

Edgar Filing: BRT REALTY TRUST - Form 10-K

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

FORM 10-K  
(Mark One)

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

For the fiscal year ended September 30, 2015

Or

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

(State or other jurisdiction of  
incorporation or organization)

60 Cutter Mill Road, Great Neck, New York

(Address of principal executive offices)

516-466-3100

Registrant's telephone number, including area code

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

Title of each class

Shares of Beneficial Interest, \$3.00 Par Value

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  No

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

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

Indicate by check mark whether the registrant has submitted electronically 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  No

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

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

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

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.

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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.

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PART I

Item 1. 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.brtherealty.com](http://www.brtherealty.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.



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## 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		