UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

or

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

For the transition period from __________ to __________

Commission File Number 000-54369

Resource Real Estate Opportunity REIT, Inc.
(Exact name of registrant as specified in its charter)

Maryland	**27-0331816**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1845 Walnut Street, 18th Floor, Philadelphia, PA 19103
(Address of principal executive offices) (Zip code)

(215) 231-7050
(Registrant's 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 ☑ 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 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company., or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐		Accelerated filer	☐
Non-accelerated filer	☑	(Do not check if a smaller reporting company)	Smaller reporting company	☐
			Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 8, 2017, there were 71,748,329 outstanding shares of common stock of Resource Real Estate Opportunity REIT, Inc.

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RESOURCE REAL ESTATE OPPORTUNITY REIT, INC.

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Forward-Looking Statements

Certain statements included in this Quarterly Report on Form 10-Q are forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "could," "estimate," "expects," "intend," "may," "plan," "potential," "project," "should," "will" and "would" or the negative of these terms or other comparable terminology. Actual results may differ materially from those contemplated by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances after the date of this report, except as may be required under applicable law.

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RESOURCE REAL ESTATE OPPORTUNITY REIT, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	September 30, 2017	December 31, 2016
	(unaudited)	
ASSETS		
Investments:		
Rental properties, net	$ 966,576	$ 902,454
Other investments	778	769
Identified intangible assets, net	1,937	1,855
Total investments	969,291	905,078
Cash	151,384	114,842
Restricted cash	12,249	10,277
Due from related parties	280	1,375
Tenant receivables, net	303	89
Deposits	231	262
Prepaid expenses and other assets	2,312	2,351
Goodwill	670	711
Total assets	$ 1,136,720	$ 1,034,985
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable, net	$ 769,306	$ 622,152
Accounts payable	905	1,125
Accrued expenses and other liabilities	7,360	6,738
Accrued real estate taxes	9,935	7,262
Due to related parties	873	2,055
Tenant prepayments	1,139	1,069
Security deposits	2,592	2,565
Total liabilities	$ 792,110	$ 642,966
Equity:		
Preferred stock (par value $.01; 10,000,000 shares authorized, none issued)	—	—
Common stock (par value $.01; 1,000,000,000 shares authorized; 76,845,782 and 74,975,022 shares issued, respectively; and 71,543,818 and 72,006,589 shares outstanding, respectively)	715	720
Convertible stock (“promote shares”; par value $.01; 50,000 shares authorized, issued and outstanding)	1	1
Additional paid-in capital	638,419	642,523
Accumulated other comprehensive loss	(572)	(345)
Accumulated deficit	(294,457)	(252,306)
Total stockholders’ equity	344,106	390,593
Noncontrolling interests	504	1,426
Total equity	$ 344,610	$ 392,019
Total liabilities and equity	$ 1,136,720	$ 1,034,985

The accompanying notes are an integral part of these consolidated statements.

RESOURCE REAL ESTATE OPPORTUNITY REIT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Rental income	$ 32,259	$ 28,524	$ 93,403	$ 89,272
Interest and dividend income	74	51	165	580
Total revenues	32,333	28,575	93,568	89,852
Expenses:				
Rental operating - expenses	7,162	6,297	20,009	21,124
Rental operating - payroll	3,306	3,578	10,385	11,166
Rental operating - real estate taxes	3,794	2,832	11,096	9,859
Subtotal - Rental operating expenses	14,262	12,707	41,490	42,149
Acquisition costs	1,290	—	3,065	—
Management fees	4,323	3,811	12,530	11,898
General and administrative	2,874	2,758	8,546	9,286
Loss on disposal of assets	537	334	729	620
Depreciation and amortization expense	13,193	10,828	38,527	33,167
Total expenses	36,479	30,438	104,887	97,120
Loss before other income (expense)	(4,146)	(1,863)	(11,319)	(7,268)
Other income (expense):				
Net gains on dispositions of properties and joint venture interests	14,300	17,601	22,735	45,057
Interest expense	(7,963)	(6,154)	(21,351)	(17,509)
Insurance proceeds in excess of cost basis	—	53	98	264
Total other income	6,337	11,500	1,482	27,812
Net income (loss)	2,191	9,637	(9,837)	20,544
Net income attributable to noncontrolling interests	—	—	—	(6,306)
Net income (loss) attributable to common stockholders	$ 2,191	$ 9,637	$ (9,837)	$ 14,238
Net income (loss)	$ 2,191	$ 9,637	$ (9,837)	$ 20,544
Other comprehensive (loss) income:				
Reclassification adjustment for realized loss on designated derivatives	42	45	117	130
Designated derivatives, fair value adjustments	(55)	(32)	(344)	(68)
Total other comprehensive (loss) income	(13)	13	(227)	62
Comprehensive income (loss)	2,178	9,650	(10,064)	20,606
Comprehensive income attributable to noncontrolling interests	—	—	—	(6,306)
Total comprehensive income (loss) attributable to stockholders	$ 2,178	$ 9,650	$ (10,064)	$ 14,300
Weighted average common shares outstanding	71,703	71,621	71,967	71,781
Basic and diluted income (loss) per common share:				
Net income (loss) per common share	$ 0.03	$ 0.14	$ (0.13)	$ 0.20

The accompanying notes are an integral part of these consolidated statements.

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RESOURCE REAL ESTATE OPPORTUNITY REIT, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(in thousands)
(unaudited)

	Common Stock		Convertible Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling interests	Total Equity
	Shares	Amount	Shares	Amount						
Balance at January 1, 2017	72,007	$ 720	50	$ 1	$ 642,523	$ (345)	$ (252,306)	$ 390,593	$ 1,426	$ 392,019
Common stock issued through distribution reinvestment plan	1,871	18	—	—	20,403	—	—	20,421	—	20,421
Distributions declared	—	—	—	—	—	—	(32,314)	(32,314)	—	(32,314)
Common stock redemptions	(2,334)	(23)	—	—	(25,429)	—	—	(25,452)	—	(25,452)
Deconsolidation of noncontrolling interest	—	—	—	—	922	—	—	922	(922)	—
Other comprehensive loss	—	—	—	—	—	(227)	—	(227)	—	(227)
Net loss	—	—	—	—	—	—	(9,837)	(9,837)	—	(9,837)
Balance at September 30, 2017	71,544	$ 715	50	$ 1	$ 638,419	$ (572)	$ (294,457)	$ 344,106	$ 504	$ 344,610

The accompanying notes are an integral part of this consolidated statement.

RESOURCE REAL ESTATE OPPORTUNITY REIT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2017	**2016**
Cash flows from operating activities:		
Net (loss) income	$ (9,837)	$ 20,544
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Loss on disposal of assets	729	620
Casualty losses	89	324
Loss on extinguishment of debt	—	854
Net gains on dispositions of properties and joint venture interests	(22,735)	(45,057)
Depreciation and amortization	38,527	33,167
Amortization of deferred financing costs	1,595	1,758
Amortization of debt premium (discount)	(359)	(364)
Realized loss on change in fair value of interest rate cap	117	105
Accretion of discount and direct loan fees and costs	(30)	(33)
Changes in operating assets and liabilities, net of acquisitions:		
Restricted cash	(723)	(1,860)
Tenant receivables, net	(214)	(55)
Deposits	31	(52)
Prepaid expenses and other assets	793	(954)
Due to/from related parties, net	(68)	(408)
Accounts payable and accrued expenses	1,887	(369)
Tenant prepayments	77	(153)
Security deposits	(42)	156
Net cash provided by operating activities	9,837	8,223
Cash flows from investing activities:		
Proceeds from disposal of properties and joint venture interests, net of closing costs	31,926	80,173
Property acquisitions	(30,291)	—
Insurance proceeds received for casualty losses	—	1,916
Acquisition of preferred equity interest	—	(408)
Resolution of preferred equity interest	—	4,300
Capital expenditures	(16,632)	(20,213)
Restricted cash	(81)	655
Principal payments received on loans held for investment	21	17
Net cash (used in) provided by investing activities	(15,057)	66,440

The accompanying notes are an integral part of these consolidated statements.

RESOURCE REAL ESTATE OPPORTUNITY REIT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2017	**2016**
Cash flows from financing activities:		
Redemptions of common stock	(25,452)	(21,381)
Payment of deferred financing costs	(469)	(1,670)
Borrowings on mortgages	84,497	110,690
Principal repayments on mortgages	(4,921)	(80,403)
Borrowings on credit facility	—	12,500
Repayments on credit facility	—	(34,394)
Distributions paid on common stock	(11,893)	(10,762)
Purchase of interest rate caps	—	(75)
Distributions to noncontrolling interests	—	(9,120)
Net cash provided by (used in) financing activities	41,762	(34,615)
Net increase in cash	36,542	40,048
Cash at beginning of period	114,842	78,442
Cash at end of period	$ 151,384	$ 118,490

The accompanying notes are an integral part of these consolidated statements.

NOTE 1 - NATURE OF BUSINESS AND OPERATIONS

Resource Real Estate Opportunity REIT, Inc. (the "Company") was organized in Maryland on June 3, 2009 to purchase a diversified portfolio of discounted U.S. commercial real estate and real estate-related assets in order to generate gains to stockholders from the potential appreciation in the value of the assets and to generate current income for stockholders by distributing cash flow from the Company's investments. Resource Real Estate Opportunity Advisor, LLC (the "Advisor"), an indirect wholly-owned subsidiary of Resource America, Inc. ("RAI") has been engaged to manage the day-to-day operations of the Company.

RAI is a wholly-owned subsidiary of C-III Capital Partners LLC, ("C-III"), a leading commercial real estate investment management and services company engaged in a broad range of activities. C-III controls both our Advisor and Resource Real Estate Opportunity Manager, LLC (the "Manager"), the Company's property manager; C-III also controls all of the shares of common stock held by the Advisor.

Through its private offering and primary public offering, which concluded on December 13, 2013, the Company raised aggregate gross offering proceeds of $645.8 million, which resulted in the issuance of 64.9 million shares of common stock, including approximately 276,000 shares purchased by the Advisor and 1.2 million shares sold in the Company's distribution reinvestment plan. During the years ended December 31, 2016 and 2015, the Company issued approximately 5.5 million additional shares for $57.5 million pursuant to its distribution reinvestment plan. During the nine months ended September 30, 2017, the Company issued approximately 1.9 million additional shares for $20.4 million pursuant to its distribution reinvestment plan. The Company's distribution reinvestment plan offering is ongoing.

The Company has acquired, and may continue to acquire, real estate and real estate-related debt. The Company has a particular focus on owning and operating multifamily assets, and it has targeted, and intends to continue to target, this asset class while also possibly acquiring interests in other types of commercial property assets consistent with its investment objectives. The Company's portfolio consists of multifamily rental properties to which the Company has added or will add value with a capital infusion (referred to as "value add properties"). However, the Company is not limited in the types of real estate assets in which it may invest and, accordingly, it may invest in other real estate-related assets either directly or together with a co-investor or joint venture partner.

The Company is organized and conducts its operations in a manner intended to allow it to qualify as a real estate investment trust ("REIT") for U.S. federal income tax purposes under Subchapter M of the Internal Revenue Code of 1986, as amended. The Company also operates its business in a manner intended to maintain its exemption from registration under the Investment Company Act of 1940, as amended.

The consolidated financial statements and the information and tables contained in the notes to the consolidated financial statements are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). However, in the opinion of management, these interim financial statements include all the necessary adjustments to fairly present the results of the interim periods presented. The consolidated balance sheet as of December 31, 2016 was derived from the audited consolidated financial statements as of and for the year ended December 31, 2016. The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The results of operations for the nine months ended September 30, 2017 may not necessarily be indicative of the results of operations for the full year ending December 31, 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

Basis of Presentation

The consolidated financial statements have been prepared in conformity with GAAP.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

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Subsidiary	Apartment Complex	Number of Units	Property Location
RRE Opportunity Holdings, LLC	N/A	N/A	N/A
Resource Real Estate Opportunity OP, LP	N/A	N/A	N/A
RRE Charlemagne Holdings, LLC	N/A	N/A	N/A
RRE Iroquois, LP (“Vista”)	Vista Apartment Homes	133	Philadelphia, PA
RRE Iroquois Holdings, LLC	N/A	N/A	N/A
RRE Cannery Holdings, LLC (“Cannery”)	Cannery Lofts	156	Dayton, OH
RRE Williamsburg Holdings, LLC (“Williamsburg”)	Williamsburg	976	Cincinnati, OH
WPL Holdings, LLC	N/A (a)	N/A	Cincinnati, OH
RRE Autumn Wood Holdings, LLC ("Autumn Wood")	Retreat at Rocky Ridge	206	Hoover, AL
RRE Village Square Holdings, LLC ("Village Square")	Trailpoint at the Woodlands	271	Houston, TX
RRE Brentdale Holdings, LLC ("Brentdale")	The Westside Apartments	412	Plano, TX
RRE Jefferson Point Holdings, LLC ("Jefferson Point")	Tech Center Square	208	Newport News, VA
RRE Centennial Holdings, LLC ("Centennial")	Verona Apartment Homes	276	Littleton, CO
RRE Pinnacle Holdings, LLC ("Pinnacle")	Skyview Apartment Homes	224	Westminster, CO
RRE River Oaks Holdings, LLC ("River Oaks")	Maxwell Townhomes	316	San Antonio, TX
RRE Nicollet Ridge Holdings, LLC ("Nicollet Ridge")	Meridian Pointe	339	Burnsville, MN
RRE Addison Place Holdings, LLC ("Addison Place")	The Estates at Johns Creek	403	Alpharetta, GA
PRIP Coursey, LLC ("Evergreen at Coursey Place")	Evergreen at Coursey Place (b)	352	Baton Rouge, LA
PRIP 500, LLC ("Pinehurst")	Pinehurst (b)	146	Kansas City, MO
PRIP 1102, LLC ("Pheasant Run")	Pheasant Run (b)	160	Lee's Summit, MO
PRIP 11128, LLC ("Retreat at Shawnee")	Retreat at Shawnee (b)	342	Shawnee, KS
PRIP Pines, LLC ("Pines of York")	Pines of York (b)	248	Yorktown, VA
RRE Berkeley Run Holdings, LLC ("Berkley Run")	Perimeter Circle	194	Atlanta, GA
RRE Berkeley Trace Holdings LLC ("Berkley Trace")	Perimeter 5550	165	Atlanta, GA
RRE Merrywood Holdings, LLC ("Merrywood")	Aston at Cinco Ranch	228	Katy, TX
RRE Sunset Ridge Holdings, LLC ("Sunset Ridge")	Sunset Ridge	324	San Antonio, TX
RRE Parkridge Place Holdings, LLC ("Parkridge Place")	Calloway at Las Colinas	536	Irving, TX
RRE Woodmoor Holdings, LLC ("Woodmoor")	South Lamar Village	208	Austin, TX
RRE Gilbert Holdings, LLC ("Springs at Gilbert")	Heritage Pointe	458	Gilbert, AZ
RRE Bonita Glen Holdings, LLC ("Bonita")	Point Bonita Apartment Homes	295	Chula Vista, CA
RRE Yorba Linda Holdings, LLC ("Yorba Linda")	The Bryant at Yorba Linda	400	Yorba Linda, CA
RRE Providence Holdings, LLC ("Providence in the Park")	Providence in the Park	524	Arlington, TX
RRE Green Trails Holdings, LLC ("Green Trails")	Green Trails Apartment Homes	440	Lisle, IL
RRE Terraces at Lake Mary Holdings, LLC ("Lake Mary")	Terraces at Lake Mary	284	Lake Mary, FL
		9,224	

N/A - Not Applicable
(a) Subsidiary transferred its interest in a portion of the Williamsburg parking lot to RRE Williamsburg Holdings, LLC in 2016.
(b) Wholly-owned subsidiary of RRE Charlemagne Holdings, LLC.

All intercompany accounts and transactions have been eliminated in consolidation.

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The company's consolidated financial statements also include the accounts of this non-wholly owned subsidiary:

Subsidiary	Ownership %	Apartment Complex	Number of Units	Property Location
DT Stone Ridge, LLC	83.4%	Stone Ridge	188	Columbia, SC

The property held by DT Stone Ridge, LLC was sold during the three months ended September 30, 2017. Distributions to the Company's partners in the venture will occur in the fourth quarter of 2017. Thereafter, the Company will no longer have noncontrolling interests.

Until June 16, 2016, the Company had a preferred equity investment that was repaid in full on that date. The Company's preferred equity investment was a Variable Interest Entity (VIE) for which the Company had determined it was not the primary beneficiary; therefore, the Company did not consolidate the entity. The Company was not considered the primary beneficiary of the preferred equity investee because it did not possess the unilateral power to direct the key activities of the investee that were considered most significant. The Company has no further continuing involvement with the investee. Additional information with respect to the preferred equity investment is disclosed in Note 6.

Dividend income was recognized when earned based on the contractual terms of the preferred equity agreement.

Segment Reporting

The Company does not evaluate performance on a relationship-specific or transactional basis and does not distinguish its principal business or group its operations on a geographical basis for purposes of measuring performance. Accordingly, the Company believes it has a single operating segment for reporting purposes in accordance with GAAP.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets Held for Sale

The Company presents the assets and liabilities of any rental properties which qualify as held for sale, separately in the consolidated balance sheets. Real estate assets held for sale are measured at the lower of carrying amount or fair value less cost to sell. Both the real estate and the corresponding liabilities are presented separately in the consolidated balance sheets. Subsequent to classification of an asset as held for sale, no further depreciation is recorded. As of September 30, 2017 and December 31, 2016, the Company had no rental properties included in assets held for sale.

Rental Properties

The Company records acquired rental properties at fair value on their respective acquisition date. The Company considers the period of future benefit of an asset to determine its appropriate useful life and depreciates the asset using the straight line method. The Company anticipates the estimated useful lives of its assets by class as follows:

Buildings	27.5 years
Building improvements	5.0 to 27.5 years
Furniture, fixtures, and equipment	3.0 to 5.0 years
Tenant improvements	Shorter of lease term or expected useful life

Improvements and replacements in excess of $1,000 are capitalized when they have a useful life greater than or equal to one year. The Manager earns a construction management fee of 5.0% of actual aggregate costs to construct improvements, or to repair, rehab or reconstruct a property. These costs are capitalized along with the related asset. Costs of repairs and maintenance are expensed as incurred.

Contractual Obligations

The Company leases parking space and equipment under leases with varying expiration dates through 2023. As of September 30, 2017, the payments due under these obligations totaled $236,000.

Impairment of Long Lived Assets

When circumstances indicate the carrying value of a property may not be recoverable, the Company reviews the asset for impairment. This review is based on an estimate of the future undiscounted cash flows, excluding interest charges, expected to result from the property's use and eventual disposition. The review also considers factors such as expected future operating income, market and other applicable trends and residual value, as well as the effects of leasing demand, competition and other factors.

An impairment loss will be recorded to the extent that the carrying value exceeds the estimated fair value of a property to be held and used. For properties held for sale, the impairment loss would be the adjustment to fair value less the estimated cost to dispose of the asset. There were no impairment charges recorded on long-lived assets during the three and nine months ended September 30, 2017 and 2016.

Loans Held for Investment, Net

The Company records acquired performing loans held for investment at cost and reviews them for potential impairment at each balance sheet date. The Company considers a loan to be impaired if one of two conditions exists. The first condition is if, based on current information and events, management believes it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The second condition is if the loan is deemed to be a troubled-debt restructuring ("TDR") where a concession has been given to a borrower in financial difficulty. A TDR may not have an associated specific loan loss allowance if the principal and interest amount is considered recoverable based on current market conditions, expected collateral performance and/or guarantees made by the borrowers.

The amount of impairment, if any, is measured by comparing the recorded amount of the loan to the present value of the expected cash flows or, as a practical expedient, the fair value of the collateral. If a loan is deemed to be impaired, the Company records a reserve for loan losses through a charge to income for any shortfall.

Interest income from performing loans held for investment is recognized based on the contractual terms of the loan agreement. Fees related to any buy down of the interest rate are deferred as prepaid interest income and amortized over the term of the loan as an adjustment to interest income. The initial investment made in a purchased performing loan includes the amount paid to the seller plus fees. The initial investment frequently differs from the related loan's principal amount at the date of the purchase. The difference is recognized as an adjustment of the yield over the life of the loan. Closing costs related to the purchase of a performing loan held for investment are amortized over the term of the loan and accreted as an adjustment to interest income.

The Company may acquire real estate loans at a discount due to the credit quality of such loans and the respective borrowers under such loans. Revenues from these loans are recorded under the effective interest method. Under this method, an effective interest rate ("EIR") is applied to the cost basis of the real estate loan held for investment. The EIR that is calculated when the loan held for investment is acquired remains constant and is the basis for subsequent impairment testing and income recognition. However, if the amount and timing of future cash collections are not reasonably estimable, the Company accounts for the real estate receivable on the cost recovery method. Under the cost recovery method of accounting, no income is recognized until the basis of the loan held for investment has been fully recovered.

Allocation of the Purchase Price of Acquired and Foreclosed Assets

The cost of rental properties acquired directly as fee interests and through foreclosing on a loan are allocated to net tangible and intangible assets based on their relative fair values. The Company allocates the purchase price of properties to acquired tangible assets, consisting of land, buildings, fixtures and improvements, and to identified intangible lease assets and liabilities, consisting of the value of above-market and below-market leases, as applicable, the value of in-place leases and the value of tenant relationships. Fair value estimates are based on information obtained from a number of sources, including information obtained about each property as a result of pre-acquisition due diligence, marketing and leasing activities. In addition, the Company may obtain independent appraisal reports. The information in the appraisal reports along with the aforementioned information available to the Company's management is used in allocating the purchase price. The independent appraisers have no involvement in management's allocation decisions other than providing market information.

In allocating the purchase price, management also includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up period. Management also estimates costs to execute similar leases, including leasing commissions and legal and other related expenses, to the extent that such costs have not already been incurred in connection with a new lease origination as part of the transaction.

The Company records above-market and below-market in-place lease values for acquired properties based on the present value (using an interest rate that reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. The Company amortizes any capitalized above-market or below-market lease values as an increase or reduction to rental income over the remaining non-cancelable terms of the respective leases.

The Company measures the aggregate value of other intangible assets acquired based on the difference between (i) the property valued with existing in-place leases adjusted to market rental rates and (ii) the property valued as if it were vacant. Management's estimates of value are made using methods similar to those used by independent appraisers (e.g., discounted cash flow analysis). Factors to be considered by management in its analysis include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions and costs to execute similar leases.

The total amount of other intangible assets acquired is further allocated to customer relationship intangible values based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with that respective tenant. Characteristics to be considered by management in allocating these values include the nature and extent of the Company's existing relationships with the tenant, the tenant's credit quality and expectations of lease renewals (including those existing under the terms of the lease agreement), among other factors.

The Company amortizes the value of in-place leases to expense over the average remaining term of the respective leases. The value of customer relationship intangibles are amortized to expense over the initial term and any renewal periods in the respective leases, but in no event will the amortization periods for the intangible assets exceed the remaining depreciable life of the building. Should a tenant terminate its lease, the unamortized portion of the in-place lease value and customer relationship intangibles associated with that tenant would be charged to expense in that period.

The determination of the fair value of assets and liabilities acquired requires the use of significant assumptions with regard to current market rental rates, discount rates and other variables. The use of inappropriate estimates would result in an incorrect assessment of the purchase price allocations, which could impact the amount of the Company's reported net income. Initial purchase price allocations are subject to change until all information is finalized, which is generally within one year of the acquisition date.

Goodwill

The Company records the excess of the cost of an acquired entity over the difference between the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed as goodwill. Goodwill is not amortized but is tested for impairment at a level of reporting referred to as a reporting unit during the fourth quarter of each calendar year, or more frequently if events or changes in circumstances indicate that the asset might be impaired. There have been no such events or changes in circumstances during the three and nine months ended September 30, 2017.

Revenue Recognition

The Company recognizes minimum rent, including rental abatements and contractual fixed increases attributable to operating leases, on a straight-line basis over the term of the related lease and includes amounts expected to be received in later years in deferred rents.

The future minimum rental payments to be received from noncancelable operating leases for residential rental properties are $63.2 million and $35,831 for the 12 month periods ending September 30, 2018 and 2019, respectively, and none thereafter. The future minimum rental payments to be received from noncancelable operating leases for commercial rental properties and antenna rentals are $380,000, $321,000, $273,000, $193,000, and $137,000 for the 12 month periods ending September 30, 2018, 2019, 2020, 2021, and 2022, respectively, and none thereafter.

Revenue is primarily derived from the rental of residential housing units, however, included within rental income is other income such as pet fees, parking fees, and late fees, as well as property operating expense reimbursements due from tenants for

common area maintenance, real estate taxes and other recoverable costs. The Company records the ancillary charges in the period in which they are earned or received and records the reimbursements in the period in which the related expenses are incurred. Total other income included within rental income was $3.3 million and $2.9 million, respectively, for the three months ended September 30, 2017 and 2016. Total other income included within rental income was $9.4 million and $9.0 million, respectively, for the nine months ended September 30, 2017 and 2016.

Tenant Receivables

Tenant receivables are stated in the consolidated financial statements as amounts due from tenants net of an allowance for uncollectible receivables. Payment terms vary and receivables outstanding longer than the payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time receivables are past due, security deposits held, the Company's previous loss history, the tenants' current ability to pay their obligations to the Company, the condition of the general economy and the industry as a whole. The Company writes off receivables when they become uncollectible. As of September 30, 2017 and December 31, 2016, there were allowances for uncollectible receivables of $12,081 and $5,200, respectively.

Income Taxes

To maintain its REIT qualification for U.S. federal income tax purposes, the Company is generally required to distribute at least 90% of its taxable net income (excluding net capital gains) to its stockholders as well as comply with other requirements, including certain asset, income and stock ownership tests. As a REIT, the Company is not subject to federal corporate income tax to the extent that it distributes 100% of its REIT taxable income each year. If the Company fails to qualify as a REIT, and does not qualify for certain statutory relief provisions, it is subject to U.S. federal, state and local income taxes and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year in which it fails its REIT qualification. Accordingly, the Company's failure to qualify as a REIT could have a material adverse impact on its results of operations and amounts available for distribution to its stockholders.

The dividends-paid deduction of a REIT for qualifying dividends to its stockholders is computed using the Company's taxable income as opposed to net income reported on the financial statements. Generally, taxable income differs from net income reported on the financial statements because the determination of taxable income is based on tax provisions and not financial accounting principles.

The Company may elect to treat certain of its subsidiaries as taxable REIT subsidiaries ("TRS"). In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly and generally may engage in any real estate or non-real estate-related business. A TRS is subject to U.S. federal, state and local corporate income taxes. As of September 30, 2017 and December 31, 2016, the Company had no TRSs.

The Company evaluates the benefits from tax positions taken or expected to be taken in its tax return. Only the largest amount of benefits from tax positions that will more likely than not be sustainable upon examination are recognized by the Company. The Company does not have any unrecognized tax benefits, nor interest and penalties, recorded in its consolidated financial statements and does not anticipate significant adjustments to the total amount of unrecognized tax benefits within the next 12 months.

The Company is subject to examination by the U.S. Internal Revenue Service and by the taxing authorities in other states in which the Company has significant business operations. The Company is not currently undergoing any examinations by taxing authorities. The Company is not subject to IRS examination for tax return years 2012 and prior.

Earnings Per Share

Basic earnings per share is calculated on the basis of the weighted-average number of common shares outstanding during the year. Basic earnings per share is computed by dividing income available to common stockholders by the weighted-average common shares outstanding during the period. Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted to common stock. None of the 50,000 shares of convertible stock (see Note 14) are included in the diluted earnings per share calculations because the necessary conditions for conversion have not been satisfied as of September 30, 2017 (were such date to represent the end of the contingency period).

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current-year presentation. The impact of the reclassifications made to prior year amounts are not material and did not affect net income (loss).

Adoption of New Accounting Standards

Accounting Standards Issued But Not Yet Effective

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers", which will replace most existing revenue recognition guidance in GAAP. The core principle of ASU No. 2014-09 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASU No. 2014-09 requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU No. 2014-09 will be effective for the Company beginning January 1, 2018, including interim periods in 2018, and allows for both retrospective and prospective methods of adoption. In accordance with the Company's plan for the adoption of ASU 2014-09, the Company has identified revenue streams and is performing an in-depth review to identify the related performance obligations and to evaluate the impact on the Company's consolidated financial statements and internal accounting processes and controls. As the majority of the Company's revenue is derived from lease contracts, the Company does not expect that the adoption of ASU 2014-09 or related amendments and modifications issued by the FASB will have a material impact on its consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02, "Leases" ("ASU No. 2016-02"), which is intended to improve financial reporting about leasing transactions and requires organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. In September 2017, the FASB issued ASU 2017-13, "Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842)", which provides additional implementation guidance on the previously issued ASU No. 2016-02 Leases (Topic 842). ASU No. 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is continuing to evaluate this guidance, however, the Company expects that its operating leases where it is the lessor will be accounted for on its balance sheet similar to its current accounting with the underlying leased asset recognized as real estate. The Company expects that executory costs and certain other non-lease components will need to be accounted for separately from the lease component of the lease with the lease component continuing to be recognized on a straight-line basis over the lease term and the executory costs and certain other non-lease components being accounted for under the new revenue recognition guidance in ASU 2014-09. For leases in which the Company is the lessee, primarily consisting of office equipment leases, the Company expects to recognize a right-of-use asset and a lease liability equal to the present value of the minimum lease payments with rental payments being applied to the lease liability and to interest expense and the right-of-use asset being amortized to expense on a straight-line basis over the term of the lease.

In June 2016, FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses", which requires measurement and recognition of expected credit losses for financial assets held. ASU No. 2016-13 will be effective for the Company beginning January 1, 2019. The Company is evaluating this guidance; however, it does not expect the adoption of ASU No. 2016-13 to have a significant impact on its consolidated financial statements.

In August 2016, FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments", which addresses eight specific cash flow issues with the objective of reducing existing diversity in practice. ASU No. 2016-15 will be effective for the Company beginning January 1, 2018. Early application is permitted. The Company is evaluating this guidance; however, it does not expect the adoption of ASU No. 2016-15 to have a significant impact on its reporting of consolidated cash flows.

In January 2017, FASB issued ASU No. 2017-01, "Business Combinations (Topic 850): Clarifying the Definition of Business", which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of businesses. ASU No. 2017-01 will be effective for the Company beginning January 1, 2018. Early application is permitted. The Company is evaluating this guidance and assessing the impact of this guidance on its consolidated financial statements.

In January 2017, FASB issued ASU No. 2017-04, "Intangibles- Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment", which alters the current goodwill impairment testing procedures. ASU No. 2017-04 will

be effective for the Company beginning December 15, 2019. Early application is permitted. The Company is evaluating this guidance and assessing the impact of this guidance on its consolidated financial statements.

In August 2017, FASB issued ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities", which expands and refines hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedge items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. The update to the standard is effective for the Company on January 1, 2019, with early adoption permitted in any interim period. The Company is continuing to evaluate this guidance and assessing the impact of this guidance on its consolidated financial statements.

NOTE 3 - SUPPLEMENTAL CASH FLOW INFORMATION

The following table presents the Company's supplemental cash flow information (in thousands):

	Nine Months Ended September 30,	
	2017	**2016**
Non-cash financing and investing activities:		
Stock issued from the distribution reinvestment plan	$ 20,421	$ 21,480
Deferred financing costs and escrow deposits funded directly by mortgage notes	1,917	933
Accruals for construction in progress	922	2,833
Non-cash activity related to dispositions:		
Deconsolidation of subsidiary and removal of related mortgage notes payable and noncontrolling interest	—	35,152
Mortgage notes payable settled with proceeds from disposition of rental property	26,976	55,720
Non-cash activity related to acquisitions:		
Mortgage notes payable used to acquire rental property	93,750	—
Cash paid during the period for:		
Interest	$ 19,328	$ 15,454

NOTE 4 - RESTRICTED CASH

Restricted cash represents escrow deposits with lenders to be used to pay real estate taxes, insurance, and capital improvements. The following table presents a summary of the components of the Company's restricted cash (in thousands):

	September 30, 2017	December 31, 2016
Real estate taxes	$ 8,771	$ 6,853
Insurance	1,400	1,854
Capital improvements	2,078	1,570
Total	$ 12,249	$ 10,277

In addition, the Company had unrestricted cash earmarked for capital expenditures of $24.5 million and $33.9 million as of September 30, 2017 and December 31, 2016, respectively.

NOTE 5 - RENTAL PROPERTIES, NET

The following table presents the Company's investments in rental properties (in thousands):

	September 30, 2017	December 31, 2016
Land	$ 190,606	$ 176,418
Building and improvements	869,277	795,665
Furniture, fixtures and equipment	36,154	32,198
Construction in progress	5,751	5,983
	1,101,788	1,010,264
Less: accumulated depreciation	(135,212)	(107,810)
	$ 966,576	$ 902,454

Depreciation expense for the three and nine months ended September 30, 2017 was $12.3 million and $35.9 million, respectively, and for the three and nine months ended September 30, 2016 was $10.8 million and $32.9 million, respectively.

NOTE 6 - OTHER INVESTMENTS

Preferred equity investment:

On November 12, 2014, the Company, through its wholly owned subsidiary, RRE Spring Hill Holdings, LLC, made a $3.5 million preferred equity investment in Spring Hill Investors Limited Partner, LLC (the "Investment Vehicle") and became the Preferred Member. An unaffiliated limited liability company, Presidium AMC Spring Hill Venture, LLC, owned the common equity and acted as the managing member of the Investment Vehicle. In October 2015 and March 2016, the Company increased its investment by $800,000.

The Company was paid a dividend equal to 12% of the total amount invested, of which 7% was paid monthly and the remaining amount was accrued. This preferred equity investment, including accrued interest, was repaid in full on June 6, 2016.

Loan held for investment, net:

In 2011, the Company purchased, at a discount, one performing promissory note (the "Trail Ridge Note"), which is secured by a first priority mortgage on a multifamily rental apartment community. The contract purchase price for the Trail Ridge Note was $700,000, excluding closing costs. As of both September 30, 2017 and December 31, 2016, the Trail Ridge Note was both current and performing.

The following table presents details of the balance and terms of the Trail Ridge Note as of September 30, 2017 and December 31, 2016 (in thousands):

	September 30, 2017	December 31, 2016
Unpaid principal balance	$ 939	$ 960
Unamortized discount and acquisition costs	(161)	(191)
Net book value	$ 778	$ 769
Maturity date	10/28/2021	
Interest rate	7.5%	
Average monthly payment	$ 8	

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NOTE 7 - ACQUISITIONS

As of September 30, 2017, the Company owned interests in 29 properties. The Company estimated the fair values of certain of the acquired assets and liabilities based on preliminary valuations at the date of purchase. The Company has up to 12 months from the date of acquisition to finalize the valuation for each property. All valuations for acquisitions in 2016 and prior had been finalized as of December 31, 2016. The initial purchase price allocations for both Green Trails Apartment Homes and Terraces at Lake Mary have not been finalized as of September 30, 2017.

The following table presents the Company's wholly-owned acquisitions during the nine months ended September 30, 2017 and the respective fair values assigned (dollars in thousands):

				Fair Value Assigned					
Multifamily Community	City and State	Date of Acquisition	Contractual Purchase Price (1)	Land	Building and Improvements	Furniture, Fixture and Equipment	Intangible Assets	Other Assets	Liabilities
Terraces at Lake Mary	Lake Mary, FL	8/31/2017	$ 44,100	$ 5,402	$ 37,297	$ 433	$ 968	$ —	$ (423)
Green Trails Apartment Homes	Lisle, IL	5/31/2017	$ 78,000	$ 14,727	$ 61,283	$ 1,117	$ 1,695	$ 14	$ (898)

(1) Contractual purchase price excludes closing costs, acquisition expenses, and other immaterial settlement date adjustments and pro-rations.

The following table presents the total revenues, net losses, and acquisition costs of the Company's acquisitions during the three and nine months ended September 30, 2017 (dollars in thousands):

	Three Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
Multifamily Community	Total Revenues	Net Loss	Acquisition Costs	Total Revenues	Net Loss	Acquisition Costs
Green Trails Apartment Homes	$ 1,807	$ (678)	$ —	$ 2,408	$ (1,067)	$ (1,775)
Terraces at Lake Mary	$ 347	$ (958)	$ (1,290)	$ 347	$ (958)	$ (1,290)
	$ 2,154	$ (1,636)	$ (1,290)	$ 2,755	$ (2,025)	$ (3,065)

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NOTE 8 - DISPOSITION OF PROPERTIES AND DECONSOLIDATION OF INTERESTS

The following table presents details of the Company's disposition and deconsolidation activity during the three and nine months ended September 30, 2017 and 2016 (in thousands):

				Net Gains on Dispositions of Properties and Joint Venture Interests	
Multifamily Community	**Location**	**Sale Date**	**Contract Sales Price**	**Three months ended September 30, 2017**	**Nine months ended September 30, 2017**
2017 Dispositions:					
Chisholm Place	Plano, Texas	May 10, 2017	$ 21,250	$ —	$ 6,922
Mosaic	Oklahoma City, Oklahoma	May 12, 2017	6,100	—	1,513
Deerfield	Hermantown, Minnesota	August 16, 2017	23,600	11,035	11,035
Stone Ridge	Columbia, South Carolina	September 27, 2017	10,534	3,265	3,265
				$ 14,300	$ 22,735
2016 Dispositions:				**Three months ended September 30, 2016**	**Nine months ended September 30, 2016**
Conifer Place [(1)]	Norcross, Georgia	January 27, 2016	$ 42,500	$ —	$ 9,897
Champion Farms [(2)]	Louisville, Kentucky	January 29, 2016	7,590	—	1,066
The Ivy at Clear Creek	Houston, Texas	February 17, 2016	19,400	—	6,792
Affinity at Winter Park	Winter Park, Florida	June 9, 2016	17,500	—	5,605
Fieldstone [(3)]	Woodland, Ohio	June 30, 2016	7,514	—	4,096
The Nesbit Palisades	Alpharetta, Georgia	July 8, 2016	45,500	17,601	17,601
				$ 17,601	$ 45,057

The following table presents the Company's revenues and net income (loss) attributable to properties sold, which includes gain on sale, for the three and nine months ended September 30, 2017 and 2016 (in thousands):

	Revenues Attributable to Properties Sold		Net Income (Loss) Attributable to Properties Sold	
Multifamily Community	**Three months ended September 30, 2017**	**Nine months ended September 30, 2017**	**Three months ended September 30, 2017**	**Nine months ended September 30, 2017**
2017 Dispositions:				
Chisholm Place	$ —	$ 825	$ (4)	$ 6,659
Mosaic	(2)	473	(26)	1,441
Deerfield	326	1,653	10,827	11,042
Stone Ridge	435	1,286	3,196	3,099
	$ 759	$ 4,237	$ 13,993	$ 22,241
2016 Dispositions:	**Three months ended September 30, 2016**	**Nine months ended September 30, 2016**	**Three months ended September 30, 2016**	**Nine months ended September 30, 2016**
Conifer Place [(1)]	$ —	$ 365	$ —	$ 9,942
Champion Farms [(2)]	—	220	—	1,125
The Ivy at Clear Creek	—	386	2	6,629
Affinity at Winter Park	2	1,010	(1)	5,747
Fieldstone [(3)]	—	1,548	—	4,325
The Nesbit Palisades	167	2,615	17,273	17,742
	$ 169	$ 6,144	$ 17,274	$ 45,510

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(1) On January 27, 2016, the Company and its joint venture partner sold Conifer Place, which resulted in the deconsolidation of the entity. Net income attributable to properties sold includes $6.2 million attributable to noncontrolling interests.
(2) On January 29, 2016, the Company sold its joint venture interest in Champion Farms to its joint venture partner. As such, the Company deconsolidated the entity as of January 29, 2016. The Company has no continuing involvement with this joint venture.
(3) On June 30, 2016, the Company sold its joint venture interest in Fieldstone to its joint venture partner. As such, the Company deconsolidated the entity as of June 30, 2016. The Company has no continuing involvement with this joint venture.

NOTE 9 - IDENTIFIED INTANGIBLE ASSETS, NET AND GOODWILL

Identified intangible assets, net, relate to in-place apartment unit rental and antennae leases. The net carrying value of the acquired in-place leases totaled $1.9 million as of September 30, 2017 and December 31, 2016, net of accumulated amortization of $25.6 million and $24.3 million, respectively. The weighted-average remaining life of the acquired apartment unit rental leases was six months and seven months as of September 30, 2017 and December 31, 2016, respectively. Expected amortization for the antennae leases at the Vista Apartment Homes is $16,000 annually through 2025. Amortization of the apartment unit rental and antennae leases for the three and nine months ended September 30, 2017 was $842,000 and $2.6 million, respectively. Amortization of the apartment unit rental and antennae leases for the three and nine months ended September 30, 2016 was $4,000 and $224,000, respectively.

The following table presents the Company's expected amortization for the rental and antennae leases for the next five 12-month periods ending September 30, and thereafter (in thousands):

2018	$	1,819
2019		16
2020		16
2021		16
2022		16
Thereafter		54
	$	1,937

As of September 30, 2017 and December 31, 2016, the Company had $670,000 and $711,000, respectively, of goodwill included on the consolidated balance sheets.

The following table presents a rollforward of the Company's activity in goodwill for the nine months ended September 30, 2017 (in thousands):

Balance, January 1, 2017	$	711
Sale of Stone Ridge		(41)
Balance, September 30, 2017	$	670

NOTE 10 - MORTGAGE NOTES PAYABLE, NET

The following table presents a summary of the Company's mortgage notes payable, net (in thousands):

	September 30, 2017				December 31, 2016			
Collateral	Outstanding Borrowings	Premium (Discount)	Deferred finance costs, net	Carrying Value	Outstanding Borrowings	Premium (Discount)	Deferred finance costs, net	Carrying Value
Vista Apartment Homes	$ 14,977	$ —	$ (149)	$ 14,828	$ 15,225	$ —	$ (178)	$ 15,047
Cannery Lofts	13,100	—	(172)	12,928	13,100	—	(197)	12,903
Deerfield	—	—	—	—	10,359	—	(125)	10,234
Trailpoint at the Woodlands	18,449	—	(196)	18,253	18,690	—	(222)	18,468
Verona Apartment Homes	32,970	—	(490)	32,480	32,970	—	(532)	32,438
Skyview Apartment Homes	28,400	—	(426)	27,974	28,400	—	(462)	27,938
Maxwell Townhomes	13,408	—	(116)	13,292	13,602	—	(137)	13,465
Pinehurst	7,350	—	(134)	7,216	7,350	—	(154)	7,196
Pheasant Run	6,250	—	—	6,250	6,250	43	(9)	6,284
Retreat of Shawnee	12,736	26	(7)	12,755	12,893	85	(23)	12,955
Evergreen at Coursey Place	26,759	83	(80)	26,762	27,107	100	(96)	27,111
Pines of York	14,789	(251)	(47)	14,491	14,999	(299)	(56)	14,644
The Estates at Johns Creek	48,854	—	(316)	48,538	49,596	—	(405)	49,191
Chisholm Place	—	—	—	—	11,587	—	(143)	11,444
Perimeter Circle	17,018	—	(99)	16,919	17,298	—	(143)	17,155
Perimeter 5550	13,431	—	(82)	13,349	13,651	—	(118)	13,533
Aston at Cinco Ranch	23,051	—	(225)	22,826	23,367	—	(268)	23,099
Sunset Ridge 1	19,368	207	(164)	19,411	19,699	259	(205)	19,753
Sunset Ridge 2	2,905	28	(21)	2,912	2,948	35	(26)	2,957
Calloway at Las Colinas	34,571	—	(257)	34,314	35,083	—	(306)	34,777
South Lamar Village	12,242	—	(92)	12,150	12,435	—	(131)	12,304
Heritage Pointe	26,050	—	(295)	25,755	26,280	—	(327)	25,953
The Bryant at Yorba Linda	67,500	—	(511)	66,989	67,500	—	(661)	66,839
Point Bonita Apartment Homes	26,624	1,737	(298)	28,063	26,907	1,966	(338)	28,535
Stone Ridge	—	—	—	—	5,227	—	(130)	5,097
The Westside Apartments	36,820	—	(403)	36,417	36,820	—	(448)	36,372
Tech Center Square	12,199	—	(172)	12,027	12,375	—	(196)	12,179
Williamsburg	53,995	—	(736)	53,259	53,995	—	(828)	53,167
Retreat at Rocky Ridge	11,375	—	(232)	11,143	11,375	—	(261)	11,114
Providence in the Park	47,000	—	(546)	46,454	—	—	—	—
Green Trails Apartment Homes	61,500	—	(695)	60,805	—	—	—	—
Meridian Pointe	39,500	—	(611)	38,889	—	—	—	—
Terraces at Lake Mary	32,250	—	(393)	31,857	—	—	—	—
	$ 775,441	$ 1,830	$ (7,965)	$ 769,306	$ 627,088	$ 2,189	$ (7,125)	$ 622,152

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The following table presents additional information about the Company's mortgage notes payable, net (in thousands, except percentages):

Collateral	Maturity Date	Annual Interest Rate		Average Monthly Debt Service	Average Monthly Escrow
Vista Apartment Homes	1/1/2022	3.52%	(1)(5)	$ 71	$ 17
Cannery Lofts	11/1/2023	3.77%	(1)(3)	42	26
Trailpoint at the Woodlands	11/1/2023	3.64%	(1)(4)	83	47
Verona Apartment Homes	10/1/2026	3.59%	(1)(3)	100	40
Skyview Apartment Homes	10/1/2026	3.59%	(1)(3)	86	24
Maxwell Townhomes	1/1/2022	4.32%	(2)(5)	71	78
Pinehurst	11/1/2023	3.65%	(1)(3)	32	15
Pheasant Run	10/1/2018	3.73%	(2)(3)(7)	19	12
Retreat of Shawnee	2/1/2018	5.58%	(2)(5)	78	29
Evergreen at Coursey Place	8/1/2021	5.07%	(2)(5)	154	37
Pines of York	12/1/2021	4.46%	(2)(5)	80	25
The Estates at Johns Creek	7/1/2020	3.38%	(2)(5)	221	102
Perimeter Circle	7/1/2019	3.42%	(2)(5)	81	44
Perimeter 5550	7/1/2019	3.42%	(2)(5)	64	32
Aston at Cinco Ranch	10/1/2021	4.34%	(2)(5)	120	70
Sunset Ridge 1	11/1/2020	4.58%	(2)(5)	113	89
Sunset Ridge 2	11/1/2020	4.54%	(2)(5)	16	—
Calloway at Las Colinas	12/1/2021	3.87%	(2)(5)	171	115
South Lamar Village	8/1/2019	3.64%	(2)(5)	59	57
Heritage Pointe	4/1/2025	3.11%	(1)(4)	114	43
The Bryant at Yorba Linda	6/1/2020	2.98%	(1)(3)	186	—
Point Bonita Apartment Homes	10/1/2023	5.33%	(2)(5)	152	61
The Westside Apartments	9/1/2026	3.35%	(1)(3)	104	69
Tech Center Square	6/1/2023	3.81%	(1)(5)	58	24
Williamsburg	1/1/2024	3.61%	(1)(3)	165	167
Retreat at Rocky Ridge	1/1/2024	3.69%	(1)(3)	36	23
Providence in the Park	2/1/2024	3.53%	(1)(3)(6)	141	138
Green Trails Apartment Homes	6/1/2024	3.22%	(1)(3)(6)	168	79
Meridian Pointe	8/1/2024	3.13%	(1)(3)(6)	104	56
Terraces at Lake Mary	9/1/2024	3.14%	(1)(3)(6)	86	46

(1) Variable rate based on one-month LIBOR of 1.2322% (as of September 30, 2017) plus a fixed margin.
(2) Fixed rate.
(3) Monthly interest-only payment currently required.
(4) Monthly fixed principal plus interest payment required.
(5) Fixed monthly principal and interest payment required.
(6) New debt placed during the nine months ended September 30, 2017.
(7) Automatic extension to October 1, 2018 occurred on October 1, 2017 at which time the fixed interest rate converted to a variable rate.

Loans assumed as part of the Point Bonita Apartment Homes, South Lamar Village, Paladin (Pinehurst, Pheasant Run, Retreat of Shawnee, Evergreen at Coursey Place, Pines of York), Sunset Ridge and Maxwell Townhomes acquisitions were recorded at their fair values. The premium or discount is amortized over the remaining term of the loans and included in interest expense. For the three months ended September 30, 2017 and 2016, interest expense was reduced by $120,000 and $122,000, respectively, for the amortization of the premium or discount. For the nine months ended September 30, 2017 and 2016, interest expense was reduced by $359,000 and $364,000, respectively, for the amortization of the premium or discount.

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All mortgage notes are collateralized by a first mortgage lien on the assets of the respective property as named in the table above. The amount outstanding on the mortgages may be prepaid in full during the entire term with a prepayment penalty on the majority of mortgages held.

The following table presents the Company's annual principal payments on outstanding borrowings for each of the next five 12-month periods ending September 30, and thereafter (in thousands):

2018	$	7,207
2019		69,608
2020		124,078
2021		57,223
2022		101,546
Thereafter		415,779
	$	775,441

The mortgage notes payable are recourse only with respect to the properties that secure the notes, subject to certain limited standard exceptions, as defined in each mortgage note. These exceptions are referred to as "carveouts." The Company has guaranteed the carveouts under mortgage notes by executing a guarantee with respect to the properties. In general, carveouts relate to damages suffered by the lender for a borrower's failure to pay rents, insurance or condemnation proceeds to lender, failure to pay water, sewer and other public assessments or charges, failure to pay environmental compliance costs or to deliver books and records, in each case as required in the loan documents. The exceptions also require the Company to guarantee payment of audit costs, lender's enforcement of its rights under the loan documents and payment of the loan if the borrower voluntarily files for bankruptcy or seeks reorganization, or if a related party of the borrower does so with respect to the subsidiary. The Company had also guaranteed the completion and payment of costs of completion of no less than $7.0 million for renovations to The Estates at Johns Creek by July 1, 2018. These renovations were completed as of September 30, 2017, and the guaranty was released.

The Company may borrow an additional $7.5 million on the mortgage secured by The Bryant at Yorba Linda when certain debt service coverage and loan to value criteria are met. The Bryant at Yorba Linda mortgage loan includes a net worth and liquidity covenant. The Company was in compliance with all covenants related to this loan as of September 30, 2017. The loan also includes an additional debt service coverage covenant that is only required to be met as of December 31, 2017 and for periods thereafter.

Deferred financing costs incurred to obtain financing are amortized over the term of the related debt. During the three months ended September 30, 2017 and September 30, 2016, $633,000 and $622,000, respectively, of amortization of deferred financing costs was included in interest expense. During the nine months ended September 30, 2017 and September 30, 2016, $1.5 million and $1.6 million, respectively, of amortization of deferred financing costs was included in interest expense. Accumulated amortization as of September 30, 2017 and December 31, 2016 was $3.6 million and $2.6 million, respectively.

The following table presents the Company's estimated amortization of the existing deferred financing costs for the next five 12-month periods ending September 30, and thereafter (in thousands):

2018	$	1,638
2019		1,572
2020		1,338
2021		1,050
2022		851
Thereafter		1,516
	$	7,965

NOTE 11 - CREDIT FACILITY

The secured revolving credit facility with Bank of America, N.A. ("Bank of America"), as amended, matured on May 23, 2017 and was closed; all collateral subject to the revolving credit line was released. During the nine months ended September 30, 2017, the Company paid an unused line of credit fee to Bank of America of $250,000, which is included in interest expense in the consolidated statements of operations and comprehensive income (loss).

Deferred financing costs incurred to obtain financing were amortized over the term of the related debt. During the three months ended September 30, 2017 and 2016, $0 and $48,000, respectively, of amortization of deferred financing costs was included in interest expense. During the nine months ended September 30, 2017 and 2016, $68,000 and $268,000, respectively, of amortization of deferred financing costs was included in interest expense. Deferred financing costs were fully amortized on the date of maturity. Accumulated amortization as of September 30, 2017 and December 31, 2016 was $925,000 and $857,000, respectively.

NOTE 12 - ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents the changes in each component of the Company's accumulated other comprehensive loss for the nine months ended September 30, 2017 (in thousands):

Balance, January 1, 2017	$	(345)
Reclassification adjustment for realized loss on designated derivatives		117
Designated derivatives, fair value adjustments		(344)
Balance, September 30, 2017	$	(572)

NOTE 13 - CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the ordinary course of its business operations, the Company has ongoing relationships with several related parties.

Relationship with RAI and C-III

Property loss pool. The Company's properties participate in a property loss self-insurance pool with other properties directly and indirectly managed by RAI and C-III, which is backed by a catastrophic insurance policy. Substantially all of the receivables from related parties represent insurance deposits held in escrow by RAI and C-III to the self-insurance pool which, if unused, will be returned to the Company. The pool covers losses up to $2.5 million, after a $25,000 deductible per incident. Claims beyond the insurance pool limits will be covered by the catastrophic insurance policy, which covers claims up to $250 million, after a $100,000 deductible per incident. Therefore, unforeseen or catastrophic losses in excess of the Company's insured limits could have a material adverse effect on the Company's financial condition and operating results. During the nine months ended September 30, 2017, the Company paid and $1.0 million into the insurance pool.

General liability loss pool. The Company's properties participated in a general liability pool with other properties directly or indirectly managed by RAI and C-III until April 22, 2017. The pool covers claims up to $50,000 per incident through April 22, 2017. Effective April 23, 2017, the loss pool was eliminated, and the Company now participates (with other properties directly or indirectly managed by RAI and C-III) in a general liability policy. The insured limit for the general liability policy is $76 million in total claims, after a 25,000 deductible per incident.

Internal audit. RAI performs internal audit services for the Company.

Other expenses. The Company utilizes the services of The Planning and Zoning Resource Company, an affiliate of C-III, for zoning reports for acquisitions.

Relationship with the Advisor

In September 2009, the Company entered into an advisory agreement (the "Advisory Agreement") pursuant to which the Advisor provides the Company with investment management, administrative and related services. The Advisory Agreement was amended in January 2010 and further amended in January 2011 and March 2015. The Advisory Agreement has a one-year term and renews for an unlimited number of successive one-year terms upon the approval of the conflicts committee of the Company's

board of directors. The Company renewed the Advisory Agreement for another year on September 15, 2017. Under the Advisory Agreement, the Advisor receives fees and is reimbursed for its expenses as set forth below:

Acquisition fees. The Company pays the Advisor an acquisition fee of 2.0% of the cost of investments acquired on behalf of the Company, plus any capital expenditure reserves allocated, or the amount funded by the Company to acquire loans, including acquisition expenses and any debt attributable to such investments.

Asset management fees. The Company pays the Advisor a monthly asset management fee equal to one-twelfth of 1.0% of the higher of the cost or the independently appraised value of each asset, without deduction for depreciation, bad debts or other non-cash reserves. The asset management fee is based only on the portion of the costs or value attributable to the Company's investment in an asset if the Company does not own all or a majority of an asset and does not manage or control the asset.

Disposition fees. The Advisor earns a disposition fee in connection with the sale of a property equal to the lesser of one-half of the aggregate brokerage commission paid, or if none is paid, 2.75% of the contract sales price.

Debt financing fees. The Advisor earns a debt financing fee equal to 0.5% of the amount available under any debt financing obtained for which it provided substantial services.

Expense reimbursements. The Company also pays directly or reimburses the Advisor for all of the expenses paid or incurred by the Advisor or its affiliates on behalf of the Company or in connection with the services provided to the Company in relation to its public offering, including its ongoing distribution reinvestment plan offering.

Reimbursements also include expenses the Advisor incurs in connection with providing services to the Company, including the Company's allocable share of costs for Advisor personnel and overhead, out of pocket expenses incurred in connection with the selection and acquisition of properties or other real estate related debt investments, whether or not the Company ultimately acquires the investment. However, the Company will not reimburse the Advisor or its affiliates for employee costs in connection with services for which the Advisor earns acquisition or disposition fees.

Relationship with Resource Real Estate Opportunity Manager

The Manager manages the Company's real estate properties and real estate-related debt investments and coordinates the leasing of, and manages construction activities related to, some of the Company's real estate properties pursuant to the terms of the management agreement with the Manager.

Property management fees. The Manager earns 4.5% of the gross receipts from the Company's properties, provided that for properties that are less than 75% occupied, the manager receives a minimum fee for the first 12 months of ownership for performing certain property management and leasing activities.

Construction management fees. The Manager earns a construction management fee of 5.0% of actual aggregate costs to construct improvements, or to repair, rehab or reconstruct a property.

Debt servicing fees. The Manager earns a debt servicing fee of 2.75% on payments received from loans held by the Company for investment.

Information technology fees and operating expense reimbursement. During the ordinary course of business, the Manager or other affiliates of RAI may pay certain shared information technology fees and operating expenses on behalf of the Company.

Relationship with Other Related Parties

The Company has also made payment for legal services to the law firm of Ledgewood P.C. ("Ledgewood"). Until 1996, the former Chairman of RAI was of counsel to Ledgewood. In connection with the termination of his affiliation with Ledgewood and its redemption of his interest, RAI's former Chairman continued to receive certain payments from Ledgewood, but as of September 8, 2016 is no longer the Chairman of RAI. Until March 2006, an executive of RAI was the managing member of Ledgewood. This executive remained of counsel to Ledgewood through June 2007, at which time he became an Executive Vice President of RAI, but as of September 8, 2016 is no longer an executive of RAI.

The Company utilizes the services of a printing company, Graphic Images, LLC ("Graphic Images"), whose principal owner is the father of RAI's Chief Financial Officer.

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The following table presents the Company's amounts payable to and amounts receivable from such related parties (in thousands):

	September 30, 2017	December 31, 2016
Due from related parties:		
RAI and affiliates	$ 280	$ 1,375
Due to related parties:		
Advisor:		
Operating expense reimbursements	$ 49	$ 1,285
Resource Real Estate Opportunity Manager, LLC:		
Property management fees	482	456
Other operating expense reimbursements	342	314
	$ 873	$ 2,055

The following table presents the Company's fees earned by and expenses paid to such related parties (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Fees earned / expenses paid to related parties:				
Advisor:				
Acquisition fees (1)	$ 953	$ —	$ 2,565	$ 8
Asset management fees (2)	2,893	2,543	8,370	7,924
Disposition fees (3)	144	273	361	686
Debt financing fees (4)	358	166	901	166
Overhead allocation (5)	1,091	1,033	3,399	3,475
Internal audit (5)	21	43	47	43
Resource Real Estate Opportunity Manager LLC:				
Property management fees (2)	$ 1,429	$ 1,267	$ 4,158	$ 3,872
Construction management fees (6)	188	246	712	738
Information technology fees (5)	—	101	—	317
Operating expense reimbursements (7)	—	56	—	186
Debt servicing fees (2)	1	—	2	14
Other:				
Ledgewood (5)	$ —	$ 44	$ —	$ 74
The Planning & Zoning Resource Company (1)	2	—	3	—
Graphic Images (5)	—	23	9	83

(1) Included in Acquisition costs on the consolidated statements of operations and comprehensive income (loss).
(2) Included in Management fees on the consolidated statements of operations and comprehensive income (loss).
(3) Included in Net gains on dispositions of properties and joint venture interests on the consolidated statements of operations and comprehensive income (loss).
(4) Included in Mortgage notes payable, net, on the consolidated balance sheets.
(5) Included in General and administrative on the consolidated statements of operations and comprehensive income (loss).
(6) Included in Rental properties, net, on the consolidated balance sheets.
(7) Included in Rental operating expenses on the consolidated statements of operations and comprehensive income (loss). Amount excludes the allocated payroll expenses described in Note 17- Operating Expenses.

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NOTE 14 - EQUITY

Preferred Stock

The Company's charter authorizes the Company to issue 10.0 million shares of its $0.01 par value preferred stock. As of September 30, 2017 and December 31, 2016, no shares of preferred stock were issued and outstanding.

Common Stock

As of September 30, 2017, the Company had issued 76,845,782 shares of its $0.01 par value common stock as follows (dollars in thousands):

	Shares Issued	Gross Proceeds
Shares issued through private offering	1,263,727	$ 12,582
Shares issued through primary public offering [(1)]	62,485,461	622,077
Shares issued through stock distributions	2,132,266	—
Shares issued through distribution reinvestment plan	10,948,828	111,811
Shares issued in conjunction with the Advisor's initial investment, net of 4,500 share conversion	15,500	155
Total	76,845,782	$ 746,625
Shares redeemed and retired	(5,301,964)	
Total shares outstanding as of September 30, 2017	71,543,818	

(1) Includes 276,056 shares issued to the Advisor.

Convertible Stock

As of September 30, 2017 and December 31, 2016, the Company had 50,000 shares of $0.01 par value convertible stock outstanding of which the Advisor and affiliated persons own 49,063 shares and outside investors own 937 shares. The convertible stock will convert into shares of the Company's common stock upon the occurrence of (a) the Company having paid distributions to common stockholders that in the aggregate equal 100% of the price at which the Company originally sold the shares plus an amount sufficient to produce a 10% cumulative, non-compounded annual return on the shares at that price; or (b) if the Company lists its common stock on a national securities exchange and, on the 31st trading day after listing, the Company's value based on the average trading price of its common stock since the listing, plus prior distributions, combine to meet the same 10% return threshold.

Each of these two events is a "Triggering Event." Upon a Triggering Event, the Company's convertible stock will, unless its advisory agreement has been terminated or not renewed on account of a material breach by its Advisor, generally be converted into a number of shares of common stock equal to 1/50,000 of the quotient of:

(A) the lesser of

(i) 25% of the amount, if any, by which

(1) the value of the Company as of the date of the event triggering the conversion plus the total distributions paid to its stockholders through such date on the then-outstanding shares of its common stock exceeds

(2) the sum of the aggregate issue price of those outstanding shares plus a 10% cumulative, non-compounded, annual return on the issue price of those outstanding shares as of the date of the event triggering the conversion, or

(ii) 15% of the amount, if any, by which

(1) the value of the Company as of the date of the event triggering the conversion plus the total distributions paid to its stockholders through such date on the then-outstanding shares of its common stock exceeds

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(2) the sum of the aggregate issue price of those outstanding shares plus a 6% cumulative, non-compounded, annual return on the issue price of those outstanding shares as of the date of the event triggering the conversion, divided by

(B) the value of the Company divided by the number of outstanding shares of common stock, in each case, as of the date of the event triggering the conversion.

Redemption of Securities

During the nine months ended September 30, 2017, the Company redeemed shares of its outstanding common stock as follows (in thousands, except per share data):

Period	Total Number of Shares Redeemed	Average Price Paid per Share
January 2017	—	—
February 2017	—	—
March 2017	696	$ 10.83
April 2017	—	—
May 2017	—	—
June 2017	957	$ 10.94
July 2017	—	—
August 2017	—	—
September 2017	681	$ 10.94
	2,334	

All redemptions requests tendered were honored during the three and nine months ended September 30, 2017.

The Company will not redeem in excess of 5% of the weighted-average number of shares outstanding during the 12-month period immediately prior to the effective date of redemption. The Company's board of directors will determine at least quarterly whether it has sufficient excess cash to repurchase shares. Generally, the cash available for redemptions will be limited to proceeds from the Company's distribution reinvestment plan plus, if the Company has positive operating cash flow from the previous fiscal year, 1% of all operating cash flow from the previous year.

The Company's board of directors, in its sole discretion, may suspend, terminate or amend the Company's share redemption program without stockholder approval upon 30 days' notice if it determines that such suspension, termination or amendment is in the Company's best interest. The Company's board may also reduce the number of shares purchased under the share redemption program if it determines the funds otherwise available to fund the Company's share redemption program are needed for other purposes. These limitations apply to all redemptions, including redemptions sought upon a stockholder's death, qualifying disability or confinement to a long-term care facility.

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Distributions

For the nine months ended September 30, 2017, the Company paid aggregate distributions of $32.3 million, including $11.9 million of distributions paid in cash and $20.4 million of distributions reinvested in shares of common stock through the Company's distribution reinvestment plan, as follows (in thousands):

Record Date	Per Common Share	Distribution Date	Distributions reinvested in Shares of Common Stock	Net Cash Distribution	Total Aggregate Distribution
January 30, 2017	$ 0.05	January 31, 2017	$ 2,329	$ 1,272	$ 3,601
February 27, 2017	0.05	February 28, 2017	2,308	1,303	3,611
March 30, 2017	0.05	March 31, 2017	2,274	1,314	3,588
April 27, 2017	0.05	April 28, 2017	2,273	1,324	3,597
May 30, 2017	0.05	May 31, 2017	2,258	1,350	3,608
June 29, 2017	0.05	June 30, 2017	2,249	1,322	3,571
July 28, 2017	0.05	July 31, 2017	2,247	1,333	3,580
August 30, 2017	0.05	August 31, 2017	2,250	1,340	3,590
September 28, 2017	0.05	September 29, 2017	2,233	1,335	3,568
	$ 0.45		$ 20,421	$ 11,893	$ 32,314

NOTE 15 - FAIR VALUE MEASURES AND DISCLOSURES

In analyzing the fair value of its investments accounted for on a fair value basis, the Company follows the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company determines fair value based on quoted prices when available or, if quoted prices are not available, through the use of alternative approaches, such as discounting the expected cash flows using market interest rates commensurate with the credit quality and duration of the investment. The fair value of cash, tenant receivables and accounts payable, approximate their carrying value due to their short nature. The hierarchy followed defines three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.

Level 3 - Unobservable inputs that reflect the entity’s own assumptions about the assumptions that market participants would use in the pricing of the asset or liability and are consequently not based on market activity, but rather through particular valuation techniques.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures each quarter; depending on various factors, it is possible that an asset or liability may be classified differently from quarter to quarter. However, the Company expects that changes in classifications between levels will be rare.

Derivatives (interest rate caps), which are reported at fair value in the consolidated balance sheets, are valued by a third-party pricing agent using an income approach with models that use, as their primary inputs, readily observable market parameters. This valuation process considers factors including interest rate yield curves, time value, credit and volatility factors. (Level 2)

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The following table presents information about the Company's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value (in thousands):

	Level 1	Level 2	Level 3	Total
September 30, 2017				
Assets:				
Interest rate caps	$ —	$ 66	$ —	$ 66
	$ —	$ 66	$ —	$ 66
December 31, 2016				
Assets:				
Interest rate caps	$ —	$ 242	$ —	$ 242
	$ —	$ 242	$ —	$ 242

The following table presents the carrying and fair values of the Company’s loan held for investment, net, and mortgage notes payable-outstanding borrowings (in thousands):

	September 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loan held for investment, net	$ 778	$ 1,038	$ 769	$ 1,104
Mortgage notes payable- outstanding borrowings	$ (775,441)	$ (752,228)	$ (627,088)	$ (620,578)

The fair value of the loan held for investment, net was estimated using rates available to the Company for debt with similar terms and remaining maturities. (Level 3)

The carrying amount of the mortgage notes payable presented is the outstanding borrowings excluding premium or discount and deferred finance costs, net. The fair value of the mortgage notes payable was estimated using a discounted cash flows model and rates available to the Company for both fixed rate and variable rate debt with similar terms and remaining maturities. (Level 3)

NOTE 16 - DERIVATIVES AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company’s derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company’s known or expected cash receipts and its known or expected cash payments principally related to the Company’s investments and borrowings.

As a condition to certain of the Company’s financing facilities, from time to time the Company may be required to enter into certain derivative transactions as may be required by the lender. These transactions would generally be in line with the Company’s own risk management objectives and also serve to protect the lender.

Cash Flow Hedges of Interest Rate Risk

The Company’s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company entered into a total of 17 interest rate caps that were designated as cash flow hedges. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted

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transaction affects earnings. During the three and nine months ended September 30, 2017, such derivatives were used to hedge the variable cash flows, indexed to USD-LIBOR, associated with existing variable-rate loan agreements. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and nine months ended September 30, 2017, the Company had losses of $42,000 and $117,000, respectively. During the three and nine months ended September 30, 2016, the Company had losses of $45,000 and $130,000, respectively.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the next 12 months, the Company estimates that an additional $189,535 will be reclassified as an increase to interest expense.

The following table presents the Company's outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk as of September 30, 2017 (dollars in thousands):

Interest Rate Derivative	Number of Instruments	Notional Amount	Maturity Dates
Interest Rate Caps	17	$ 450,725	January 1, 2018 to October 1, 2020

Tabular Disclosure of Fair Values of Derivative Instruments on the Balance Sheet

The following table presents the fair value of the Company's derivative financial instruments on the consolidated balance sheets as of September 30, 2017 and December 31, 2016 (in thousands):

Asset Derivatives				Liability Derivatives			
September 30, 2017		December 31, 2016		September 30, 2017		December 31, 2016	
Balance Sheet	Fair Value	Balance Sheet	Fair Value	Balance Sheet	Fair Value	Balance Sheet	Fair Value
Prepaid expenses and other assets	$ 66	Prepaid expenses and other assets	$ 242	—	$ —	—	$ —

NOTE 17 - OPERATING EXPENSE LIMITATION

Under its charter, the Company must limit its total operating expenses to the greater of 2% of its average invested assets or 25% of its net income for the four most recently completed fiscal quarters, unless the conflicts committee of the Company's board of directors has determined that such excess expenses were justified based on unusual and non-recurring factors. Operating expenses for the four quarters ended September 30, 2017 were in compliance with the charter imposed limitation.

Allocated payroll expense associated with a portion of the compensation paid by the Advisor or its affiliates to the Company's executive officers was included in general and administrative in the consolidated statements of operations and comprehensive (loss) income and was reimbursed to the Advisor during the three and nine months ended September 30, 2017 and September 30, 2016. This expense is included in "overhead allocation" in Note 13.

Allocated payroll expense from the Manager is included in rental operating expenses in the consolidated statements of operations and comprehensive (loss) income. Allocated payroll for the three months ended September 30, 2017 and September 30, 2016 was $225,405 and $533,288, respectively. Allocated payroll for the nine months ended September 30, 2017 and September 30, 2016 was $730,658 and $1.65 million, respectively.

NOTE 18 - SUBSEQUENT EVENTS

On October 6, 2017, the Company's Board of Directors declared a $0.05 per share cash distribution to its common stockholders of record at the close of business on each of the following record dates: October 30, 2017, November 29, 2017, and December 28, 2017. Such distributions were paid or will be paid on October 31, 2017, November 30, 2017, and December 29, 2017, respectively.

The Company has evaluated subsequent events and determined that no events have occurred, other than those disclosed above, which would require an adjustment to or additional disclosure in the consolidated financial statements.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the accompanying financial statements of Resource Real Estate Opportunity REIT, Inc. and the notes thereto. See also “Cautionary Note Regarding Forward-Looking Statements” preceding Part I, as well as the notes to our financial statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations provided in our Annual Report on Form 10-K for the year ended December 31, 2016. As used herein, the terms “we,” “our” and “us” refer to Resource Real Estate Opportunity REIT, Inc., a Maryland corporation, and, as required by context, Resource Real Estate Opportunity OP, LP, a Delaware limited partnership, and to their subsidiaries.

Overview

We were formed on June 3, 2009. We commenced active real estate operations on September 7, 2010 when we raised the minimum offering amount in our initial public offering. Resource Real Estate Opportunity Advisor, LLC (the “Advisor”), an indirect wholly-owned subsidiary of Resource America, Inc. (“RAI”) has been engaged to manage our day-to-day operations.

RAI is a wholly-owned subsidiary of C-III Capital Partners LLC ("C-III"), a leading commercial real estate investment management and services company engaged in a broad range of activities. C-III controls our Advisor and Resource Real Estate Opportunity Manager, LLC (the "Manager"), our property manager. C-III also controls all of the shares of common stock held by the Advisor.

We have acquired a diversified portfolio of discounted U.S. commercial real estate and real estate-related debt. Our portfolio consists of commercial real estate assets, principally (i) multifamily rental properties purchased as non-performing or distressed loans or as real estate owned by financial institutions and (ii) multifamily rental properties to which we have or can add value with a capital infusion (referred to as “value add properties”). However, we are not limited in the types of real estate and real estate-related assets in which we may invest or whether we may invest in equity or debt secured by real estate and, accordingly, we may invest in other real estate assets or debt secured by real estate assets. At September 30, 2017, we held approximately 28% of our total assets in category (i) and 72% of our total assets in category (ii).

We may make adjustments to our portfolio based on real estate market conditions and investment opportunities. We will not forego a good investment because it does not precisely fit our expected portfolio composition. Thus, to the extent our Advisor presents us with investment opportunities that allow us to meet the requirements to be treated as a real estate investment trust, or REIT, under the Internal Revenue Code and to maintain our exclusion from regulation as an investment company pursuant to the Investment Company Act, our portfolio composition may vary from what we have initially disclosed.

The primary portion of our initial public offering commenced on June 16, 2010 and closed on December 13, 2013. We continue to offer shares to our existing stockholders pursuant to our distribution reinvestment plan. We describe these offerings further in “Liquidity and Capital Resources” below.

Results of Operations

As of September 30, 2017, we owned interests in a total of 29 multifamily properties. We also owned one performing loan. Since our inception, we have acquired interests in 51 multifamily properties, representing 14,782 units. As of September 30, 2017, we had sold our interests in 22 of those properties.

Our management is not aware of any material trends or uncertainties, favorable, or unfavorable, other than national economic conditions affecting our targeted portfolio, the multifamily residential housing industry and real estate generally, which may reasonably be expected to have a material impact on either capital resources or the revenues or incomes to be derived from the operation of such assets or those that we expect to acquire.

Three Months Ended September 30, 2017 Compared to the Three Months Ended September 30, 2016:

The following table sets forth the results of our operations (in thousands):

	Three Months Ended September 30,	
	2017	2016
Revenues:		
Rental income	$ 32,259	$ 28,524
Interest and dividend income	74	51
Total revenues	32,333	28,575
Expenses:		
Rental operating - expenses	7,162	6,297
Rental operating - payroll	3,306	3,578
Rental operating - real estate taxes	3,794	2,832
Subtotal - Rental operating expenses	14,262	12,707
Acquisition costs	1,290	—
Management fees	4,323	3,811
General and administrative	2,874	2,758
Loss on disposal of assets	537	334
Depreciation and amortization expense	13,193	10,828
Total expenses	36,479	30,438
Loss before other income	(4,146)	(1,863)
Other income (expense):		
Net gains on dispositions of properties and joint venture interests	14,300	17,601
Interest expense	(7,963)	(6,154)
Insurance proceeds in excess of cost basis	—	53
Total other income	6,337	11,500
Net income attributable to common stockholders	$ 2,191	$ 9,637

The following table presents the results of operations separated into three categories: the results of operations of the 26 properties and one performing loan that we owned for the entirety of both periods presented, properties purchased or sold during either of the periods presented, and company level revenues and expenses for the three months ended September 30, 2017 and 2016 (in thousands):

	For the three months ended September 30, 2017				For the three months ended September 30, 2016			
	Properties owned both periods	Properties purchased/ sold during either period	Company level	Total	Properties owned both periods	Properties purchased/ sold during either period	Company level	Total
Revenues:								
Rental income	$ 27,639	$ 4,620	$ —	$ 32,259	$ 26,389	$ 2,135	$ —	$ 28,524
Interest and dividend income	33	2	39	74	37	—	14	51
Total revenues	27,672	4,622	39	32,333	26,426	2,135	14	28,575
Expenses:								
Rental operating - expenses	6,250	908	4	7,162	5,550	738	9	6,297
Rental operating - payroll	2,853	453	—	3,306	3,235	343	—	3,578
Rental operating- real estate taxes	3,060	734	—	3,794	2,699	133	—	2,832
Subtotal - Rental operating expenses	12,163	2,095	4	14,262	11,484	1,214	9	12,707
Acquisition costs	—	1,290		1,290	—	—	—	—
Management fees	1,219	210	2,894	4,323	1,181	86	2,544	3,811
General and administrative	943	205	1,726	2,874	989	136	1,633	2,758
Loss on disposal of assets	100	437	—	537	324	10	—	334
Depreciation and amortization expense	11,001	2,192	—	13,193	10,223	605	—	10,828
Total expenses	25,426	6,429	4,624	36,479	24,201	2,051	4,186	30,438
Income (loss) before other (expense) income	2,246	(1,807)	(4,585)	(4,146)	2,225	84	(4,172)	(1,863)
Other (expense) income:								
Net gains on dispositions of properties and joint venture interests	—	14,300	—	14,300	—	17,601	—	17,601
Interest expense	(6,298)	(1,665)	—	(7,963)	(5,475)	(627)	(52)	(6,154)
Insurance proceeds in excess of cost basis	—	—	—	—	—	53	—	53
Total other (expense) income	(6,298)	12,635	—	6,337	(5,475)	17,027	(52)	11,500
Net (loss) income attributable to common stockholders	$ (4,052)	$ 10,828	$ (4,585)	$ 2,191	$ (3,250)	$ 17,111	$ (4,224)	$ 9,637

Revenues: The $1.3 million increase in rental income for the 26 properties we owned during both the three months ended September 30, 2017 and September 30, 2016 reflects the implementation of our investment strategy to increase monthly rental income after renovating and stabilizing operations and was primarily comprised of:

Multifamily Community	Rental Increase (in thousands)	Increase in Effective Monthly Revenue Per Unit (in dollars)
Calloway at Las Colinas	$ 194	$ 123
Heritage Pointe	158	95
Point Bonita Apartment Homes	139	169
Williamsburg	170	110
Meridian Pointe	140	120
Perimeter Circle	53	60
Verona Apartments	54	51
Perimeter 5550	69	168
South Lamar Village	73	58
The Westside Apartments	57	66
All other, net	143	
	$ 1,250	

Expenses: Our total rental operating expenses for the 26 properties we owned during both three month periods presented increased by $679,000 during the three months ended September 30, 2017 primarily due to insurance reimbursements recorded in the third quarter of 2016 related to several large incidents.

Total acquisition costs increased by $1.3 million for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016 due to the purchase of one property during the three months ended September 30, 2017, while no properties were purchased during the three months ended September 30, 2016.

Total general and administrative expenses increased by $116,000 for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016, primarily due to an increase in payroll and franchise tax expenses in 2017.

Total depreciation and amortization expense is comprised of the depreciation on our rental properties and amortization of intangible assets related to in-place leases which are amortized over a period of approximately six to eight months after acquisition. The increases in the components of depreciation and amortization during the three months ended September 30, 2017, as compared to the three months ended September 30, 2016, were as follows (in thousands):

	Properties owned both periods	Properties purchased/sold during either period	Total
Depreciation	$ 778	$ 748	$ 1,526
Amortization of intangibles	—	839	839
	$ 778	$ 1,587	$ 2,365

The overall increase in depreciation was due to the $25.6 million in acquisitions and capital improvements since September 30, 2016 made in accordance with our planned renovations. The overall increase in amortization of intangibles was due to the amortization of in-place leases during the three months ended September 30, 2017 on Providence in the Park, which was purchased during the three months ended December 31, 2016, as well as Green Trails Apartment Homes and The Terraces at Lake Mary, which were purchased during the three months ended June 30, 2017 and the three months ended September 30, 2017, respectively.

Net gains on dispositions of properties and joint venture interests included in other income (expense) decreased by $3.3 million for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016, as detailed below (in thousands):

Multifamily Community	Location	Sale Date	Contract Sales Price	Net Gains on Dispositions of Properties and Joint Venture Interests
2017 Dispositions:				
Deerfield	Hermantown, Minnesota	August 16, 2017	$ 23,600	$ 11,035
Stone Ridge	Columbia, South Carolina	September 27, 2017	10,534	3,265
				$ 14,300
2016 Dispositions:				
The Nesbit Palisades	Alpharetta, Georgia	July 8, 2016	$ 45,500	$ 17,601
				$ 17,601

Interest expense increased by $1.8 million for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016, which is due to: 1) a $71.8 million increase in debt due to refinancing or new loans subsequent to September 30, 2016, and 2) $384,000 of loan-related expenses in connection with the sales of Deerfield and Stone Ridge. These increases were offset by a decrease in interest expense of $457,000 due to the sale of other properties in 2016 and 2017.

Nine Months Ended September 30, 2017 Compared to the Nine Months Ended September 30, 2016:

The following table sets forth the results of our operations (in thousands):

	Nine Months Ended September 30,	
	2017	2016
Revenues:		
Rental income	$ 93,403	$ 89,272
Interest and dividend income	165	580
Total revenues	93,568	89,852
Expenses:		
Rental operating - expenses	20,009	21,124
Rental operating- payroll	10,385	11,166
Rental operating- real estate taxes	11,096	9,859
Subtotal - Rental operating expenses	41,490	42,149
Acquisition costs	3,065	—
Management fees	12,530	11,898
General and administrative	8,546	9,286
Loss on disposal of assets	729	620
Depreciation and amortization expense	38,527	33,167
Total expenses	104,887	97,120
Loss before other income	(11,319)	(7,268)
Other income (expense):		
Net gains on dispositions of properties and joint venture interests	22,735	45,057
Interest expense	(21,351)	(17,509)
Insurance proceeds in excess of cost basis	98	264
Total other income	1,482	27,812
Net (loss) income	(9,837)	20,544
Net income attributable to noncontrolling interests	—	(6,306)
Net (loss) income attributable to stockholders	$ (9,837)	$ 14,238

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The following table presents the results of operations separated into two categories: the results of operations of the 26 properties and one performing loan that we owned for the entirety of both periods presented, properties purchased or sold during either of the periods presented, and company level revenues and expenses for the nine months ended September 30, 2017 and 2016 (in thousands):

	For the nine months ended September 30, 2017				For the nine months ended September 30, 2016			
	Properties owned both periods	Properties purchased/ sold during either period	Company level	Total	Properties owned both periods	Properties purchased/ sold during either period	Company level	Total
Revenues:								
Rental income	$ 81,257	$ 12,146	$ —	$ 93,403	$ 77,339	$ 11,933	$ —	$ 89,272
Interest and dividend income	102	8	55	165	114	450	16	580
Total revenues	81,359	12,154	55	93,568	77,453	12,383	16	89,852
Expenses:								
Rental operating - expenses	17,382	2,620	7	20,009	17,905	3,202	17	21,124
Rental operating - payroll	9,010	1,375	—	10,385	9,504	1,662	—	11,166
Rental operating- real estate taxes	9,196	1,900	—	11,096	8,851	1,008	—	9,859
Subtotal- Rental operating expenses	35,588	5,895	7	41,490	36,260	5,872	17	42,149
Acquisition costs	—	3,065	—	3,065	—	—	—	—
Management fees	3,603	556	8,371	12,530	3,445	515	7,938	11,898
General and administrative	2,700	612	5,234	8,546	3,092	658	5,536	9,286
Loss on disposal of assets	280	449	—	729	552	68	—	620
Depreciation and amortization expense	32,455	6,072	—	38,527	30,170	2,997	—	33,167
Total expenses	74,626	16,649	13,612	104,887	73,519	10,110	13,491	97,120
Income (loss) before other (expense) income	6,733	(4,495)	(13,557)	(11,319)	3,934	2,273	(13,475)	(7,268)
Other (expense) income:								
Net gains on dispositions of properties and joint venture interests	—	22,735	—	22,735	—	45,057	—	45,057
Interest expense	(17,693)	(3,339)	(319)	(21,351)	(14,962)	(2,125)	(422)	(17,509)
Insurance proceeds in excess of cost basis	72	26	—	98	167	97	—	264
Total other (expense) income	(17,621)	19,422	(319)	1,482	(14,795)	43,029	(422)	27,812
Net (loss) income	(10,888)	14,927	(13,876)	(9,837)	(10,861)	45,302	(13,897)	20,544
Net income attributable to noncontrolling interests	—	—	—	—	—	(6,306)	—	(6,306)
Net (loss) income attributable to stockholders	$ (10,888)	$ 14,927	$ (13,876)	$ (9,837)	$ (10,861)	$ 38,996	$ (13,897)	$ 14,238

Revenues: The $3.9 million increase in rental income for the 26 properties we owned during both the nine months ended September 30, 2017 and the nine months ended September 30, 2016 reflects the implementation of our investment strategy to increase monthly rental income and occupancy rates after renovating and stabilizing operations and was primarily comprised of:

Multifamily Community	Rental Increase (in thousands)	Increase in Effective Monthly Revenue Per Unit (in dollars)
Calloway at Las Colinas	$ 547	111
Heritage Pointe	409	95
Meridian Pointe	367	110
Williamsburg	358	74
Point Bonita Apartment Homes	312	164
South Lamar Village	239	105
Perimeter Circle	232	142
Perimeter 5550	208	167
The Estates at Johns Creek	177	78
The Westside Apartments	177	75
All other, net	892	
	$ 3,918	

Expenses: Our total rental operating expenses for the 26 properties we owned during both nine month periods presented decreased by $672,000 during the nine months ended September 30, 2017, which was driven primarily by a decrease of $498,000 in insurance premiums. The decrease can also be attributed to a decrease in payroll expenses, offset by increased real estate taxes. Total rental operating expenses for the properties purchased/sold during the period increased by $23,000.

Total acquisition costs increased by $3.1 million for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016 due to the purchase of two properties during the nine months ended September 30, 2017 while no properties were purchased during the nine months ended September 30, 2016.

Total management fees increased by $632,000 for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016 due to a $433,000 increase in the asset management fees paid to the Advisor related to recent acquisitions.

Total general and administrative expenses decreased by $740,000 for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016 primarily due to a decrease in payroll and audit expenses in 2017 as well as a decrease in reimbursed travel expenses.

Total depreciation and amortization expense is comprised of the depreciation on our rental properties and amortization of intangible assets related to in-place leases which are amortized over a period of approximately six to eight months after acquisition. The increases (decreases) in the components of depreciation and amortization during the nine months ended September 30, 2017, as compared to the nine months ended September 30, 2016, were as follows (in thousands):

	Properties owned both periods	Properties purchased/sold during either period	Total
Depreciation	$ 2,497	$ 504	$ 3,001
Amortization of intangibles	(212)	2,571	2,359
	$ 2,285	$ 3,075	$ 5,360

The overall increase in depreciation for properties owned during both periods is due to the additional $45.8 million in acquisitions and capital improvements made in accordance with our planned renovations. The overall increase in amortization of intangibles was due to the amortization of in-place leases during the nine months ended September 30, 2017 on Providence in the Park, which was purchased during the six months ended December 31, 2016, and Green Trails Apartment Homes and The Terraces at Lake Mary, which were purchased during the three months ended June 30, 2017 and the three months ended September 30, 2017, respectively.

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Net gains on dispositions of properties and joint venture interests included in other (expense) income decreased by $22.3 million for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016, as detailed below (in thousands):

Multifamily Community	Location	Sale Date	Contract Sales Price		Net Gains on Dispositions of Properties and Joint Venture Interests	
2017 Dispositions:						
Chisholm Place	Plano, Texas	May 10, 2017	$	21,250	$	6,922
Mosaic	Oklahoma City, Oklahoma	May 12, 2017		6,100		1,513
Deerfield	Hermantown, Minnesota	August 16, 2017		23,600		11,035
Stone Ridge	Columbia, South Carolina	September 27, 2017		10,534		3,265
					$	22,735
2016 Dispositions:						
Conifer Place	Norcross, Georgia	January 27, 2016	$	42,500	$	9,897
Champion Farms	Louisville, Kentucky	January 29, 2016		7,590		1,066
The Ivy at Clear Creek	Houston, Texas	February 17, 2016		19,400		6,792
Affinity at Winter Park	Winter Park, Florida	June 9, 2016		17,500		5,605
Fieldstone	Woodland, Ohio	June 30, 2016		7,514		4,096
The Nesbit Palisades	Alpharetta, Georgia	July 8, 2016		45,500		17,601
					$	45,057

The net gain on disposition of properties and joint venture interests on Conifer Place in 2016 includes $6.2 million which is attributable to noncontrolling interests.

Interest expense increased by $3.8 million for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016, of which $4.5 million relates to a $234.2 million increase in debt due to refinancing or new loans subsequent to September 30, 2016 and $657,000 relates to loan-related expenses due to the sales of Chisholm Place, Deerfield, and Stone Ridge. These increases were offset by a decrease in interest expense of $1.2 million due to the sale of other properties in 2016 and 2017.

Liquidity and Capital Resources

We have derived the capital required to purchase real estate investments and conduct our operations from the proceeds of our private and public offerings, secured financings from banks, proceeds from the sale of real estate, and cash flows generated by our real estate and real estate-related investments.

We initially allocated a portion of the funds we raised in our initial public offering to a reserve to support the maintenance and viability of the properties we have acquired and those properties that we may acquire in the future in order to preserve capital for our investors. If these allocated amounts and any other available income become insufficient to cover our operating expenses and liabilities, it may be necessary to obtain additional funds by borrowing, refinancing properties or liquidating our investment in one or more properties, debt investments or other assets we may hold. We cannot assure you that we will be able to access additional funds upon acceptable terms when we need them.

Capital Expenditures

We deployed a total of $16.6 million during the nine months ended September 30, 2017 for capital expenditures. The properties in which we deployed the most capital during the nine months ended September 30, 2017 are listed separately and the capital expenditures made on all other properties are aggregated in "All other properties" below (in thousands):

Multifamily Community	Capital deployed during the nine months ended September 30, 2017	Remaining capital budgeted
The Bryant at Yorba Linda	$ 3,311	$ 2,192
Point Bonita Apartment Homes	1,773	1,569
Providence in the Park	1,421	3,959
Heritage Pointe	1,221	3,356
Meridian Pointe	1,026	—
Williamsburg	928	280
Calloway at Las Colinas	919	2,053
The Estates At Johns Creek	881	701
South Lamar Village	689	689
Sunset Ridge	520	546
All other properties	3,943	9,125
	$ 16,632	

Initial Public Offering

The primary portion of our initial public offering closed on December 13, 2013. On December 26, 2013, the unsold primary offering shares were deregistered and, on December 30, 2013, the registration of the shares issuable pursuant to the distribution reinvestment plan was continued pursuant to a Registration Statement on Form S-3. A new Registration Statement on Form S-3 was filed in May 2016 to continue the distribution reinvestment plan offering. We continue to offer up to $120.0 million of shares of common stock pursuant to our distribution reinvestment plan under which our stockholders may elect to have distributions reinvested in additional shares at $10.94 per share.

Gross offering proceeds

As of September 30, 2017, shares of our $0.01 par value common stock have been issued as follows (dollars in thousands):

	Shares Issued	Gross Proceeds
Shares issued through private offering	1,263,727	$ 12,582
Shares issued through primary public offering [1]	62,485,461	622,077
Shares issued through stock distributions	2,132,266	—
Shares issued through distribution reinvestment plan	10,948,828	111,811
Shares issued in conjunction with the Advisor's initial investment, net of 4,500 share conversion	15,500	155
Total	76,845,782	$ 746,625
Shares redeemed and retired	(5,301,964)	
Total shares outstanding at September 30, 2017	71,543,818	

(1) Includes 276,056 shares issued to the Advisor.

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Mortgage Debt

The following table presents a summary of our mortgage notes payable, net (in thousands):

	September 30, 2017				December 31, 2016			
Collateral	**Outstanding Borrowings**	**Premium (Discount)**	**Deferred finance costs, net**	**Carrying Value**	**Outstanding Borrowings**	**Premium (Discount)**	**Deferred finance costs, net**	**Carrying Value**
Vista Apartment Homes	$ 14,977	$ —	$ (149)	$ 14,828	$ 15,225	$ —	$ (178)	$ 15,047
Cannery Lofts	13,100	—	(172)	12,928	13,100	—	(197)	12,903
Deerfield	—	—	—	—	10,359	—	(125)	10,234
Trailpoint at the Woodlands	18,449	—	(196)	18,253	18,690	—	(222)	18,468
Verona Apartment Homes	32,970	—	(490)	32,480	32,970	—	(532)	32,438
Skyview Apartment Homes	28,400	—	(426)	27,974	28,400	—	(462)	27,938
Maxwell Townhomes	13,408	—	(116)	13,292	13,602	—	(137)	13,465
Pinehurst	7,350	—	(134)	7,216	7,350	—	(154)	7,196
Pheasant Run	6,250	—	—	6,250	6,250	43	(9)	6,284
Retreat of Shawnee	12,736	26	(7)	12,755	12,893	85	(23)	12,955
Evergreen at Coursey Place	26,759	83	(80)	26,762	27,107	100	(96)	27,111
Pines of York	14,789	(251)	(47)	14,491	14,999	(299)	(56)	14,644
The Estates at Johns Creek	48,854	—	(316)	48,538	49,596	—	(405)	49,191
Chisholm Place	—	—	—	—	11,587	—	(143)	11,444
Perimeter Circle	17,018	—	(99)	16,919	17,298	—	(143)	17,155
Perimeter 5550	13,431	—	(82)	13,349	13,651	—	(118)	13,533
Aston at Cinco Ranch	23,051	—	(225)	22,826	23,367	—	(268)	23,099
Sunset Ridge 1	19,368	207	(164)	19,411	19,699	259	(205)	19,753
Sunset Ridge 2	2,905	28	(21)	2,912	2,948	35	(26)	2,957
Calloway at Las Colinas	34,571	—	(257)	34,314	35,083	—	(306)	34,777
South Lamar Village	12,242	—	(92)	12,150	12,435	—	(131)	12,304
Heritage Pointe	26,050	—	(295)	25,755	26,280	—	(327)	25,953
The Bryant at Yorba Linda	67,500	—	(511)	66,989	67,500	—	(661)	66,839
Point Bonita Apartment Homes	26,624	1,737	(298)	28,063	26,907	1,966	(338)	28,535
Stone Ridge	—	—	—	—	5,227	—	(130)	5,097
The Westside Apartments	36,820	—	(403)	36,417	36,820	—	(448)	36,372
Tech Center Square	12,199	—	(172)	12,027	12,375	—	(196)	12,179
Williamsburg	53,995	—	(736)	53,259	53,995	—	(828)	53,167
Retreat at Rocky Ridge	11,375	—	(232)	11,143	11,375	—	(261)	11,114
Providence in the Park	47,000	—	(546)	46,454	—	—	—	—
Green Trails Apartment Homes	61,500	—	(695)	60,805	—	—	—	—
Meridian Pointe	39,500	—	(611)	38,889	—	—	—	—
Terraces at Lake Mary	32,250	—	(393)	31,857	—	—	—	—
	$ 775,441	$ 1,830	$ (7,965)	**$ 769,306**	$ 627,088	$ 2,189	$ (7,125)	**$ 622,152**

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For maturity dates, related interest rates, monthly debt service, and monthly escrow payments, see Note 10 of the notes to our consolidated financial statements.

As of September 30, 2017, the weighted average interest rate of all our outstanding indebtedness was 3.68%.

Based on current lending market conditions, we expect that the debt financing we incur, on a total portfolio basis, will not exceed 55% to 65% of the cost of our real estate investments (before deducting depreciation or other non-cash reserves) plus the value of our other assets (60% as of September 30, 2017). We may also increase the amount of debt financing we use with respect to an investment over the amount originally incurred if the value of the investment increases subsequent to our acquisition and if credit market conditions permit us to do so. Our charter limits us from incurring debt such that our total liabilities may not exceed 75% of the cost (before deducting depreciation or other non-cash reserves) of our tangible assets, although we may exceed this limit under certain circumstances. We expect that our primary liquidity source for acquisitions and long-term funding will include proceeds from dispositions and, to the extent we co-invest with other entities, capital from any future joint venture partners. We may also pursue a number of potential other funding sources, including mortgage loans, portfolio level credit lines and government financing.

Operating Costs

In addition to making investments in accordance with our investment objectives, we expect to use our capital resources to make payments to our Advisor and its affiliates. We make payments to our Advisor and its affiliates in connection with the acquisition of real estate investments and for the management of our assets and costs incurred by our Advisor and its affiliates in providing services to us. We describe these payments in more detail in Note 13 of the notes to our consolidated financial statements.

Under our charter, we are required to limit our total operating expenses to the greater of 2% of our average invested assets or 25% of our net income for the four most recently completed fiscal quarters, as these terms are defined in our charter, unless the conflicts committee of our board of directors has determined that such excess expenses were justified based on unusual and non-recurring factors. Operating expense reimbursements for the four fiscal quarters ended September 30, 2017 did not exceed the charter imposed limitation.

Distributions

For the nine months ended September 30, 2017, we paid aggregate distributions of $32.3 million, including $11.9 million of distributions paid in cash and $20.4 million of distributions reinvested in shares of common stock through our distribution reinvestment plan, as follows (in thousands, except per share data):

Record Date	Per Common Share	Distribution Date	Distributions reinvested in Shares of Common Stock	Net Cash Distribution	Total Aggregate Distribution
January 30, 2017	$ 0.05	January 31, 2017	$ 2,329	$ 1,272	$ 3,601
February 27, 2017	0.05	February 28, 2017	2,308	1,303	3,611
March 30, 2017	0.05	March 31, 2017	2,274	1,314	3,588
April 27, 2017	0.05	April 28, 2017	2,273	1,324	3,597
May 30, 2017	0.05	May 31, 2017	2,258	1,350	3,608
June 29, 2017	0.05	June 30, 2017	2,249	1,322	3,571
July 28, 2017	0.05	July 31, 2017	2,247	1,333	3,580
August 30, 2017	0.05	August 31, 2017	2,250	1,340	3,590
September 28, 2017	0.05	September 29, 2017	2,233	1,335	3,568
	$ 0.45		$ 20,421	$ 11,893	$ 32,314

Distributions paid, distributions declared and sources of distributions paid were as follows for the nine months ended September 30, 2017 (dollars in thousands):

	Distributions Paid				Distributions Declared		Sources of Distributions Paid		
							Operating Activities	Debt Financing	Dispositions
2017	Cash	Distributions Reinvested (DRIP)	Total	Cash Provided By Operating Activities	Total	Per Share	Amount Paid/Percent of Total	Amount Paid/Percent of Total	Amount Paid/Percent of Total
First Quarter	$ 3,889	$ 6,911	$ 10,800	$ 3,433	$ 10,800	$0.15	$3,433 / 32%	$7,367 / 68%	—
Second Quarter	3,997	6,780	10,777	1,167	10,777	$0.15	$1,167 / 11%	—	$9,610 / 89%
Third Quarter	4,007	6,730	10,737	5,237	10,737	$0.15	$5,237 / 49%	—	$5,500 / 51%
	$ 11,893	$ 20,421	$ 32,314	$ 9,837	$ 32,314				

Cash distributions paid since inception were as follows (in thousands, except per share data):

Fiscal Year Paid	Per Common Share	Distribution reinvested in shares of Common Stock	Net Cash Distribution	Total Aggregate Distribution
2012	$ 0.15	$ 1,052	$ 841	$ 1,893
2013	0.41	9,984	4,757	14,741
2014	0.48	22,898	9,959	32,857
2015	0.60	28,959	13,257	42,216
2016	0.60	28,497	14,508	43,005
2017	0.45	20,421	11,893	32,314
	$ 2.69	$ 111,811	$ 55,215	$ 167,026

Our net loss attributable to common stockholders' for the nine months ended September 30, 2017 was ($9.8 million) and net cash provided by operating activities was $9.8 million. Our cumulative cash distributions and net loss attributable to common shareholders from inception through September 30, 2017 were $167.0 million and $106.3 million, respectively. We have funded our cumulative distributions, which includes net cash distributions and distributions reinvested by stockholders, with cash flows from operating activities, proceeds from dispositions of properties and joint venture interests and proceeds from debt financing. To the extent that we pay distributions from sources other than our cash flow from operating activities or proceeds from dispositions of properties and joint venture interests, we will have fewer funds available for investment in commercial real estate and real estate-related debt and the overall return to our stockholders may be reduced.

Funds from Operations, Modified Funds from Operations and Adjusted Funds from Operations

Funds from operations attributable to common stockholders, or FFO, is a non-GAAP financial performance measure that is widely recognized as a measure of REIT operating performance. We use FFO as defined by the National Association of Real Estate Investment Trusts to be net income (loss), computed in accordance with GAAP excluding extraordinary items, as defined by GAAP, and gains (or losses) from sales of property (including deemed sales and settlements of pre-existing relationships), plus depreciation and amortization on real estate assets, and after related adjustments for unconsolidated partnerships, joint ventures and subsidiaries and noncontrolling interests. We believe that FFO is helpful to our investors and our management as a measure of operating performance because it excludes real estate-related depreciation and amortization, gains and losses from property dispositions, and extraordinary items, and as a result, when compared year to year, reflects the impact on operations from trends in occupancy rates, rental rates, operating costs, development activities, general and administrative expenses, and interest costs, which are not immediately apparent from net income. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate and intangibles diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting alone to be insufficient. As a result, our management believes that the use of FFO, together with the required GAAP presentations, is helpful for our investors in understanding our

performance. Factors that impact FFO include start-up costs, fixed costs, delay in buying assets, lower yields on cash held in accounts, income from portfolio properties and other portfolio assets, interest rates on acquisition financing and operating expenses. In addition, FFO will be affected by the types of investments in our targeted portfolio which will consist of, but are not limited to: i) multifamily rental properties purchased as non-performing or distressed loans or as real estate owned by financial institutions and (ii) multifamily rental properties to which we can add value with a capital infusion (referred to as “value add properties”).

Since FFO was promulgated, GAAP has adopted several new accounting pronouncements, such that management and many investors and analysts have considered the presentation of FFO alone to be insufficient. Accordingly, in addition to FFO, we use modified funds from operations attributable to common stockholders, or MFFO, as defined by the Investment Program Association, or IPA. MFFO excludes from FFO the following items:

(1) acquisition fees and expenses;

(2) straight-line rent amounts, both income and expense;

(3) amortization of above- or below-market intangible lease assets and liabilities;

(4) amortization of discounts and premiums on debt investments;

(5) impairment charges;

(6) gains or losses from the early extinguishment of debt;

(7) gains or losses on the extinguishment or sales of hedges, foreign exchange, securities and other derivatives holdings except where the trading of such instruments is a fundamental attribute of our operations;

(8) gains or losses related to fair-value adjustments for derivatives not qualifying for hedge accounting, including interest rate and foreign exchange derivatives;

(9) gains or losses related to consolidation from, or deconsolidation to, equity accounting;

(10) gains or losses related to contingent purchase price adjustments; and

(11) adjustments related to the above items for unconsolidated entities in the application of equity accounting.

We believe that MFFO is helpful in assisting management assess the sustainability of operating performance in future periods, primarily because it excludes acquisition expenses that affect property operations only in the period in which the property is acquired. Thus, MFFO provides helpful information relevant to evaluating our operating performance in periods in which there is no acquisition activity.

As explained below, management’s evaluation of our operating performance excludes the items considered in the calculation based on the following economic considerations. Many of the adjustments in arriving at MFFO are not applicable to us. Nevertheless, we explain below the reasons for each of the adjustments made in arriving at our MFFO definition:

- *Acquisition expenses.* In evaluating investments in real estate, including both business combinations and investments accounted for under the equity method of accounting, management’s investment models and analysis differentiate costs to acquire the investment from the operations derived from the investment. Prior to 2009, acquisition costs for both of these types of investments were capitalized under GAAP; however, beginning in 2009, acquisition costs related to business combinations are expensed. Both of these acquisition costs will continue to be funded from the proceeds of debt financing and proceeds from property dispositions and not from operations. We believe by excluding expensed acquisition costs, MFFO provides useful supplemental information that is comparable for each type of real estate investment and is consistent with management’s analysis of the investing and operating performance of our properties. Acquisition expenses include those paid to our Advisor or third parties.
- *Adjustments for straight-line rents and amortization of discounts and premiums on debt investments*. In the proper application of GAAP, rental receipts and discounts and premiums on debt investments are allocated to periods using various systematic methodologies. This application will result in income recognition that could be significantly different than underlying contract terms. By adjusting for these items, MFFO provides useful supplemental information on the realized economic impact of lease terms and debt investments and aligns results with management’s analysis of operating performance.
- *Adjustments for amortization of above or below market intangible lease assets*. Similar to depreciation and amortization of other real estate related assets that are excluded from FFO, GAAP implicitly assumes that the value of intangibles diminishes predictably over time and that these charges be recognized currently in revenue. Since real estate values and market lease rates in the aggregate have historically risen or fallen with market conditions,

management believes that by excluding these charges, MFFO provides useful supplemental information on the performance of the real estate.

- *Impairment charges, gains or losses related to fair-value adjustments for derivatives not qualifying for hedge accounting and gains or losses related to contingent purchase price adjustments*. Each of these items relates to a fair value adjustment, which is based on the impact of current market fluctuations and underlying assessments of general market conditions and specific performance of the holding which may not be directly attributable to current operating performance. As these gains or losses relate to underlying long-term assets and liabilities, management believes MFFO provides useful supplemental information by focusing on the changes in our core operating fundamentals rather than changes that may reflect anticipated gains or losses. In particular, because GAAP impairment charges are not allowed to be reversed if the underlying fair values improve or because the timing of impairment charges may lag the onset of certain operating consequences, we believe MFFO provides useful supplemental information related to current consequences, benefits and sustainability related to rental rate, occupancy and other core operating fundamentals.

- *Adjustment for gains or losses related to early extinguishment of hedges, debt, consolidation or deconsolidation and contingent purchase price*. Similar to extraordinary items excluded from FFO, these adjustments are not related to continuing operations. By excluding these items, management believes that MFFO provides supplemental information related to sustainable operations that will be more comparable between other reporting periods and to other real estate operators.

By providing MFFO, we believe we are presenting useful information that also assists investors and analysts in the assessment of the sustainability of our operating performance. We also believe that MFFO is a recognized measure of sustainable operating performance by the real estate industry. MFFO is useful in comparing the sustainability of our operating performance with the sustainability of the operating performance of other real estate companies that are not as involved in acquisition activities or as affected by other MFFO adjustments. However, investors are cautioned that MFFO should only be used to assess the sustainability of our operating performance after our acquisition stage is completed, as it excludes acquisition costs that have a negative effect on our operating performance and the reported book value of our common stock and stockholders' equity during the periods in which properties are acquired.

As an opportunity REIT, a core element of our investment strategy and operations is the acquisition of distressed and value-add properties and the rehabilitation and renovation of such properties in an effort to create additional value in such properties. As part of our operations, we intend to realize gains from such value-add efforts through the strategic disposition of such properties after we have added value through the execution of our business plan. As we do not intend to hold any of our properties for a specific amount of time, we intend to take advantage of opportunities to realize gains from our value-add efforts on a regular basis during the course of our operations as such opportunities become available, in all events subject to the rules regarding "prohibited transactions" of real estate investment trusts of the Internal Revenue Code. Therefore, we also use adjusted funds from operations attributable to common stockholders, or AFFO, in addition to FFO and MFFO when evaluating our operations. We calculate AFFO by adding/subtracting gains/losses realized on sales of our properties from MFFO. We believe that AFFO presents useful information that assists investors and analysts in the assessment of our operating performance as it is reflective of the impact that regular, strategic property dispositions have on our continuing operations.

Neither FFO, MFFO nor AFFO should be considered as an alternative to net income attributable to common stockholders, nor as an indication of our liquidity, nor are any of these measures indicative of funds available to fund our cash needs, including our ability to fund distributions. In particular, as we may continue to acquire properties as part of our ongoing operations, acquisition costs and other adjustments that are increases to MFFO and AFFO are, and may continue to be, a significant use of cash. Accordingly, FFO, MFFO and AFFO should be reviewed in connection with other GAAP measurements. Our FFO, MFFO and AFFO as presented may not be comparable to amounts calculated by other REITs.

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The following section presents our calculation of FFO, MFFO and AFFO and provides additional information related to our operations (in thousands, except per share amounts). Amounts reported in the table below include adjustments attributable to noncontrolling interests.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income (loss) attributable to stockholders – GAAP	$ 2,191	$ 9,637	$ (9,837)	$ 14,238
Net gains on dispositions of properties and joint venture interests [(1)]	(14,300)	(17,601)	(22,735)	(38,834)
Depreciation expense [(2)]	12,351	10,824	35,944	32,883
FFO attributable to common stockholders	242	2,860	3,372	8,287
Adjustments for straight-line rents	(23)	57	(136)	57
Amortization of intangible lease assets	842	4	2,583	224
Realized loss on change in fair value of interest rate cap	5	33	28	105
Loss on extinguishment of debt	—	714	—	854
Debt premium amortization	(120)	(122)	(359)	(364)
Acquisition costs	1,290	—	3,065	—
MFFO attributable to common stockholders	2,236	3,546	$ 8,553	$ 9,163
Net gains on dispositions of properties and joint venture interests [(1)]	14,300	17,601	22,735	38,834
AFFO attributable to common stockholders	$ 16,536	$ 21,147	$ 31,288	$ 47,997
Basic and diluted (loss) income per common share - GAAP	$ 0.03	$ 0.14	$ (0.13)	$ 0.20
FFO per common share	$ —	$ 0.04	$ 0.05	$ 0.12
MFFO per common share	$ 0.03	$ 0.05	$ 0.12	$ 0.13
AFFO per common share	$ 0.23	$ 0.30	$ 0.43	$ 0.67
Weighted average shares outstanding [(3)]	71,703	71,621	71,967	71,781

(1) Net gains on dispositions of properties and joint venture interests for the nine months ended September 30, 2016 excludes $6.2 million attributable to noncontrolling interests.

(2) Depreciation expense for the nine months ended September 30, 2016 excludes $60,000 attributable to noncontrolling interests. There were no noncontrolling interest adjustments for the three and nine months ended September 30, 2017, or the three months ended September 30, 2016.

(3) Excludes any dilution from the potential conversion of convertible stock as the actual number of shares that will be issuable upon conversion, if any, is indeterminable because the necessary conditions for conversion have not been satisfied as of both September 30, 2017 and 2016.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of our assets, liabilities, revenues and cost and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to certain accrued liabilities. We base our estimates on historical experience and on various other assumptions that we believe reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

For a discussion of our critical accounting policies and estimates, see the discussion in our Annual Report on Form 10-K for the year ended December 31, 2016 under “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies.”

Off-Balance Sheet Arrangements

As of September 30, 2017 and December 31, 2016, we did not have any off-balance sheet arrangements or obligations.

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Subsequent Events

On October 6, 2017, our Board of Directors declared a $0.05 per share cash distribution to our common stockholders of record at the close of business on each of the following record dates: October 30, 2017, November 29, 2017, and December 28, 2017. Such distributions were paid or will be paid on October 31, 2017, November 30, 2017, and December 29, 2017, respectively.

We have evaluated subsequent events and determined that no events have occurred, other than those disclosed above, which would require an adjustment to or additional disclosure in the consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from our financial instruments primarily from changes in market interest rates. We do not have exposure to any other significant market risks. We monitor interest rate risk as an integral part of our overall risk management, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on our results of operations. Our operating results are affected by changes in interest rates, primarily changes in LIBOR as a result of borrowings under our credit facility and outstanding mortgage loans.

We enter into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish this objective, we entered into a total of 17 interest rate caps that were designated as cash flow hedges during the years 2013 through 2017. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium.

As of September 30, 2017 and December 31, 2016, we had $503.4 million and $340.9 million, respectively, in variable rate outstanding borrowings. If interest rates on the variable rate outstanding borrowings had been 100 basis points higher during the nine months ended September 30, 2017 and the year ended December 31, 2016, our annual interest expense would have increased by approximately $4.3 million and $2.5 million, respectively.

In addition, changes in interest rates affect the fair value of our fixed rate outstanding borrowings. As of September 30, 2017 and December 31, 2016, we had $272.0 million and $286.2 million, respectively, in fixed rate outstanding borrowings. As of September 30, 2017 and December 31, 2016, our fixed rate outstanding borrowings had an estimated aggregate fair value of $272.2 million and $293.5 million, respectively. Fair value is computed using rates available to us for debt with similar terms and remaining maturities. If interest rates had been 100 basis points higher as of September 30, 2017 and December 31, 2016, the fair value of these fixed rate outstanding borrowings would have decreased by $8.0 million and $10.3 million, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision of our principal executive officer and principal financial officer, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective as of September 30, 2017.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sale of Equity Securities

All securities sold by us during the nine months ended September 30, 2017 were sold in an offering registered under the Securities Act of 1933, as amended (the "Securities Act").

Redemption of Securities

During the three months ended September 30, 2017, we redeemed shares of our common stock as follows:

Period	Total Number of Shares Redeemed [(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program [(2)]	Approximate Dollar Value of Shares Available That May Yet Be Redeemed Under the Program
July 2017	—	$ —	—	(3)
August 2017	—	$ —	—	(3)
September 2017	680,800	$ 10.94	680,800	(3)
	680,800			

(1) All redemptions of equity securities in the three months ended September 30, 2017 were made pursuant to our share redemption program. All redemption requests tendered were honored during the three months ended September 30, 2017.
(2) The share redemption program commenced on June 16, 2010 and was subsequently amended on September 29, 2011.
(3) We currently limit the dollar value and number of shares that may be redeemed under the program as described below.

We will not redeem in excess of 5% of the weighted-average number of shares outstanding during the 12-month period immediately prior to the effective date of redemption. Our board of directors will determine at least quarterly whether it has sufficient excess cash to redeem shares. Generally, the cash available for redemptions will be limited to proceeds from our distribution reinvestment plan plus, if we have positive operating cash flow from the previous fiscal year, 1% of all operating cash flow from the previous year.

Our share redemption program, including redemptions sought upon a stockholder's death or disability or upon confinement of a stockholder to a long-term care facility, will be available only for stockholders who purchase their shares directly from us or the transferees mentioned below, and is not intended to provide liquidity to any stockholder who acquired his or her shares by purchase from another stockholder. In connection with a request for redemption, the stockholder or his or her estate, heir or beneficiary will be required to certify to us that the stockholder acquired the shares to be repurchased either (1) directly from us or (2) from the original investor by way of (i) a bona fide gift not for value to, or for the benefit of, a member of the investor's immediate or extended family (including the investor's spouse, parents, siblings, children or grandchildren and including relatives by marriage), (ii) through a transfer to a custodian, trustee or other fiduciary for the account of the investor or members of the investor's immediate or extended family in connection with an estate planning transaction, including by bequest or inheritance upon death or (iii) operation of law.

Our board of directors, in its sole discretion, may suspend, terminate or amend our share redemption program without stockholder approval upon 30 days' notice if it determines that such suspension, termination or amendment is in our best interest. Our board may also reduce the number of shares purchased under the share redemption program if it determines the funds otherwise available to fund our share redemption program are needed for other purposes. These limitations apply to all redemptions, including redemptions sought upon the stockholder's death, qualifying disability or confinement to a long-term care facility.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

(a) There have been no defaults with respect to any of our indebtedness.

(b) Not applicable.

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ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Pre-Effective Amendment No. 3 to the Company's Registration Statement on Form S-11 (No. 333-160463) filed February 9, 2010)
3.2	Bylaws (incorporated by reference to Pre-Effective Amendment No. 3 to the Company's Registration Statement on Form S-11 (No. 333-160463) filed February 9, 2010)
4.1	Form of Distribution Reinvestment Plan Enrollment Form (incorporated by reference to the Company's Registration Statement on Form S-3 (No. 333-211721) filed May 31, 2016)
4.2	Statement regarding restrictions on transferability of shares of common stock (to appear on stock certificate or to be sent upon request and without charge to stockholders issued shares without certificates) (incorporated by reference to Pre-Effective Amendment No. 2 to the Company's Registration Statement on Form S-11 (No. 333-160463) filed November 12, 2009)
4.3	Second Amended and Restated Distribution Reinvestment Plan (incorporated by reference to the Company's Registration Statement on Form S-3 (No. 333-211721) filed May 31, 2016)
10.1	Renewal Agreement, dated September 15, 2017, between Resource Real Estate Opportunity REIT, Inc. and Resource Real Estate Opportunity Advisor, LLC
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 1350 18 U.S.C., as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 1350 18 U.S.C., as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Amended and Restated Share Redemption Program (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed November 14, 2011)
101.1	Interactive Data Files

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SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RESOURCE REAL ESTATE OPPORTUNITY REIT, INC.

November 13, 2017	By:	/s/ Alan F. Feldman
		ALAN F. FELDMAN
		Chief Executive Officer
		(Principal Executive Officer)
November 13, 2017	By:	/s/ Steven R. Saltzman
		STEVEN R. SALTZMAN
		Chief Financial Officer
		(Principal Financial Officer and Principal Accounting Officer)

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