NexPoint Residential Trust, Inc.
Form 10-Q
November 16, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2015

OR

o 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 or Principal Executive Offices)	(Zip Code)

(972) 628-4100

(Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation ST (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large Accelerated Filer o		Accelerated Filer	o
Non-Accelerated Filer x	(Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b2 of the Exchange Act). Yes o No x

As of November 16, 2015, the registrant had 21,293,825 shares of common stock, $0.01 par value, outstanding.

NEXPOINT RESIDENTIAL TRUST, INC.

Form 10-Q

September 30, 2015

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Cautionary Statement Regarding Forward-Looking Statements

This quarterly report contains forward-looking statements 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 quarterly report are based on management's 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 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;
- risks associated with ownership of real estate;
- limited ability to dispose of assets because of the relative illiquidity of real estate investments;
- the risk that we may fail to consummate our pending property acquisitions;
- intense competition in the real estate market that, combined with low residential mortgage rates that could encourage potential renters to purchase residences rather than lease them, may limit our ability to acquire or lease and re-lease property or increase or maintain rent;
- risks associated with our ability to issue additional debt or equity securities in the future;
- failure of acquisitions and development projects to yield anticipated results;
- risks associated with our strategy of acquiring value-enhancement multifamily properties, which involves greater risks than more conservative investment strategies;
- the lack of experience of NexPoint Real Estate Advisors, L.P. (our "Adviser") in operating under the constraints imposed by REIT requirements;
- loss of key personnel;
- 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 Highland Capital Management, L.P. (our "Sponsor") or its affiliates;
- risks associated with our Adviser's ability to terminate the Advisory Agreement;
- our ability to change our major policies, operations and targeted investments without stockholder consent;
- substantial fees and expenses we will pay to our Adviser and its affiliates;
- risks associated with the potential internalization of our management functions;
- the risk that we may compete with other entities affiliated with our Sponsor or property manager for tenants;
- conflicts of interest and competing demands for time faced by our Adviser, our Sponsor and their officers and employees;
- our dependence on information systems;
- lack of or insufficient amounts of insurance;
- contingent or unknown liabilities related to properties or businesses that we have acquired or may acquire;
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high costs associated with the investigation or remediation of environmental contamination, including asbestos, lead-based paint, chemical vapor, subsurface contamination and mold growth;

- 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 compliance with various accessibility, environmental, building and health and safety laws and regulations, such as the ADA and FHA;
- risks associated with our high concentrations of investments in the Southeastern and Southwestern United States;
- 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;
- potential reforms to Fannie Mae and Freddie Mac;
- risks associated with our reduced public company reporting requirements as an "emerging growth company";
- costs associated with being a public company, including compliance with securities laws;
- risks associated with breaches of our data security;
- 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;
- the risk that we may be unable to achieve some or all of the benefits that we expect to achieve from the Spin-Off;
- failure to qualify as or to maintain our status as a REIT;
- 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;
- failure of our operating partnership to qualify as a partnership for federal income tax purposes, causing us to fail to qualify for or to maintain REIT status;
- 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 the NXRT board to revoke our REIT qualification without stockholder approval;
- 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; or
- any of the other risks included under the heading "Risk Factors," in the information statement filed as an exhibit to our Registration Statement on Form 10, as amended (Registration No. 001-36663), which was declared effective on March 18, 2015.

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 quarterly 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.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES

COMBINED CONSOLIDATED BALANCE SHEETS

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Operating Real Estate Investments		
Land (including from VIEs of $172,621,771 and $127,740,000, respectively)	$174,201,771	$129,320,000
Buildings and improvements (including from VIEs of $702,737,605 and $479,904,527, respectively)	711,276,465	488,260,399
Intangible lease assets (including from VIEs of $2,463,000 and $17,594,000, respectively)	2,463,000	17,884,000
Construction in progress (including from VIEs of $5,422,306 and $6,529,884, respectively)	5,473,414	6,529,884
Furniture, fixtures, and equipment (including from VIEs of $20,952,485 and $7,886,210, respectively)	21,507,521	8,319,564
Total Gross Operating Real Estate Investments	914,922,171	650,313,847
Accumulated depreciation and amortization (including from VIEs of $29,663,316 and $21,109,832, respectively)	(30,268,602)	(21,787,940)
Total Net Operating Real Estate Investments	884,653,569	628,525,907
Cash and cash equivalents (including from VIEs of $15,030,783 and $11,868,779, respectively)	18,957,993	12,661,535
Restricted cash (including from VIEs of $54,676,804 and $47,192,578, respectively)	54,915,959	47,817,342
Accounts receivable (including from VIEs of $1,556,287 and $1,134,869, respectively)	1,926,320	1,151,225
Prepaid and other assets (including from VIEs of $2,763,366 and $2,545,660, respectively)	3,627,395	2,568,933
Deferred financing costs, net (including from VIEs of $5,672,905 and $4,535,381, respectively)	6,103,250	4,632,429
TOTAL ASSETS	$970,184,486	$697,357,371
LIABILITIES AND EQUITY		

Bridge facility	$29,000,000	$—
Mortgages payable (including from VIEs of $659,424,170 and $480,976,130, respectively)	667,824,170	486,976,130
Accounts payable and other accrued liabilities (including from VIEs of $3,579,018 and $5,322,045, respectively)	4,166,043	5,642,297
Accrued real estate taxes payable (including from VIEs of $7,606,737 and $3,858,836, respectively)	7,731,513	3,858,836
Accrued interest payable (including from VIEs of $1,377,263 and $1,030,962, respectively)	1,394,193	1,030,962
Security deposit liability (including from VIEs of $1,584,779 and $1,484,004, respectively)	1,611,953	1,513,431
Prepaid rents (including from VIEs of $1,251,345 and $760,046, respectively)	1,266,899	791,810
Due to affiliates (including from VIEs of $0 and $20,000, respectively)	759,286	20,000
Total Liabilities	713,754,057	499,833,466
Invested Equity	—	176,549,066
NexPoint Residential Trust, Inc. stockholders' equity:		
Preferred Stock: 100,000,000 shares authorized and 0 shares issued at par value $0.01	—	—
Common Stock: 500,000,000 shares authorized and 21,293,825 shares issued at par value $0.01	212,938	—
Additional paid-in capital	240,596,354	—
Accumulated deficit	(12,090,619)	—
Accumulated other comprehensive loss	(813,409)	(305,860)
Noncontrolling interests	28,525,165	21,280,699
Total Equity	256,430,429	197,523,905
TOTAL LIABILITIES AND EQUITY	$970,184,486	$697,357,371

See Notes to Combined Consolidated Financial Statements

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NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES

COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE LOSS

(UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues				
Rental income	$26,965,236	$10,680,828	$75,183,751	$20,344,820
Other	3,805,657	1,239,307	9,871,907	2,387,162
Total revenues	30,770,893	11,920,135	85,055,658	22,731,982
Expenses				
Property operating expenses	9,187,089	3,532,626	24,799,053	6,471,191
Acquisition costs	617,670	3,606,312	2,786,932	6,352,836
Real estate taxes and insurance	3,774,978	1,587,284	10,730,118	3,073,585
Property management fees (related party)	910,015	357,821	2,526,514	687,132
Advisory and administrative fees (related party)	1,454,476	517,594	4,169,830	758,314
Corporate general and administrative expenses	816,821	—	1,647,805	—
Property general and administrative expenses	1,142,679	867,174	3,777,834	1,246,872
Depreciation and amortization	9,135,353	5,846,387	30,795,663	11,425,607
Total expenses	27,039,081	16,315,198	81,233,749	30,015,537
Operating income (loss)	3,731,812	(4,395,063)	3,821,909	(7,283,555)
Interest expense	(4,621,715)	(2,046,306)	(12,869,376)	(4,116,164)
Net loss	(889,903)	(6,441,369)	(9,047,467)	(11,399,719)
Net income (loss) attributable to noncontrolling interests	174,417	(697,881)	(331,649)	(1,370,052)
Net loss attributable to common shareholders	$(1,064,320)	$(5,743,488)	$(8,715,818)	$(10,029,667)
Other comprehensive loss				
Net losses related to interest rate cap valuations	(111,918)	(62,188)	(507,549)	(62,188)
Total comprehensive loss	(1,001,821)	(6,503,557)	(9,555,016)	(11,461,907)
Comprehensive income (loss) attributable to noncontrolling interest	164,355	(704,100)	(378,313)	(1,376,271)
Comprehensive loss attributable to common shareholders	$(1,166,176)	$(5,799,457)	$(9,176,703)	$(10,085,636)
Weighted average common shares outstanding - basic and diluted	21,293,825	21,293,825	21,293,825	21,293,825
Dividends declared per common share	$0.206	$—	$0.412	$—
Loss per share: Basic and diluted (See Note 2)	$(0.04)	$(0.30)	$(0.42)	$(0.54)

See Notes to Combined Consolidated Financial Statements

NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Nine Months Ended September 30, 2015	2014
Cash flows from operating activities		
Net loss	$(9,047,467)	$(11,399,719)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	30,795,663	11,425,607
Amortization of deferred financing fees	808,906	188,242
Change in fair value on derivative instruments included in interest expense	182,302	629,428
Noncash contributions	—	745,500
Gain on disposal from eminent domain	(157,882)	—
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(775,095)	(2,409,167)
Prepaid and other assets	(770,817)	(493,335)
Restricted cash	(7,160,690)	(5,733,012)
Accounts payable and other accrued liabilities	1,928,046	3,968,993
Due to affiliates	—	12,814
Net cash provided by (used in) operating activities	15,802,966	(3,064,649)
Cash flows from investing activities		
Change in restricted cash	62,073	(29,014,002)
Cash from eminent domain disposal	326,111	—
Additions to operating real estate investments	(29,608,659)	(5,745,873)
Acquisitions of operating real estate investments	(238,462,941)	(449,441,587)
Net cash used in investing activities	(267,683,416)	(484,201,462)
Cash flows from financing activities		
Mortgage proceeds received	169,865,553	349,507,000
Bridge facility proceeds received	29,000,000	—
Mortgage payments	(7,017,513)	(15,660)
Deferred financing fees paid	(2,279,727)	(4,275,815)
Interest rate cap fees paid	(307,231)	(1,159,272)
Due to affiliates	454,286	—
Distributions to noncontrolling interest	(1,743,937)	(206,693)
Distributions	(8,773,678)	(7,484,764)

Contributions from noncontrolling interest	9,320,052	18,029,104
Contributions	69,659,103	140,290,633
Net cash provided by financing activities	258,176,908	494,684,533
Net increase in cash	6,296,458	7,418,422
Cash, beginning of period	12,661,535	189,868
Cash, end of period	$18,957,993	$7,608,290

See Notes to Combined Consolidated Financial Statements

NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

Supplemental Disclosure of Cash Flow Information		
Interest paid	$11,514,937	$2,662,835
Supplemental Disclosure of Noncash Investing and Financing Activities		
Capitalized construction costs included in accounts payable and other accrued liabilities	532,877	1,163,495
Capitalized construction costs included in due to affiliates	—	84,755
Prepaid acquisition deposits included in due to affiliates	285,000	—
Change in fair value on hedging derivative instruments	507,549	62,188
Liabilities assumed from acquisitions	1,938,096	2,350,080
Other assets acquired from acquisitions	385,265	1,903,760
Assumed debt on acquisitions of operating real estate investments	18,000,000	22,643,116

See Notes to Combined Consolidated Financial Statements

NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES

COMBINED CONSOLIDATED STATEMENT OF EQUITY

(UNAUDITED)

	Preferred Stock		Common Stock							
	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Invested Equity	Noncontrolling Interest	Total
lances, cember 31, 14	—	$—	—	$—	$—	$—	$(305,860)	$176,549,066	$21,280,699	$197,523,90
ntributions					—	—	—	69,659,103	9,320,052	78,979,155
stributions / vidends					—	(8,773,678)	—	—	(1,743,937)	(10,517,61
her mprehensive s					—	—	(507,549)	—	—	(507,549
t loss					—	(3,316,941)	—	(5,398,877)	(331,649)	(9,047,467
change of edecessor nvested uity for mmon stock	—	—	21,293,825	212,938	240,596,354	—	—	(240,809,292)	—	—
lances, ptember 30, 15	—	$—	21,293,825	$212,938	$240,596,354	$(12,090,619)	$(813,409)	$—	$28,525,165	$256,430,42

See Notes to Combined Consolidated Financial Statements

NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES

NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Description of Business

NexPoint Residential Trust, Inc. (the “Company”, “we”, “our”) was incorporated on September 19, 2014, and intends to elect to be taxed as a real estate investment trust (“REIT”) for the 2015 tax year. We are 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 subsidiary, NexPoint Residential Trust Operating Partnership GP, LLC is the sole general partner of the OP. The sole limited partner of the OP is the Company.

The Company began operations on March 31, 2015 as a result of the transfer and contribution by NexPoint Credit Strategies Fund ("NHF") of all but one of the multifamily properties owned by NHF through its subsidiary Freedom REIT, LLC ("Freedom REIT"). NHF is a publicly listed closed-end fund that commenced operations on June 29, 2006 and is managed by NexPoint Advisors, L.P. ("NexPoint Advisors"), an SEC-registered investment adviser and affiliate of Highland Capital Management, L.P. and our Adviser. We use the term “predecessor" to mean the carve out business of Freedom REIT, which owned all or a majority interest in the multifamily properties transferred or contributed to the Company by NHF through its subsidiary Freedom REIT. On March 31, 2015, NHF distributed all of the outstanding shares of the Company's common stock held by NHF to holders of NHF common shares. We refer to the distribution of our common stock by NHF as the "Spin-Off." The combined consolidated financial statements represent the operations and activities of the predecessor until the Spin-Off. The Company recorded the assets and liabilities associated with the multifamily properties involved in the Spin-Off at their respective historical carrying values at the time of the Spin-Off in accordance with the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 505-60, Spinoffs and Reverse Spinoffs. Certain properties included in the Spin-Off have interests owned by parties other than the Company that are reflected at historical carrying values in the financial statements of the Company as “noncontrolling interests”, as required under accounting principles generally accepted in the United States of America (“GAAP”).

We are externally managed by NexPoint Real Estate Advisors, L.P., (our "Adviser"), through an agreement dated March 16, 2015 (the “Advisory Agreement”), by and among the Company, the OP and our Adviser. Our Adviser conducts substantially all of our operations and provides asset management for our real estate investments. We will have only accounting employees while the Advisory Agreement is in effect. All of our investment decisions will be made by our Adviser, subject to general oversight by our Adviser’s investment committee and our Board of Directors. Our Adviser is an affiliate of NexPoint Advisors.

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 capex value-add program. Consistent with the Company’s policy to acquire assets for both income and capital gain, the Company intends to hold majority interests in the 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 our investment objectives.

The Company may also participate with third parties in property ownership, through limited liability companies, funds or other types of co-ownership or acquire real estate or interests in real estate in exchange for the issuance of common stock, units, preferred stock or options to purchase stock. These types of investments may permit the Company to own interests in larger assets without unduly restricting diversification which provides flexibility in structuring the Company's portfolio.

The Company may allocate up to thirty percent 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, 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 REIT or real estate companies.

2. Summary of Significant Accounting Policies

Predecessor

With the exception of a nominal amount of initial cash funded at inception, the Company did not own any assets prior to March 31, 2015. The business and operations of the Company prior to March 31, 2015 occurred under the predecessor. Our predecessor included all of the properties in our portfolio that were held directly or indirectly by Freedom REIT, a wholly owned subsidiary of NHF, prior to the Spin-Off that occurred on March 31, 2015. However, our combined consolidated statements of operations and comprehensive loss and statements of cash flows reflect operations of our predecessor through March 31, 2015 as if they were incurred by us. Our predecessor was determined in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). References throughout these combined consolidated financial statements to the "Company", "we", or "our", include the activity of the predecessor defined above.

Basis of Accounting

The accompanying unaudited interim combined consolidated financial statements of the Company are prepared in accordance with GAAP and with Rule 10-01 of Regulation S-X for interim financial statements. The consolidated balance sheet includes the accounts of the Company and its subsidiaries. Our predecessor combined consolidated financial statements were derived from the historical accounting records of our predecessor and reflect the historical financial position, results of operations and cash flows for the periods prior to the Spin-Off. All intercompany balances and transactions are eliminated in combination and consolidation. The financial statements of the Company's subsidiaries are prepared using accounting polices consistent with those of the Company. In addition, the Company evaluates relationships with other entities to identify whether there are variable interest entities ("VIE's") as required by FASB ASC 810, Consolidation, and to assess whether it is the primary beneficiary of such entities. If the determination is made that the Company is the primary beneficiary, then that entity is included in the financial statements in accordance with FASB ASC 810. In the opinion of the Company's management, the accompanying combined consolidated financial statements include all adjustments and eliminations, consisting only of normal recurring items necessary for their fair presentation in conformity with GAAP. Interim results are not necessarily indicative of operating results for a full year. The unaudited information included in this quarterly report on Form 10-Q should be read in conjunction with our predecessor audited financial statements identified as "Freedom REIT Contribution Group" for the year ended December 31, 2014 and notes thereto included in the information statement filed as an exhibit to our registration statement on Form 10 filed on March 12, 2015. There have been no significant changes to the Company's significant accounting policies during the nine months ended September 30, 2015.

Use of Estimates

The preparation of the combined consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the combined consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. It is at least reasonably possible that these estimates could change in the near term.

Real Estate Investments

Upon acquisition, in accordance with FASB ASC 805, Business Combinations, the purchase price of a property is allocated to land, building, improvements, furniture, fixtures, and equipment, and intangible lease assets. The purchase price allocation is based on management's estimate of the property's "as-if" vacant fair value, which is calculated by using all available information such as the replacement cost of such asset, appraisals, property condition reports, market data and other related information. The allocation of the purchase price to intangible lease assets represents the value associated with the in-place leases, which may include lost rent, leasing commissions, legal and other related costs, which the Company, as buyer of the property, did not have to incur to obtain the residents.

If any debt is assumed in an acquisition, the difference between the fair value and the face value of debt is recorded as a premium or discount and amortized to interest expense over the life of the debt assumed. Costs associated with the acquisition of a property, including acquisition fees paid, are expensed upon closing the acquisition.

The results of operations for acquired properties are included in the combined consolidated statements of operations and comprehensive loss from their respective acquisition dates.

Real estate assets, including land, building, improvements, furniture, fixtures and equipment, and intangible lease assets are stated at historical cost less accumulated depreciation and amortization. Costs incurred in making repairs and maintaining real estate assets are expensed as incurred. Real estate-related depreciation and amortization are computed on a straight-line basis over the estimated useful lives as described in the following table:

Land	Not depreciated
Building	30 years
Improvements	15 years
Furniture, fixtures, and equipment	3 years
Intangible lease assets	6 months

Construction in progress includes the cost of renovation projects being performed at the various properties. Once a project is complete the historical cost of the renovation is placed into service in one of the categories above depending on the type of renovation project and is depreciated over the estimated useful lives as described in the table above.

Impairment

Real estate assets that are determined to be held and used will be reviewed periodically for impairment and 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 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. For the periods ended September 30, 2015 and 2014, the Company did not record any impairment charges related to real estate assets.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents may include cash and short-term investments. Short-term investments are stated at cost, which approximates fair value.

Restricted Cash

Restricted cash is comprised of security deposits, operating escrows, and renovation value-add reserves. Security Deposits are held until they are due to tenants and are credited against the balance. Operating escrows are required and held by our first mortgage lender(s) for items such as real estate taxes, insurance, and required repairs. Lender held escrows are released back to the entity upon the Borrower's proof of payment of such expenses. Renovation value-add reserves are funds identified to finance our value-add renovations at each of our properties and are not actually held in escrow by a third party. The Company may reallocate these funds, at its discretion, to capitalize other investment opportunities. The following is a summary of the restricted cash held as of September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Security Deposits	$ 1,141,732	$ 1,574,302
Operating Escrows	14,892,686	7,299,426
Renovation value-add reserves	38,881,541	38,943,614
	$ 54,915,959	$ 47,817,342

Prepaid acquisition deposits

The Company incurs costs in connection with future acquisitions that may include good faith deposits prior to possible acquisitions that are expected to be rolled into the costs of the closing. Until an acquisition closes, the Company reflects these costs as prepaid costs on the balance sheet. As of September 30, 2015, prepaid costs were $285,000. These prepaid costs were held in escrow and will be rolled into the cost of the property at closing in connection with a subsequent acquisition (see Note 10). These costs are included in prepaid and other assets on the consolidated balance sheet and are also accrued and owed to an affiliate and included in due to affiliate on the consolidated balance sheet. No such costs existed as of December 31, 2014.

Deferred Financing Costs

The Company defers costs incurred in obtaining financing and amortizes the costs over the terms of the related loans using the straight-line method, which approximates the effective interest method. Upon repayment of or in conjunction with a material change in the terms of the underlying debt agreement, any unamortized costs are charged to earnings. Deferred financing costs, net of amortization, of $6,103,250 and $4,632,429 are recorded on the accompanying combined consolidated balance sheets as of September 30, 2015 and at December 31, 2014, respectively. Amortization of deferred financing costs of $268,379 and $106,293 is included in interest expense in the combined consolidated statements of operations and comprehensive loss for the three month periods ended September 30, 2015 and 2014, respectively. Amortization of deferred financing costs of $808,906 and $188,242 is included in interest expense in the combined consolidated statements of operations and comprehensive loss for the nine month periods ended September 30, 2015 and 2014, respectively.

Noncontrolling Interests

Noncontrolling interests are comprised of the Company’s joint venture partners’ interests in the joint ventures in multifamily properties that the Company combines and consolidates. The Company reports its joint venture partners’ interests in its consolidated real estate 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 and equity contributions and distributions. 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.

Accounting for Joint Ventures

The Company first analyzes its investments in joint ventures to determine if the joint venture is a VIE in accordance with FASB ASC 810, and if so, whether the Company is the primary beneficiary requiring consolidation. A VIE is an entity that has (i) insufficient equity to permit it to finance its activities without additional subordinated financial support or (ii) equity holders that lack the characteristics of a controlling financial interest. VIEs are consolidated by the primary beneficiary, which is the entity that has both the power to direct the activities that most significantly impact the entity’s economic performance and the obligation to absorb losses or the right to receive benefits from the entity that potentially could be significant to the entity. Variable interests in a VIE are contractual, ownership, or other financial interests that change with changes in the fair value of the VIE’s net assets. The Company assesses at each level of the joint venture whether the entity is (i) a VIE, and (ii) if the Company is the primary beneficiary of the VIE. If an entity in which the Company holds a joint venture interest qualifies as a VIE and the Company is determined to be the primary beneficiary, the joint venture is consolidated.

The following table represents the Company’s investments at September 30, 2015 and December 31, 2014:

Properties	Location	Year Acquired	Effective Ownership Percentage at September 30, 2015		Effective Ownership Percentage at December 31, 2014		
The Miramar Apartments	Dallas, Texas	2013	100	%	100	%	(1)
Arbors on Forest Ridge	Bedford, Texas	2014	90	%	90	%	
Cutter's Point	Richardson, Texas	2014	90	%	90	%	
Eagle Crest	Irving, Texas	2014	90	%	90	%	
Meridian	Austin, Texas	2014	90	%	90	%	
Silverbrook	Grand Prairie, Texas	2014	90	%	90	%	
Timberglen	Dallas, Texas	2014	90	%	90	%	
Toscana	Dallas, Texas	2014	90	%	90	%	
The Grove at Alban	Frederick, Maryland	2014	76	%	76	%	
Willowdale Crossings	Frederick, Maryland	2014	80	%	80	%	
Edgewater at Sandy Springs	Atlanta, Georgia	2014	90	%	90	%	
Beechwood Terrace	Nashville, Tennessee	2014	90	%	90	%	
Willow Grove	Nashville, Tennessee	2014	90	%	90	%	
Woodbridge	Nashville, Tennessee	2014	90	%	90	%	
Abbington Heights	Antioch, Tennessee	2014	90	%	90	%	
The Summit at Sabal Park	Tampa, Florida	2014	90	%	90	%	
Courtney Cove	Tampa, Florida	2014	90	%	90	%	
Colonial Forest	Jacksonville, Florida	2014	90	%	90	%	
Park at Blanding	Orange Park, Florida	2014	90	%	90	%	
Park at Regency	Jacksonville, Florida	2014	90	%	90	%	
Jade Park	Daytona Beach, Florida	2014	90	%	90	%	
Mandarin Reserve	Jacksonville, Florida	2014	90	%	90	%	
Radbourne Lake	Charlotte, North Carolina	2014	90	%	90	%	
Timber Creek	Charlotte, North Carolina	2014	90	%	90	%	
Belmont at Duck Creek	Garland, Texas	2014	90	%	90	%	
The Arbors	Tucker, Georgia	2014	90	%	90	%	
The Crossings	Marietta, Georgia	2014	90	%	90	%	
The Crossings at Holcomb Bridge	Roswell, Georgia	2014	90	%	90	%	
The Knolls	Marietta, Georgia	2014	90	%	90	%	
Regatta Bay	Seabrook, Texas	2014	90	%	90	%	
Sabal Palm at Lake Buena Vista	Orlando, Florida	2014	90	%	90	%	
Southpoint Reserve at Stoney Creek	Fredericksburg, Virginia	2014	85	%	85	%	
Cornerstone	Orlando, Florida	2015	90	%	—		(2)
McMillan Place	Dallas, Texas	2015	90	%	—		(2)
Barrington Mill	Marietta, Georgia	2015	90	%	—		(2)
Dana Point	Dallas, Texas	2015	90	%	—		(2)

Heatherstone	Dallas, Texas	2015	90	%	—	(2)
Versailles	Dallas, Texas	2015	90	%	—	(2)
Seasons 704 Apartments (FKA Bayberry Apartments)	West Palm Beach, Florida	2015	90	%	—	(2)
Madera Point	Mesa, Arizona	2015	95	%	—	(2)
The Pointe at the Foothills	Mesa, Arizona	2015	95	%	—	(2)

(1) The Miramar Apartments is not owned through a joint venture.
(2) Properties were acquired in 2015, therefore no ownership as of December 31, 2014.

In connection with its indirect equity investments in the properties acquired, the Company through its subsidiary, NexPoint Residential Trust Operating Partnership, L.P., directly or indirectly holds membership interests in single-asset limited liability companies that directly own the properties. These entities are deemed to be VIEs as we have disproportionate voting rights (in the form of substantive participating rights over all of the decisions that are made that most significantly affect economic performance) relative to our economic interests in the entities and substantially all of the activities of the entities are performed on our behalf. The

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Company is considered the primary beneficiary of these VIEs as no single party meets both criteria to be the primary beneficiary, and we are the member of the related party group that has both the power to direct the activities that most significantly impact economic performance of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Within the related party group, the Company is the most closely associated to the VIE based on the purpose and design of the entity, the size of our ownership interests relative to the other investors, and the rights we hold with respect to the other investors' equity interests, including our ability to preclude any transfers of their interests and ability to drag them along on the sale of our equity interest. All VIEs are consolidated in the Company's financial statements. The assets of each VIE can only be used to settle obligations of that particular VIE, and the creditors of each entity have no recourse to the assets of other entities or the Company.

The other investor in the VIEs is BH Equity or affiliates of BH Equity. When these VIEs were formed under our predecessor, BH Equity invested cash in each VIE (with the exception of Miramar) and received a proportional share of each VIE that it invested in. Each VIE has a non-recourse mortgage that has standard scope non-recourse carve outs required by agency lenders and generally call for protection by the borrower and the guarantor against losses by the lender for so-called "bad acts," such as misrepresentations, and may include full recourse liability for more significant events such as bankruptcy. BH Equity, or its affiliates, provided non-recourse carve out guarantees for the mortgage indebtedness currently outstanding relating to each VIE. In consideration of the guarantees provided by BH Equity and its affiliates, they will earn an additional profit interest in the VIE such that distributions will be made to the members of the VIE pro rata in proportion to their relative percentage interests until the members have received an internal rate of return equal to 13%. Then, the proportion of distributions changes to a predetermined allocation according to the agreements between each VIE and BH Equity or its affiliate.

Revenue Recognition

The Company's primary operations consist of rental income earned from its residents under lease agreements with terms of one year or less. Rental income is recognized when earned. This policy effectively results in income recognition on the straight-line method over the related terms of the leases. Resident reimbursements and other income consist of charges billed to residents for utilities, carport and garage rental, pets, administrative, application and other fees and are recognized when earned.

Asset Management & Property Management Services

Management fee expenses are recognized when incurred in accordance with each management agreement (see Note 8).

Allowance for Doubtful Accounts

Allowances for rental income receivables are established when management determines that collections of such receivables are doubtful. Balances are considered past due when payment is not received on the contractual due date. When management has determined that receivables are uncollectible, they are written off against the allowance for doubtful accounts.

Income Taxes

The Company intends to elect to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its first taxable year of operations. If the Company qualifies for taxation as a REIT, it generally will not be subject to federal corporate income tax on its taxable income that is distributed to its stockholders as long as it distributes at least 90% of its taxable income to its stockholders and meets certain tests regarding the nature of the Company's income and assets. The Company intends to operate in a manner that allows the Company to meet the requirements for taxation as a REIT, including creating taxable REIT subsidiaries to hold assets that generate income that would not be consistent with the rules applicable for qualification as a REIT if held directly by the REIT. If the Company were to fail to meet these requirements, it could be subject to federal income tax on all of the Company's taxable income at regular corporate rates for that year. The Company would not be able to deduct distributions paid to stockholders in any year in which it fails to qualify as a REIT. Additionally, the Company will also be disqualified from electing to be taxed as a REIT for the four taxable years following the year during which qualification was lost unless the Company is entitled to relief under specific statutory provisions.

Reportable Segment

Substantially all of the Company's consolidated net loss is from investments in real estate properties within the multi-family sector that the Company owns through LLCs. The Company evaluates operating performance on an individual property level and views its real estate assets as one industry segment and, accordingly, its properties are aggregated into one reportable segment.

Concentration of Credit Risk

The Company maintains cash balances with high quality financial institutions, including NexBank, an affiliate of our Adviser, and periodically evaluates the creditworthiness of such institutions and believes that the Company is not exposed to significant credit risk. Cash balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation.

Fair Value Measurements

Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering market participant assumptions in fair value measurements, FASB ASC 820, Fair Value Measurement and Disclosures, establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy)

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 inputs are the unobservable inputs for the asset or liability, which are typically based on an entity's own assumption, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on input from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The Company utilizes an independent third party to perform the allocation of value analysis for each property acquisition and also to perform the market valuations on the interest rate caps and has established policies, as described above, processes and procedures intended to ensure that the valuation methodologies for investments and interest rate caps are fair and consistent as of the measurement date.

Per Share Data

The Company began operations on March 31, 2015 as described above and therefore the Company had no operating activities or earnings (loss) per share before March 31, 2015. However, for purposes of the combined consolidated statements of operations and comprehensive loss, the Company has presented basic and diluted earnings (loss) per share as if the operating activities of the predecessor were those of the Company and assuming the shares outstanding at the date of the Spin-Off were outstanding for all periods prior to the Spin-Off. Basic earnings per share will be shown for all periods presented and computed by dividing net income or loss by the weighted average number of shares of the Company's common stock outstanding during the period. Diluted loss per share is computed based on the weighted average number of shares of the Company's common stock and all potentially dilutive securities, if any. There were no potentially dilutive securities for any of the periods presented. For the three and nine months ended September 30, 2015, the Company incurred a loss per share of $0.04 and $0.42, respectively.

Recent Accounting Pronouncements

Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 13(a) of the Exchange Act, for complying with new or revised accounting standards applicable to public companies. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of this extended transition period. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates for such new or revised standards. We may elect to comply with public company effective dates at any time, and such election would be irrevocable pursuant to Section 107(b) of the JOBS Act. The following recent accounting pronouncements reflect effective dates that delay the adoption until those standards would otherwise apply to private companies.

In April 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which changed the requirements for reporting discontinued operations. This

ASU limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have a major effect on an entity's operations and financial results. As a result, under the new standard the Company does not expect to report discontinued operations for most real estate dispositions. The new standard is effective for any disposals of components of the Company in annual reporting periods beginning on or after December 15, 2014. The Company implemented the provisions of ASU 2014-08 as of January 1, 2015.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should also disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for annual reporting periods beginning after December 15, 2017 and interim periods within that reporting period. The Company will implement the provisions of ASU 2014-09 as of January 1, 2018. The Company has not yet determined the impact of the new standard on its current policies for revenue recognition.

In August 2014, the FASB issued ASU 2014-015, Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which requires management to evaluate whether there are conditions and events that raise substantial doubt about an entity's ability to continue as a going concern, and to provide disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. The ASU is effective for annual periods ending after December 15, 2016, with early adoption being permitted. The Company will implement the provisions of ASU 2014-15 as of January 1, 2017. The Company has not yet determined the impact of the new standard.

In February 2015, the FASB issued ASU No. 2015-02, Amendments to the Consolidation Analysis, which changes the way reporting enterprises evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a VIE, and (c) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. The ASU also significantly changes how to evaluate voting rights for entities that are not similar to limited partnerships when determining whether the entity is a VIE, which may affect entities for which the decision making rights are conveyed though a contractual arrangement. The ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2016. The Company will implement the provisions of ASU 2015-02 as of January 1, 2017. The Company has not yet determined the impact of the new standard on its current policies for consolidation.

In April 2015, the FASB issued ASU No. 2015-03, Interest-Imputation of Interest, which changes the way reporting enterprises record debt issuance costs. The ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability, consistent with debt discounts. The new standard is effective for annual reporting periods beginning after December 15, 2015. The Company will implement the provisions of ASU 2015-03 as of January 1, 2016. The Company does not expect the new standard to have a material impact on its combined consolidated financial statements.

3. Acquisitions

As of September 30, 2015, through its combined consolidated joint ventures, the Company has invested in a total of forty one multifamily properties as listed below (property descriptions including rentable square footage, number of units, average effective monthly rent and occupancy are unaudited):

Multifamily Property Name	Rentable Square Footage	Number of Units	Date Acquired	Average Effective Monthly Rent Per Unit (1)	% Occupied as of September 30, 2015 (2)		% Occupied as of December 31, 2014 (2)	
The Miramar Apartments	183,100	314	10/31/2013	$ 577	91.4	%	92.7	%
Arbors on Forest Ridge	154,556	210	1/31/2014	$ 793	92.4	%	92.9	%
Cutter's Point	197,972	196	1/31/2014	$ 969	95.4	%	96.4	%
Eagle Crest	395,951	447	1/31/2014	$ 783	93.1	%	94.9	%
Meridian	148,200	200	1/31/2014	$ 803	94.5	%	95.0	%
Silverbrook	526,138	642	1/31/2014	$ 706	95.3	%	91.7	%
Timberglen	221,376	304	1/31/2014	$ 732	93.1	%	93.4	%
Toscana	115,400	192	1/31/2014	$ 641	94.3	%	93.2	%
The Grove at Alban	267,300	290	3/10/2014	$ 957	94.1	%	89.3	%
Willowdale Crossings	411,800	432	5/15/2014	$ 990	90.3	%	82.9	%
Edgewater at Sandy Springs	726,774	760	7/18/2014	$ 808	91.6	%	92.5	%
Beechwood Terrace	271,728	300	7/21/2014	$ 781	96.3	%	98.7	%
Willow Grove	229,140	244	7/21/2014	$ 755	94.3	%	94.7	%
Woodbridge	246,840	220	7/21/2014	$ 863	92.7	%	90.5	%
Abbington Heights	238,974	274	8/1/2014	$ 770	92.0	%	96.0	%
The Summit at Sabal Park	204,545	252	8/20/2014	$ 828	90.1	%	88.5	%
Courtney Cove	224,958	324	8/20/2014	$ 722	92.9	%	95.1	%
Colonial Forest	160,093	174	8/20/2014	$ 632	94.8	%	94.8	%
Park at Blanding	116,410	117	8/20/2014	$ 771	90.6	%	88.9	%
Park at Regency	134,253	159	8/20/2014	$ 753	93.7	%	91.2	%
Jade Park	118,392	144	8/20/2014	$ 732	93.1	%	96.5	%
Mandarin Reserve	449,276	520	9/15/2014	$ 704	92.5	%	95.4	%
Radbourne Lake	246,599	225	9/30/2014	$ 952	94.7	%	92.4	%
Timber Creek	248,391	352	9/30/2014	$ 719	93.5	%	93.2	%
Belmont at Duck Creek	198,279	240	9/30/2014	$ 863	95.0	%	93.8	%
The Arbors	127,536	140	10/16/2014	$ 772	91.4	%	92.1	%
The Crossings	377,840	380	10/16/2014	$ 742	94.7	%	94.7	%
The Crossings at Holcomb Bridge	247,982	268	10/16/2014	$ 760	95.9	%	93.7	%
The Knolls	311,160	312	10/16/2014	$ 818	92.3	%	95.2	%
Regatta Bay	200,440	240	11/4/2014	$ 994	93.8	%	96.3	%
Sabal Palm at Lake Buena Vista	370,768	400	11/5/2014	$ 1,087	91.8	%	95.0	%
	115,712	156	12/18/2014	$ 993	96.2	%	92.9	%

Southpoint Reserve at Stoney Creek								
Cornerstone	317,565	430	1/15/2015	$ 822	93.7	%	—	(3)
McMillan Place	290,051	402	1/15/2015	$ 666	91.8	%	—	(3)
Barrington Mill	692,180	752	2/6/2015	$ 740	94.1	%	—	(3)
Dana Point	206,276	264	2/26/2015	$ 738	93.6	%	—	(3)
Heatherstone	115,615	152	2/26/2015	$ 769	95.4	%	—	(3)
Versailles	300,908	388	2/26/2015	$ 775	92.5	%	—	(3)
Seasons 704 Apartments (FKA Bayberry Apartments)	216,891	222	4/15/2015	$ 972	92.3	%	—	(3)
Madera Point	192,880	256	8/5/2015	$ 758	94.9	%	—	(3)
The Pointe at the Foothills	472,952	528	8/5/2015	$ 825	87.5	%	—	(3)
	10,993,201	12,822						

(1) Average effective monthly rent per unit is equal to the average of (i) the contractual rent for commenced leases as of September 30, 2015 minus any tenant concession over the term of the lease, divided by (ii) the number of units under commenced leases as of September 30, 2015.

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(2) Percent occupied is calculated as (i) the number of units occupied as of September 30, 2015, and at December 31, 2014, divided by total number of units, expressed as a percentage.
(3) Properties acquired in 2015.

4. Real Estate Investments

As of September 30, 2015, the major components of the Company's investments in multifamily properties were as follows (unaudited):

Property	Land	Building and Improvements	Intangible Lease Assets	Construction in Progress	Furniture, Fixtures and Equipment	Totals
The Miramar Apartments	$ 1,580,000	$ 8,538,859	$ —	$ 51,108	$ 555,037	$ 10,725,004
Arbors on Forest Ridge	2,330,000	10,942,000	—	1,554	427,510	13,701,064
Cutter's Point	3,330,000	12,737,529	—	3,423	558,122	16,629,074
Eagle Crest	5,450,000	21,746,561	—	8,673	696,973	27,902,207
Meridian	2,310,000	10,320,352	—	12,145	359,172	13,001,669
Silverbrook	4,860,000	24,844,102	—	103,545	1,336,629	31,144,276
Timberglen	2,510,000	14,345,179	—	14,127	532,344	17,401,650
Toscana	1,730,000	7,232,068	—	14,329	454,921	9,431,318
The Grove at Alban						