BRT REALTY TRUST
Form 10-K
December 11, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

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

For the fiscal year ended September 30, 2015
Or

| | |
|---|---|
| o | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 |

Commission file number 001-07172
BRT REALTY TRUST
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Massachusetts | 13-2755856 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. employer identification no.) |
| 60 Cutter Mill Road, Great Neck, New York | 11021 |
| (Address of principal executive offices) | (Zip Code) |

516-466-3100
Registrant's telephone number, including area code
Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Shares of Beneficial Interest, $3.00 Par Value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:
NONE
(Title of Class)
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No ý
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 ý 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 S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer o | Accelerated filer ý | Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was approximately $58.4 million based on the last sale price of the common equity on March 31, 2015, which is the last business day of the registrant's most recently completed second quarter.

As of December 1, 2015, the registrant had 14,101,056 Shares of Beneficial Interest outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual meeting of shareholders of BRT Realty Trust to be filed not later than January 28, 2016 are incorporated by reference into Part III of this Form 10-K.

TABLE OF CONTENTS
Form 10-K

Table of Contents

Forward-Looking Statements

This Annual Report on Form 10-K, together with other statements and information publicly disseminated by us, contains certain forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends concerning matters that are not historical facts. Forward looking statements are generally identifiable by use of words such as "may," "will," "will likely result," "shall," "should," "could," "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions or variations thereof.

Forward-looking statements contained in this Annual Report on Form 10- K are based on our beliefs, assumptions and expectations of our future performance taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or within our control, and which could materially affect actual results, performance or achievements. Factors which may cause actual results to vary from our forward-looking statements include, but are not limited to:

- factors described in this Annual Report on Form 10-K, including those set forth under the captions "Risk Factors" and "Business";
- our acquisition strategy, which may not produce the cash flows or income expected;
- competition could adversely affect our ability to acquire properties;
- competition could limit our ability to lease apartments or retail space or increase or maintain rental income;
- losses from catastrophes may exceed all insurance coverage;
- a limited number of multi-family property acquisition opportunities acceptable to us;
- national and local economic and business conditions;
- general and local real estate property conditions;
- the condition of Fannie Mae or Freddie Mac, which could adversely impact us;
- our failure to comply with laws, including those requiring access to our properties by disabled persons, which could result in substantial costs;
- insufficient cash flows, which could limit our ability to make required payments on our debt obligations;
- an inability to renew, repay, or refinance our outstanding debt;
- limitation of credit by institutional lenders;
- impairment in the value of real estate property we own;
- failure of property managers to properly manage properties;
- disagreements with, or misconduct by, joint venture partners;
- changes in Federal government policies;
- increases in real estate taxes at properties we acquire due to such acquisitions or otherwise;
- changes in Federal, state and local governmental laws and regulations;
- changes in interest rates; and
- the availability of and costs associated with sources of capital and liquidity.

We caution you not to place undue reliance on forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. Except to the extent required by applicable law or regulation, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of the filing of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events.

Table of Contents

PART I

Item l. Business.

General

We are a real estate investment trust, also known as a REIT. During the past three years, we engaged in three principal business activities: the ownership, operation and development of multi-family properties; the ownership, operation and development of commercial, mixed use and other real estate assets; and real estate lending. Beginning in March 2012, we commenced and expanded our multi-family activities, and in 2014, we de-emphasized our real estate lending activities. As of November 1, 2014, we are no longer engaged in real estate lending and the financial information, including our consolidated financial statements included herein, have been reclassified to present our real estate lending activities as discontinued operations. See Note 1 to our consolidated financial statements.

Our multi-family property activities involve the ownership, operation and development, primarily through joint ventures in which we typically have an 80% equity interest, of such properties. We acquired five multi-family properties with 1,451 units in 2012, nine multi-family properties with 2,334 units in 2013, 13 multi-family properties with 4,184 units in 2014, four multi-family properties with 1,560 units in 2015 and, since October 1, 2015, two multi-family properties, with an aggregate of 507 units. During 2015, we sold three multi-family properties with an aggregate of 1,176 units for an aggregate gain of $14.3 million, of which $5.1 million was allocated to our joint venture partners. At September 30, 2015, we own 28 multi-family properties located in 11 states with an aggregate of 8,300 units and our equity investment in, and the net book value of, these properties is approximately $113.0 million and $604.9 million, respectively. At December 1, 2015, we own 30 multi-family properties (four of which are wholly owned) located in 11 states with an aggregate of 8,807 units.

We own, operate and develop various other real estate assets, the most significant of which are properties (including development properties) located in Newark, New Jersey. Since 2012, the joint venture that owns the Newark assets has obtained, through three financing phases, an aggregate of $93.1 million in debt financing and an aggregate of $31.4 million in New Markets Tax Credit proceeds to fund the construction of six buildings with an aggregate of 153,432 square feet of commercial space and 204 residential units. To date, four buildings have been completed, a fifth building is partially complete, 50% occupied and is expected to be completed in February 2016, and the sixth building is under construction and is expected to be completed by July 2016. At September 30, 2015, the net book value of the real property included in these other real estate assets was $152.0 million, including $141.4 million related to our Newark, New Jersey activities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Other Developments" for information regarding the possible (i) sale by BRT of its equity interest in the Newark Joint Venture and (ii) repayment of $19.5 million in principal amount of secured mortgage debt owed to BRT eliminated in consolidation.

Our real estate lending activities decreased during the past three years (i.e., $0, $5.5 million and $70.3 million of loan originations in 2015, 2014 and 2013, respectively) and we are no longer engaged in lending activities.

Information regarding our multi-family property and other real estate assets segments is included in Note 12 to our consolidated financial statements and is incorporated herein by this reference.

We were organized as a business trust under the laws of the Commonwealth of Massachusetts in June 1972. Our address is 60 Cutter Mill Road, Suite 303, Great Neck, New York 11021, telephone number 516-466-3100. Our website can be accessed at www.brtrealty.com, where copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings with the Securities and Exchange Commission, or SEC, can be obtained free of charge. These SEC filings are added to our website as soon as reasonably practicable.

Unless otherwise indicated or the context otherwise requires, all references to (i) "us", "we" or terms of like import refer to BRT Realty Trust and its consolidated subsidiaries and the term "BRT" refers to BRT Realty Trust and its wholly owned subsidiaries, (ii) a year (e.g., 2015) refer to the applicable fiscal year ended September 30th and (iii) the multi-family properties we owned or acquired in 2015 or thereafter and the residential units associated with such properties, include a development property in Greenville, SC, which contemplates the construction of 360 units (of which 190 units were completed as of December 1, 2015) and a development property in N. Charleston, SC, which contemplates the construction of 271 units, none of which, as of December 1, 2015, had been constructed.

2

Table of Contents

Our Multi-Family Property Activities

Generally, our multifamily properties are garden apartment, mid rise or town home style properties that provide residents with amenities, such as a clubhouse, swimming pool, laundry facilities and cable television access. Residential leases are typically for a one year term and may require security deposits equal to one month's rent. Substantially all of the units at these properties are leased at market rates and are not subject to rent control or similar requirements. Set forth below is selected information regarding our multi-family properties. Except as otherwise indicated in the notes to the table below, all of these properties are owned by joint ventures in which we have an 80% equity interest and our joint venture partner has a 20% equity interest

| Property Name and Location | Number of Units | Age(1) | Investment Date | Average Monthly Rental Rate per Occupied Unit 2015 (2)($) | Average Monthly Rental Rate per Occupied Unit 2014 (2)($) | Average Physical Occupancy in 2015 (%) (2) | Average Physical Occupancy in 2014(%) (2) |
|---|---|---|---|---|---|---|---|
| The Fountains Apartments—Palm Beach Gardens, FL | 542 | 44 | 3/22/2012 | 1,169 | 1,050 | 96.3 | 96.6 |
| Waverly Place Apartments—Melbourne, FL | 208 | 28 | 3/30/2012 | 798 | 722 | 94.0 | 95.9 |
| Madison at Schilling Farms—Collierville, TN | 324 | 15 | 6/20/2012 | 939 | 940 | 96.0 | 94.7 |
| Silvana Oaks Apartments—N. Charleston, SC(3) | 208 | 5 | 10/4/2012 | 998 | 970 | 93.6 | 93.4 |
| Grove at Trinity Pointe—Cordova, TN | 464 | 29 | 11/15/2012 | 738 | 716 | 95.1 | 95.4 |
| Avondale Station—Decatur, GA(3) | 212 | 61 | 11/19/2012 | 852 | 766 | 97.1 | 96.8 |
| Spring Valley Apartments—Panama City, FL | 160 | 28 | 1/11/2013 | 807 | 760 | 96.9 | 95.2 |
| Stonecrossing Apartments—Houston, TX(3) | 240 | 37 | 4/19/2013 | 884 | 856 | 93.5 | 94.3 |
| Courtney Station—Pooler, GA | 300 | 7 | 4/29/2013 | 971 | 935 | 94.9 | 93.4 |
| Pathways—Houston, TX(3) | 144 | 36 | 6/7/2013 | 886 | 823 | 92.6 | 93.7 |
| Autumn Brook Apartments—Hixon, TN(3) | 156 | 26 | 6/25/2013 | 756 | 746 | 95.1 | 95.4 |
| Mountain Park Estates—Kennesaw, GA(3) | 450 | 13-16 | 9/25/2013 | 996 | 918 | 94.2 | 93.6 |
| Ashwood Park — Pasadena, TX(4) | 144 | 31 | 10/15/2013 | 696 | 642 | 96.5 | 87 |
| Meadowbrook Apartments—Humble, TX(4) | 260 | 33 | 10/15/2013 | 705 | 641 | 95.0 | 94.2 |
| Parkside Apartments—Humble, TX(4) | 160 | 32 | 10/15/2013 | 734 | 669 | 95.5 | 93.8 |
| Brixworth at Bridge Street—Huntsville, AL | 208 | 30 | 10/18/2013 | 655 | 650 | 93.7 | 85.5 |
| Newbridge Commons—Columbus, OH(3) | 264 | 16 | 11/21/2013 | 729 | 691 | 95.4 | 90.6 |
| Southridge—Greenville, SC(3)(5) | 360 | N/A | 1/14/2014 | N/A | N/A | N/A | N/A |
| Waterside at Castleton—Indianapolis, IN | 400 | 32 | 1/21/2014 | 621 | 609 | 92.1 | 90.7 |
| Crossings of Bellevue—Nashville, TN(4) | 300 | 30 | 4/2/2014 | 955 | 907 | 97.1 | 97.7 |
| Village Green—Little Rock, AK(4) | 172 | 30 | 4/2/2014 | 552 | 552 | 94.1 | 96.7 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Sundance—Wichita, KS(4) | 496 | 16 | 4/2/2014 | 551 | 541 | 96.3 | 97 |
| Sandtown Vista—Atlanta, GA | 350 | 5 | 6/26/2014 | 847 | 817 | 95.4 | 92.8 |
| Landmark at Kendall Manor—Houston, TX | 272 | 34 | 7/8/2014 | 796 | 769 | 94.4 | 91.2 |
| Avalon Apartments—Pensacola, FL(3) | 276 | 7 | 12/22/2014 | 912 | N/A | 90.9 | N/A |
| Apartments at Venue—Valley, AL(3) | 618 | 4 | 7/27/2015 | 715 | N/A | 93.4 | N/A |
| Parkway Falls—San Marcos, TX | 192 | 1 | 9/10/2015 | 625 | N/A | 95.3 | N/A |
| Cedar Lakes - Lake St. Louis, MO | 420 | 29 | 9/25/2015 | 715 | N/A | 93.4 | N/A |
| Factory at GARCO Park—N. Charleston, SC(6) | 271 | N/A | 10/13/2015 | N/A | N/A | N/A | N/A |
| Woodland Trails—LaGrange, GA | 236 | 6 | 11/18/2015 | 849 | N/A | 96.2 | N/A |
| Total | 8,807 | | | | | | |

(1)Reflects the approximate age of the property based on the year original construction was completed.

(2)Gives effect to rent concessions. Average physical occupancy and monthly rental rate per unit reflects our period of ownership.

(3) We own a 91%, 91%, 75%, 50%, 74%, 98% and 61.3% equity interest in the joint ventures which own the Stonecrossing Apartments, Pathways, Autumn Brooks Apartments, Mountain Park Estates, Southridge, Avalon Apartments and

Table of Contents

Apartments at Venue, respectively. We are the sole owner of Silvana Oaks Apartments, Avondale Station, Newbridge Commons and Woodland Trails.

(4) Ashwood Park, Meadowbrook Apartments and Parkside Apartments are owned by one joint venture, Crossings of Bellevue, Village Green and Sundance are owned by one joint venture, Waverly Place Apartments and The Fountains Apartments are owned by one joint venture and Stonecrossing Apartments and Pathways are owned by one joint venture.

(5) This joint venture is developing a 360 unit multi-family property with ground floor retail of approximately 10,000 square feet. As of December 1, 2015, 141 units are occupied and we anticipate the balance of the residential units and the retail space will be available for occupancy by late January 2016.

(6) This joint venture is developing a 271 unit multi-family property. We anticipate that this project will be completed in stages from December 2016 to July 2017.

The following table set forth certain information, presented by state, related to our properties as of December 1, 2015 (dollars in thousands):

| State | Number of Properties | Number of Units | Estimated 2016 Revenue(1) | Percent of 2016 Estimated Revenue | |
|---|---|---|---|---|---|
| Texas | 7 | 1,412 | $17,487 | 21 | % |
| Georgia | 5 | 1,548 | 14,488 | 17 | % |
| Tennessee | 4 | 1,244 | 12,881 | 15 | % |
| Florida | 4 | 1,186 | 11,743 | 14 | % |
| Kansas | 1 | 496 | 3,406 | 4 | % |
| South Carolina(2) | 3 | 839 | 6,979 | 8 | % |
| Ohio | 1 | 264 | 2,331 | 3 | % |
| Indiana | 1 | 400 | 2,988 | 3 | % |
| Alabama | 2 | 826 | 7,469 | 9 | % |
| Missouri | 1 | 420 | 4,393 | 5 | % |
| Arkansas | 1 | 172 | 1,122 | 1 | % |
| Total | 30 | 8,807 | $85,287 | 100 | % |

(1) Reflects our estimate of the rental and other revenues to be generated in 2016 by our multi-family properties located in such state.

(2) Includes our Greenville and N. Charleston, SC development projects.

Joint Venture Arrangements

The arrangements with our multi-family property joint venture partners are deal specific and vary from transaction to transaction. Generally, these arrangements provide for us and our partner to receive net cash flow available for distribution in the following order of priority (and in certain cases, we are entitled to these distributions on a senior or preferential basis):

- a preferred return of 10% on each party's unreturned capital contributions, until such preferred return has been paid in full,
- the return in full of each party's capital contribution,
- 35% to our partner, and the balance to us, until an internal rate of return of 15% has been achieved by us, and
- thereafter, shared equally between us and our venture partner.

Though, as noted above, each joint venture operating agreement contains different terms, such agreements generally provide for a buy-sell procedure under specified circumstances (including (i) after the passage of time (e.g., two years after the acquisition), (ii) if the partners are unable to agree on major decisions, (iii) upon a change in control of our subsidiary owning the interest in the joint venture, or (iv) one or more of the foregoing). Further, these arrangements may also allow us, and in some cases, our joint venture partner, to force the sale of the property after it has been owned by the joint venture for a specified period (e.g., four to five years after the acquisition).

Our Acquisition Process and Underwriting Criteria

We identify multi-family property acquisition opportunities primarily through relationships developed over time by our officers with our former borrowers, current joint venture partners, real estate investors and brokers.

Table of Contents

Our current goal is to acquire properties with cap rates ranging from 5.25% to 6.25% and that will provide stable risk adjusted total returns (i.e., operating income plus capital appreciation). In identifying opportunities that will achieve such goal, we seek acquisitions that will achieve an approximate 6% to 10% annual return on invested cash and an internal rate of return of approximately 9% to 20%. We have also focused, but have not limited ourselves, to acquiring properties located in the South and in particular, the Southeast and Southwest United States. Subject to the foregoing, we are opportunistic in pursuing multi-family property acquisitions and do not mandate any specific acquisition criteria, though we take the following into account in evaluating an acquisition opportunity: location, size of the target market, property quality, availability and terms and conditions of long term fixed rate mortgage debt, potential for capital appreciation or recurring income, extent and nature of contemplated capital improvements and property age. We generally acquire properties with a joint venture partner with knowledge and experience in owning and operating multi-family properties in the target market as this enhances our understanding of such market and assists us in managing our risk with respect to a particular acquisition.

Approvals of the acquisition of a multi-family property are based on a review of property information as well as other due diligence activities undertaken by us and, as applicable, our venture partner. Those activities include a consideration of economic, demographic and other factors with respect to the target market and sub-market (including the stability of its population and the potential for population growth, the economic and employment base, presence of and barriers to entry of alternative housing stock, market prices for comparable properties, the competitive positioning of the proposed acquisition and the regulatory environment (i.e. applicable rent regulation)), a review of an independent third party property condition report, a Phase I environmental report with respect to the property, a review of recent and projected results of operations for the property prepared by the seller, us or our joint venture partner, an assessment of our joint venture partner's knowledge and expertise with respect to the acquisition and operation of multi-family properties and the relevant market and sub-market, a site visit to the property and the surrounding area, an inspection of a sample of units at the property, the potential for rent increases and the possibility of enhancing the property and the costs thereof. To the extent a property to be acquired requires renovations or improvements, or if we and our joint venture partner believe that improving a property will generate greater rent, funds are generally set aside by us and our joint venture partner at the time of acquisition to provide the capital needed for such renovation and improvements. At September 30, 2015, we have approximately $6.5 million to fund improvements at our multi-family properties.

A key consideration in our acquisition process is the evaluation of the availability of mortgage debt to finance the acquisition (or the ability to assume the mortgage debt on the property) and the terms and conditions (e.g. interest rate, amortization and maturity) of such debt. Typically, approximately 25% to 35% of the purchase price is paid in cash and the balance is financed with mortgage debt. We believe that the use of leverage of up to 75% allows us the ability to earn a greater return on our investment than we would otherwise earn. Generally, the mortgage debt obtained in connection with an acquisition matures five to ten years thereafter, is interest only for one to three years after the acquisition, and provides for a fixed interest rate and for the amortization of the principal of such debt over 30 years.

Before a property is acquired, the acquisition must be reviewed and approved by our investment committee. Approval occurs after the assent of not less than four of the seven members of this committee, all of whom are our executive officers. The approval of our board of trustees is required for any single multi-family property acquisition in which our equity investment exceeds $15 million.

We are partners in two multi-family development opportunities with the same joint venture partner or its affiliates. We pursue these opportunities when we believe the potential higher returns justify the additional risks. The factors considered in pursuing these opportunities generally include the factors considered in evaluating a standard acquisition opportunity, and we place additional emphasis on our joint venture partner's ability to execute a development project. Though we may from time-to-time pursue other development activities, we do not anticipate they will constitute a significant part of our portfolio.

Property Sales

We monitor our portfolio to identify appropriate disposition candidates. Factors considered in deciding whether to dispose of a property generally include our evaluation of the current market price of such property compared to projected economics for such property and adverse changes in the factors considered in acquiring such property. In

February 2015, we sold Water Vista Apartments, Lawrenceville, GA, recognizing a gain of $2.7 million, and in July 2015, we sold our Ivy Ridge Apartments, Marietta,GA, and The Palms on Westheimer Apartments, Houston, TX, recognizing gains of $7.8 million and $3.8 million, respectively. We have entered into a contract to sell Grove at Trinity Pointe and at September 30, 2015, this property is reflected on our consolidated balance sheet as held for sale. We estimate that the gain from such sale will be approximately $6.8 million. and the amount of such gain to be allocated to the non-controlling interest is $2.7 million

Table of Contents

Property Management

The day-to-day management of our multi-family properties is overseen by property management companies operating in the market in which the property is located. Some of these management companies are owned by our joint venture partners or their affiliates. Generally, we can terminate these management companies upon specified notice or for cause, subject to the approval of the mortgage lender and, in some cases, our joint venture partner. We believe satisfactory replacements for property managers are available, if required.

Insurance

The multi-family properties are covered by all risk property insurance covering 100% of the replacement cost for each building and business interruption and rental loss insurance (covering up to twelve months of loss). On a case-by-case basis, based on an assessment of the likelihood of the risk, availability of insurance, cost of insurance and in accordance with standard market practice, we obtain earthquake, windstorm, flood, terrorism and boiler and machinery insurance. We carry comprehensive liability insurance and umbrella policies for each of our properties which provide no less than $5 million of coverage per incident. We request certain extension of coverage, valuation clauses, and deductibles in accordance with standard market practice and availability.

Although we may carry insurance for potential losses associated with our multi-family properties, we may still incur losses due to uninsured risks, deductibles, co-payments or losses in excess of applicable insurance coverage and those losses may be material. In addition, certain insurance coverage is part of blanket policies in which a loss on an unrelated property could affect the coverage limits on a joint venture property.

Mortgage Debt

The following table sets forth scheduled principal (including amortization) mortgage payments due for our multi-family properties as of September 30, 2015:

| YEAR | PRINCIPAL PAYMENTS DUE (Amounts in Thousands) |
|---|---|
| 2016 | $5,635 |
| 2017 | 7,249 |
| 2018 | 8,027 |
| 2019 | 142,385 |
| 2020 | 43,169 |
| Thereafter | 267,181 |
| Total | $473,646 |

As of September 30, 2015, the weighted average annual interest rate of the mortgage debt on our 28 multi-family properties is 3.99% and the weighted average remaining term of such debt is approximately 6.5 years. The mortgage debt associated with our multi-family properties is generally non-recourse to (i) the joint venture that owns the property, subject to standard carve-outs and (ii) to us and our subsidiary acquiring the equity interest in such joint venture. We, at the parent entity level (i.e., BRT Realty Trust), are the standard carve-out guarantor with respect to the Avalon, Silvana Oaks,Woodland Trails, Stonecrossing, Pathway and Avondale properties. (The term "standard carve-outs" refers to recourse items to an otherwise non-recourse mortgage and are customary to mortgage financing. While carve-outs vary from lender to lender and transaction to transaction, the carve-outs may include, among other things, a voluntary bankruptcy filing, environmental liabilities, the sale, financing or encumbrance of the property in violation of loan documents, damage to property as a result of intentional misconduct or gross negligence, failure to pay valid taxes and other claims which could create a lien on a property and the conversion of security deposits, insurance proceeds or condemnation awards.) At September 30, 2015, the principal amount of mortgage debt outstanding with respect to the properties at which we are the carve-out guarantor is approximately $66 million.

Our Other Real Estate Assets and Activities

Newark Joint Venture

Other Developments

See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Other Developments" for information regarding the possible sale by BRT of its equity interest in the Newark Joint Venture and the possible repayment of $19.5 million in principal amount of secured mortgage debt owed to BRT eliminated in consolidation.

Table of Contents

Background

Two of our wholly-owned subsidiaries are members of a joint venture, which we refer to as the Newark Joint Venture, with two members that are not affiliated with us. The Newark Joint Venture owns several properties (including development sites) in downtown Newark, NJ. The properties are surrounded by a variety of governmental, educational, cultural and entertainment institutions and facilities. In close proximity to these properties are the Newark campus of Rutgers University, the New Jersey Institute of Technology, University of Medicine and Dentistry of New Jersey, Essex County College, Seton Hall Law School, the New Jersey Performing Arts Center, the Prudential Arena (home of the National Hockey League New Jersey Devils), the Essex County Court Complex, Newark's City Hall and a Federal Courthouse. These properties are within walking distance of Newark Penn Station, which provides access to Amtrak and New Jersey Transit trains and are accessible to local bus routes. The properties are served by various highways, including the Garden State Parkway, Interstate-95, Interstate-78 and Interstate-280.

In 2007, immediately prior to the formation of the Newark Joint Venture, we held loans aggregating approximately $38 million, secured by substantially all of the properties conveyed to the Newark Joint Venture by our borrowers. We entered into loan work-out negotiations with our borrowers and, as a result of such negotiations, entered into the Newark Joint Venture. In connection with the work-out of our loans and the formation of the Newark Joint Venture, our loans were converted into a consolidated mortgage loan of $27 million with the balance of our loans converted into a $6.9 million preferred capital account interest and a 50.1% membership interest in the Newark Joint Venture, providing us with a separate capital account of $3.9 million. The other members caused all the properties secured by our loans, and additional properties (unencumbered by our loans) and contract rights to acquire additional properties, all located in downtown Newark, NJ, to be contributed to the Newark Joint Venture for which the other members received a 49.9% membership interest in the Newark Joint Venture (with a separate capital account of $3.9 million).

The Newark Joint Venture is in the process of redeveloping the Teachers Village site and intends to redevelop all or a portion of the remaining sites, particularly the Market Street site, with personnel hired by the Newark Joint Venture, with other development partners (including adjacent property owners that may be interested in redeveloping several of such properties at the same time) or sell some of its sites to developers or end users. Although we own only a 50.1% membership interest in the Newark Joint Venture, in accordance with generally accepted accounting principles in the United States, the assets, liabilities and results of operations of the Newark Joint Venture are consolidated with our financial statements. Accordingly, our consolidated balance sheets at September 30, 2015, include, as real estate properties, $141.4 million net book value of real estate owned and being developed by the Newark Joint Venture and, as mortgages payable, mortgage debt of $110.4 million incurred by the Newark Joint Venture. BRT's $19.5 million mortgage loan to the Newark Joint Venture (which is secured by all of the real estate assets of the Newark Joint Venture other than the Teachers Village properties and the Broad Street properties), is eliminated in consolidation and is not recorded on our consolidated balance sheet.

The Newark Joint Venture believes that the properties owned by it have adequate insurance coverage for their current use.

Current Property Information

Except as otherwise noted below, the following table sets forth as of September 30, 2015, information regarding the properties owned by the Newark Joint Venture (dollars in thousands):

| Assemblage or Property | Type of Property | Rentable Square Feet | Annual Real Estate Taxes | Projected 2016 Contractual Rental Income(1) | Number of Tenants | Percent Leased(2) | Mortgage Debt(3) |
|---|---|---|---|---|---|---|---|
| Market Street(4) | Office and retail | 303,126 | $492 | $ 407 | 16 | 36 % | $900 |
| Teachers Village(5) | Mixed | 143,358 (6) | 334 | 1,565 (6) | 7 (6) | 66 (6) | 103,964 |
| Broad Street | School and retail | 47,564 | 346 | 1,058 | 2 | 100 | 5,508 |
| Beaver Street | Retail | 8,160 | 11 | — | — | — | — |
| Lincoln Park | Parking | 79,063 | 55 | 21 | 2 | 100 | — |

(1) Refers to the fixed rental payments payable pursuant to such leases in 2016.

(2) Based on square footage.

Table of Contents

(3) See note 5 of our consolidated financial statements. Excludes $19.5 million in principal amount mortgage debt payable to BRT by the Newark Joint Venture which is eliminated in consolidation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Other Developments" for information about the possibility that such debt will be paid off.

(4) Leases representing substantially all of the leased space of the Market Street development are month-to-month or have cancellation, relocation or demolition provisions. Many of these leases are at below market rental rates.

(5) Includes five buildings - two buildings with an aggregate of 113,903 square feet of commercial space (25,070 and 88,833 square feet of retail space and school space, respectively) were completed in July 2013 as part of Phase I, two buildings (one completed in each of September 2014 and December 2014) with an aggregate of 61 residential units and 13,080 square feet of retail space,constructed as part of Phase II, and a partially completed building with an aggregate of 62 units (of which 30 units are occupied) and 16,375 square feet of retail space constructed as part of Phase II. See "—Information and Activities Relating to Development and Other Sites" for a description of Phases I through III of the Teachers Village project.

(6) Excludes (i) the 123 residential units constructed and to be constructed as part of Phase II, (ii) the building to be constructed in Phase III and (iii) two parcels aggregating approximately 60,000 square feet that are currently used as parking lots and may be developed in the future.

The following table sets forth as of September 30, 2015, a schedule of the annual lease expirations of the Newark Joint Venture's commercial real estate assets and the anticipated contributions to 2016 contractual rental income, assuming that none of the tenants exercise renewal or cancellation options, if any (dollars in thousands):

| Lease Expiration | Number of Leases Expiring(1) | Square Footage of Leases Expiring | Percentage of Total Leased Square Feet | | Projected 2016 Contractual Rental Income(1) | Projected % of 2016 Contractual Rental Income(1) | |
|---|---|---|---|---|---|---|---|
| Month-to-month | 13 | 164,577 | 50 | % | $224 | 7 | % |
| 2016 | 2 | 7,890 | 2 | | 43 | 2 | |
| 2017 | 1 | 6,214 | 2 | | 144 | 4 | |
| 2018 | 1 | 5,260 | 2 | | 48 | 2 | |
| 2019 | — | — | — | | — | — | |
| 2020 | 1 | 5,260 | 2 | | 68 | 2 | |
| 2021 | 2 | 5,485 | 2 | | 58 | 2 | |
| 2022 | — | — | — | | — | — | |
| 2023 | — | — | — | | — | — | |
| 2024 | 1 | 1,800 | — | | 54 | 2 | |
| 2025 and thereafter | 6 | 134,283 | 40 | | 2,412 | 79 | |
| Total | 27 | 330,769 | 100 | % | $3,051 | 100 | % |

(1) Assumes all month-to-month tenants remain in occupancy for all of 2016.

Information and Activities Relating to Development and Other Sites

Set forth below is information regarding the Newark Joint Venture's most significant properties.

Teachers Village

The Teachers Village site encompasses an area bounded by Branford Street to the north, Treat Place to the east, Hill Street to the south and Washington Street to the west, and is adjacent to Halsey Street. From 2012 through 2014, the Newark Joint Venture obtained, in three phases, financing of approximately $93.1 million, which together with

$31.4 million of New Markets Tax Credit net proceeds is, after payment of transaction expenses and payment of approximately $19.1 million of principal and accrued interest on debt, has and is being used to construct six buildings.

8

Table of Contents

The first financing phase, which we refer to as Phase I, was used to fund the construction of two buildings with an aggregate of 113,903 rentable square feet—these buildings were completed in August/September 2013. Approximately 88,833 square feet is leased to three charter schools and a day-care center.
The second financing phase, which we refer to as Phase II, will result in, upon completion of construction, three buildings containing approximately 123 residential rental units and approximately 29,140 square feet of retail space. One building containing 21 residential units and 3,980 square feet of retail space was completed in August 2014, and the second building, containing 40 residential units and 9,100 square feet of retail space, was completed in December 2014. (The retail space at these buildings require build-out. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Newark Joint Venture"). We anticipate the third building, which contains 62 residential units of which 30 are occupied, will be completed by February 2016.
The third financing phase, which we refer to as Phase III, contemplates the construction of an 82,547 square feet mixed-use space which will consist of a (i) 48,772 square foot commercial condominium unit including 10,453 square feet of retail space and 42 residential units, which we refer to as the Commercial Condo, and (ii) 33,775 square feet residential condominium unit including 39 residential units, which we refer to as the Residential Condo. The Residential Condo is owned by the Newark Joint Venture and the Commercial Condo is owned by certain indirect members of the Newark Joint Venture other than BRT; however, the owners of the Commercial Condo have agreed to distribute to the Newark Joint Venture any net distributable proceeds (i.e., cash flow and residual capital event proceeds after any necessary funds are expended on debt service, reserves and operating expenses) they receive as owners of the Commercial Condo. It is anticipated that this building will be completed by July 2016.

Residential Leasing Activity at Teachers Village

At December 1, 2015, the 91 available residential units constructed to date are occupied and we anticipate the remaining 32 units will be completed and leased by February 2016. We estimate that in 2016, the rental income from these 123 units will be approximately $1.9 million.

Commercial Leasing Activity at Teachers Village

At December 1, 2015, of the approximately 126,983 square feet of commercial space at the four completed buildings, approximately 95,218 square feet is leased to three charter schools, a day care center and and three retail tenants. In addition, the Newark Joint Venture has entered into leases with 11 tenants with respect to 18,466 square feet of retail space at these buildings; however, the tenants' obligations to take possession and pay rent is subject to the achievement of certain conditions, including the completion of landlord and tenant work and third party financing to fund a portion of such work. We can give no assurance that these conditions will be satisfied. If these conditions are not achieved by the dates specified in the applicable leases, certain tenants may be entitled to terminate their leases. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Newark Joint Venture".

Market Street

The Market Street site is an approximately 68,000 square foot site, currently representing approximately 303,000 rentable square feet. The site is bounded by Market Street, Campbell Street, Washington Street and University Avenue in downtown Newark, New Jersey. Potential redevelopment opportunities with respect to this site include an office complex with a retail component, a medical office complex containing offices, research laboratories and other medical related services, a retail center, a hotel, corporate headquarters, university offices, classrooms and/or dormitories, or a combination of one or more of these uses. The Newark Joint Venture may redevelop this site for its own account. Alternatively, the Newark Joint Venture may enter into a joint venture with a development partner or sell all or portions of the site. Although there have been discussions with various parties concerning the development of the Market Street area, the Newark Joint Venture has not entered into any material agreements concerning the redevelopment of all or any portion of the site and there is no assurance that it will be able to conclude any such arrangement or obtain the financing necessary to proceed with any arrangement which it may conclude.

Table of Contents

Mortgage Debt

The following table sets forth scheduled principal (including amortization) mortgage payments due for the Newark Joint Venture as of September 30, 2015:

| YEAR | PRINCIPAL PAYMENTS DUE | |
|---|---|---|
| | (Amounts in Thousands) | |
| 2016 | $1,892 | |
| 2017 | 2,522 | |
| 2018 | 2,710 | (1 ) |
| 2019 | 23,845 | |
| 2020 | 8,537 | |
| Thereafter | 70,867 | |
| Total | $110,373 | |

(1) Assumes that if the note holder of the Qualified School Construction Bonds exercises its right, beginning in 2018, to require the subsidiaries of the Newark Joint Venture to repurchase $22.7 million of principal amount of such debt, such subsidiaries would refinance such debt on terms substantially equivalent to the terms currently in effect.

At September 30, 2015, the $110.4 million of outstanding debt related to the Newark Joint Venture (of which approximately $104.0 million is related to Teachers Village), carries a weighted average effective interest rate (after giving effect to an annual subsidy of $1.0 million from the United States Department of Treasury), of approximately 4.53%, a weighted average remaining term of 10.5 years and is secured by the Teachers Village, Broad Street and Market Street properties. This debt is generally non-recourse to (i) BRT and (ii) except as otherwise indicated below, the Newark Joint Venture. In connection with Phases I through III, the Newark Joint Venture guaranteed, among other things, up to $27 million in principal amount of mortgage debt, which guarantees generally only expire after satisfaction of performance thresholds relating to the leasing and occupancy of these facilities within specified periods, losses incurred by the lenders by reason of the borrower's bad acts (e.g., fraud or misappropriation), the failure to complete construction of the six buildings to be constructed (four of which have been constructed) and the carrying costs with respect to certain properties. The Newark Joint Venture has also agreed to provide indemnity with respect to specified environmental matters, violations of the Americans with Disabilities Act and similar laws and to indemnify the beneficiaries of the New Markets Tax Credits for losses sustained if such credits are disallowed. We estimate that the New Markets Tax Credit indemnity obligation would not exceed $33 million (exclusive of interest and penalties) and is subject to reduction to the extent the credits are not disallowed.

Terms of the Newark Joint Venture Operating Agreement

The following is a summary of the material provisions of the amended and restated limited liability company operating agreement of the Newark Joint Venture:

Membership Interests. We own 50.1% of the membership interests in the Newark Joint Venture, and the other members (collectively, the "Other Member") own 49.9% of the membership interests in the Newark Joint Venture.

Manager. An affiliate of the Other Member is the manager of the Newark Joint Venture and is responsible for the day-to-day management activities of the Newark Joint Venture, but our consent is required for all major decisions affecting the Newark Joint Venture and its properties. Under specified circumstances, we may remove the manager immediately or upon six months advance written notice.

Mandatory Capital Calls. Members are generally required to make pro rata capital contributions to the Newark Joint Venture for any projected budget shortfalls.

Buy-Sell. During specified periods and circumstances, either member group may provide the other member group with written notice setting forth the amount they will pay to purchase all of the assets of the Newark Joint Venture. The member group which receives such notice has the option to (i) sell their membership interests in the Newark Joint Venture to the other members for their pro rata portion of the asset purchase price set forth in the written notice, or

(ii) purchase the other members' membership interests in the Newark Joint Venture for their pro rata portion of the asset purchase price set forth in the written

10

Table of Contents

notice. If the acquirer is the Other Member, then the Other Member is required to, among other things, pay in full our mortgage and our preferred equity interest at closing.

Right of First Refusal and Tag-along Rights.    At any time, either member group may provide the other member group with written notice setting forth the sale price at which it desires to sell all or a portion of its membership interests. The member group which received such notice may purchase the offered membership interests at the price set forth in the notice. If they do not elect to purchase the membership interest in accordance with the terms of the notice, the offering members may secure another person to purchase its offered membership interests within 180 days. The group of members which received the sale notice may tag-along in a sale to such other person and sell their pro rata portion of the membership interests.

Distributions.    The Newark Joint Venture may not distribute any cash flow to its members until the $19.5 million balance due on our loan (eliminated in consolidation on our financial statements) has been fully repaid, including accrued interest. Once it has been fully repaid, the cash flow of the Newark Joint Venture will generally be distributed as follows: (i) first, to each member pro rata in an amount equal to their unreturned additional capital contributions, (ii) second, to us, until we receive a 10% return on our preferred capital contributions, (iii) third, to us until we receive an amount equal to our preferred capital contributions, (iv) fourth, to each member pro rata until such member receives a 10% return on their additional capital contributions, (v) fifth, to the members pro rata an amount equal to their common capital contributions, and (vi) the remainder shall be distributed as follows: (a) 10% to the managing member, and (b) 90% pro rata to the Other Members.

Manager of the Newark Joint Venture

The manager of the Newark Joint Venture is RBH Group LLC; its managing member and President is Ron Beit-Halachmy. Mr. Beit-Halachmy, 43 years of age, has over 20 years of experience in the real estate industry and has been involved for more than ten years in acquiring sites in Newark, New Jersey. He was the managing member of the entities which acquired all of the real property currently owned by the Newark Joint Venture. Mr. Beit-Halachmy earned a BA in Economics from the University of Wisconsin and a law degree from New York Law School. The Newark Joint Venture carries key man life insurance on Mr. Beit-Halachmy in the amount of $40 million.

Other Real Estate Assets

We also own the following properties with an aggregate net book value of $10.5 million at September 30, 2015:

- an 8.7 acre vacant parcel of land in South Daytona Beach, Florida,

- 17 cooperative apartments, 15 of which are rent controlled or rent stabilized, in two buildings in upper Manhattan, New York, and

- a subordinated leasehold interest in a portion (approximately 29% of a 99,000 square foot facility) of a shopping center in Yonkers, NY.

In addition, we have a 50% equity interest in an unconsolidated joint venture that owns an aggregate of 19 cooperative apartment units located in Lawrence, New York.

Our Real Estate Lending Activities

Though we are no longer engaged in real estate lending, we present, for historical purposes, the following information regarding such activities for the periods indicated:

| | Year Ended September 30, | | |
|---|---|---|---|
| (Dollars in Thousands) | 2015 | 2014 | 2013 |
| Loans originated | $— | $5,533 | $70,300 |
| Loans repaid | — | 34,045 | 76,900 |
| Loan sold | 2,000 | — | — |

Table of Contents

Corporate Level Financing Arrangement

Junior Subordinated Notes

As of September 30, 2015, $37.4 million in principal amount of our junior subordinated notes is outstanding. These notes mature in April 2036, are redeemable at any time at our option, contain limited covenants and bear interest at the rates set forth below:

| Interest Period | Interest Rate | |
|---|---|---|
| August 1, 2012 through April 29, 2016 | 4.9 | % |
| April 30, 2016 through April 30, 2036 | 3 month LIBOR + 2.00% | |

Competition

We compete to acquire real estate assets and in particular, multi-family properties, with other owners and operators of such properties including other multi-family REITs, pension and investment funds, real estate developers and private real estate investors. Competition to acquire such properties is based on price and ability to secure financing on a timely basis and complete an acquisition. To the extent that a potential joint venture partner introduces us to a multi-family acquisition opportunity, we compete with other sources of equity capital to participate in such joint venture based on the financial returns we are willing to offer such potential partner and the other terms and conditions of the joint venture arrangement. We also compete for tenants at our multi-family properties—such competition depends upon various factors, including alternative housing options available in the applicable sub-market, rent, amenities provided and proximity to employment and quality of life venues.

The Newark Joint Venture competes for funding, and in particular, tax credit allocations and financing provided by governmental and quasi-governmental sources, with other real estate developers. It competes for commercial, retail, residential and educational tenants with landlords owning properties in Newark, New Jersey and the surrounding area and developers interested in developing facilities in Newark or the surrounding area.

Many of our competitors possess greater financial and other resources than we possess.

Environmental Regulation

We are subject to regulation at the federal, state and municipal levels and are exposed to potential liability should our properties or actions result in damage to the environment or to other persons or properties. These conditions include the presence or growth of mold, potential leakage of underground storage tanks, breakage or leaks from sewer lines and risks pertaining to waste handling. The potential costs of compliance, property damage restoration and other costs for which we could be liable or which could occur without regard to our fault or knowledge of such conditions, are unknown and could potentially be material.

In the course of acquiring and owning multi family properties, we or our joint venture partner engage an independent environmental consulting firm to perform a level 1 env