt origination costs	334	424	504	305	232	231	521	736
Interest rate cap mark-to-market adjustments	0	-	-	29	-	(10)	(227)	(98)
Amortization of LTIP awards	325	704	156	270	411	691	568	841
Acquisition and other	-	-	-	101	-	-	-	32
Loss on extinguishment of debt	-	1,771	-	1,891	-	-	6,981	-
Gain on involuntary conversion	-	-	-	-	(194)	-	-	-
Non-recurring litigation-related expenses	87	-	-	-	-	-	-	-
Recurring capital spending	(126)	(127)	(153)	(147)	(184)	(101)	(141)	(116)
AFFO	\$ 5,423	\$ 6,100	\$ 5,252	\$ 5,405	\$ 5,765	\$ 5,449	\$ 3,199	\$ 4,543
Adjusted Earnings Before Interest, Taxes and Depreciation and Amortization ("Adjusted EBITDA")								
Net income (loss)	\$ (182)	\$ (1,158)	\$ (133)	\$ (1,566)	\$ 1,251	\$ 308	\$ (8,994)	\$ (1,523)
Real estate depreciation and amortization	4,929	4,590	4,549	4,623	4,351	4,435	4,596	4,637
Amortization of real estate tax intangible	122	120	119	120	119	118	118	392
Amortization of above- and below-market leases	(250)	(406)	(424)	(479)	(479)	(480)	(479)	(432)
Straight-line rent adjustments	184	182	634	258	258	257	256	74
Amortization of LTIP awards	325	704	156	270	411	691	568	841
Interest expense, net	8,692	8,210	8,274	8,178	8,052	8,008	8,543	8,997
Acquisition and other	-	-	-	101	-	-	-	32
Loss on extinguishment of debt	-	1,771	-	1,891	-	-	6,981	-
Gain on involuntary conversion	-	-	-	-	(194)	-	-	-
Non-recurring litigation-related expenses	87	-	-	-	-	-	-	-
Adjusted EBITDA	\$ 13,907	\$ 14,013	\$ 13,175	\$ 13,396	\$ 13,769	\$ 13,337	\$ 11,589	\$ 13,018
Net Operating Income ("NOI")								
Income from operations	8,510	\$ 8,823	\$ 8,141	\$ 8,503	\$ 9,109	\$ 8,316	\$ 6,530	\$ 7,474
Real estate depreciation and amortization	4,929	4,590	4,549	4,623	4,351	4,435	4,596	4,637
General and administrative expenses	1,904	2,579	1,668	2,271	1,858	2,606	3,138	2,659
Acquisition and other	-	-	-	101	-	-	-	32
Amortization of real estate tax intangible	122	120	119	120	119	118	118	392
Amortization of above- and below-market leases	(250)	(406)	(424)	(479)	(479)	(480)	(479)	(432)
Straight-line rent adjustments	184	182	634	258	258	257	256	74
NOI	\$ 15,399	\$ 15,888	\$ 14,687	\$ 15,397	\$ 15,216	\$ 15,252	\$ 14,159	\$ 14,836

CLIPPER REALTY INC.
SUPPLEMENTAL DATA (UNAUDITED)
September 2019
(In thousands)

	Three months ended							
	Sep-19	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17
Dividends Paid								
Stockholders	\$ 1,692	\$ 1,692	\$ 1,692	\$ 1,692	\$ 1,692	\$ 1,692	\$ 1,692	\$ 1,692
Class B unitholders	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
LTIP holders	84	83	69	69	69	69	62	62
Total Dividends Paid	\$ 4,276	\$ 4,276	\$ 4,261	\$ 4,261	\$ 4,261	\$ 4,261	\$ 4,254	\$ 4,254
Share Data								
Common shares	17,815	17,815	17,813	17,813	17,813	17,813	17,813	17,813
Class B LLC units	26,317	26,317	26,317	26,317	26,317	26,317	26,317	26,317
Diluted shares outstanding	44,132	44,132	44,130	44,130	44,130	44,130	44,130	44,130
LTIP units	881	881	877	724	724	724	724	653
	45,013	45,013	45,007	44,855	44,855	44,855	44,855	44,783
Cash Flow Data								
Operating activities	\$ 7,947	\$ (1,507)	\$ 11,950	\$ (1,445)	\$ 10,102	\$ 2,893	\$ 10,812	\$ (1,648)
Investing activities	(15,129)	(11,175)	(10,208)	(11,451)	(8,983)	(8,749)	(10,112)	(77,840)
Financing activities	(4,986)	42,852	(4,972)	33,675	(4,284)	(3,555)	15,291	28,590
Balance Sheet Data								
Investment in real estate, net	\$ 1,049,211	\$ 1,040,985	\$ 1,032,590	\$ 1,025,737	\$ 1,017,093	\$ 1,011,236	\$ 1,005,418	\$ 996,892
Cash and cash equivalents	43,552	56,349	29,379	37,028	12,372	15,794	24,070	7,940
Restricted cash	17,084	16,455	13,255	8,836	12,713	12,456	13,591	13,730
Total assets	1,138,318	1,141,382	1,097,154	1,101,008	1,067,670	1,068,194	1,068,696	1,052,085
Notes payable	963,218	963,335	913,683	913,564	873,110	872,579	871,320	843,946
Total liabilities	989,934	988,866	939,907	939,523	900,627	898,552	895,791	866,494
Equity	148,384	152,516	157,247	161,485	167,043	169,642	172,905	185,591
Notes Payable								
Flatbush Gardens (3.88%; Due 10/1/24)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 148,438
Flatbush Gardens (3.88%; Due 10/1/24)	-	-	-	-	-	-	-	19,792
Flatbush Gardens (3.50%; Due 3/1/28)	246,000	246,000	246,000	246,000	246,000	246,000	246,000	-
250 Livingston (4.00%; Due 5/6/23)	-	-	-	-	33,715	33,906	34,099	34,294
250 Livingston (Libor + 2.15%; Due 12/9/20)	-	-	75,000	75,000	-	-	-	-
250 Livingston (3.63%; Due 6/6/29)	125,000	125,000	-	-	-	-	-	-
141 Livingston (3.875%; Due 6/1/28)	76,201	76,582	76,959	77,333	77,703	78,069	78,312	78,792
Tribeca House (Libor + 3.05037%; Due 11/9/18)	-	-	-	-	-	-	-	335,000
Tribeca House (Libor + 6.875%; Due 11/9/18)	-	-	-	-	-	-	-	75,000
Tribeca House (4.506%; Due 3/6/28)	360,000	360,000	360,000	360,000	360,000	360,000	360,000	-
Aspen (3.68%; Due 7/1/28)	67,204	67,534	67,861	68,199	68,415	68,734	69,056	69,383
Clover House (Libor + 3.85%; Due 5/9/20)	64,731	64,731	64,731	64,731	63,506	62,652	61,187	60,067
10 West 65th Street (3.375%; Due 11/1/27)	34,350	34,350	34,350	34,350	34,350	34,350	34,350	34,350
Principal amount outstanding	973,486	974,197	924,901	925,613	883,689	883,711	883,004	855,116
Unamortized loan costs	(10,268)	(10,862)	(11,218)	(12,049)	(10,579)	(11,132)	(11,684)	(11,170)
Notes Payable, net of unamortized loan costs	\$ 963,218	\$ 963,335	\$ 913,683	\$ 913,564	\$ 873,110	\$ 872,579	\$ 871,320	\$ 843,946

CLIPPER REALTY INC.
SUPPLEMENTAL DATA (UNAUDITED)
September 2019
(In thousands)

	Three months ended							
	Sep-19	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17
% Leased - Residential (end of period)								
250 Livingston	100.0%	100.0%	100.0%	94.4%	94.4%	88.9%	94.4%	94.4%
Flatbush Gardens	99.5%	98.9%	99.5%	98.4%	98.6%	97.5%	97.2%	97.1%
Tribeca	98.2%	99.6%	99.0%	95.5%	93.3%	97.6%	96.2%	91.1%
Aspen	97.8%	97.8%	97.8%	99.6%	97.0%	99.1%	98.7%	96.1%
10 West 65th Street	100.0%	96.3%	72.0%	86.6%	86.6%	86.6%	86.6%	87.8%
Clover House	84.8%	-	-	-	-	-	-	-
Rent PSF (end of period)								
141 Livingston - Office	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00
250 Livingston - Residential	\$ 50.55	\$ 50.53	\$ 48.71	\$ 44.98	\$ 50.47	\$ 50.01	\$ 47.38	\$ 51.46
250 Livingston - Office	\$ 27.71	\$ 27.71	\$ 27.71	\$ 27.71	\$ 27.71	\$ 27.71	\$ 27.71	\$ 27.71
Flatbush Gardens - Residential	\$ 24.49	\$ 24.30	\$ 24.04	\$ 23.77	\$ 23.38	\$ 22.89	\$ 22.58	\$ 22.47
Tribeca - Residential	\$ 70.85	\$ 68.77	\$ 69.14	\$ 69.58	\$ 68.92	\$ 67.79	\$ 68.60	\$ 69.18
Tribeca - Retail	\$ 52.23	\$ 52.23	\$ 51.56	\$ 50.87	\$ 50.87	\$ 50.61	\$ 50.61	\$ 49.93
Aspen - Residential	\$ 37.05	\$ 35.95	\$ 35.77	\$ 36.26	\$ 36.08	\$ 35.53	\$ 35.36	\$ 35.07
Aspen - Retail	\$ 44.27	\$ 44.22	\$ 44.22	\$ 44.22	\$ 44.22	\$ 44.18	\$ 44.18	\$ 44.18
10 West 65th Street - Residential	\$ 45.50	\$ 41.57	\$ 28.18	\$ 43.01	\$ 45.22	\$ 45.22	\$ 44.54	\$ 44.48
Clover House - Residential	\$ 69.52	-	-	-	-	-	-	-
Capital Spending								
Major capital improvements	\$ 12,547	\$ 12,349	\$ 10,988	\$ 12,650	\$ 9,686	\$ 9,738	\$ 12,233	\$ 7,208
Maintenance capex	126	127	153	147	184	101	141	116
Resident turnover	295	313	73	271	172	101	190	151
Commercial tenant improvements	-	-	-	11	10	2	5	3
Total Capital Spending	\$ 12,968	\$ 12,789	\$ 11,214	\$ 13,078	\$ 10,053	\$ 9,941	\$ 12,569	\$ 7,477