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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019

☐ **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)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

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

Common Stock, par value $.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition 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	☑	Smaller reporting company	☐
		Emerging growth company	☐

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

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. ☐

There is no established market for the Registrant's shares of common stock. There were approximately 70,041,219 shares of common stock held by non-affiliates at June 30, 2019, the last business day of the registrant's most recently completed second fiscal quarter, for an aggregate market value of $758,546,402, assuming an estimated value per share of $10.83, which was the Registrant’s estimated value per share as determined by its Board of Directors on March 20, 2019. For a full description of the methodologies used to calculate the Registrant’s estimated value per share as of December 31, 2018, see Part II, Item 5, “Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities – Market Information” in the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2018.

As of March 13, 2020, there were 69,862,273 outstanding shares of common stock of Resource Real Estate Opportunity REIT, Inc., $.01 per value per share outstanding.

Registrant incorporates by reference portions of the Resource Real Estate Opportunity REIT, Inc. Definitive Proxy Statement for the 2020 Annual Meeting of Stockholders (Items 10, 11, 12, 13, and 14 of Part III).

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RESOURCE REAL ESTATE OPPORTUNITY REIT, INC.

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Forward-Looking Statements

Certain statements included in this Annual Report on Form 10-K 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. Such statements are subject to the risks and uncertainties more particularly described in Item 1A of this Annual Report on Form 10-K. These risks and uncertainties could cause actual results to differ materially. 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 I

ITEM 1. BUSINESS

General

Resource Real Estate Opportunity REIT, Inc. is a Maryland corporation that was formed on June 3, 2009. As used herein, the terms "we," "our" and "us" refer to Resource Real Estate Opportunity REIT, Inc. and as required by context Resource Real Estate Opportunity OP, LP, a Delaware limited partnership, and its subsidiaries. We elected to be taxed as a real estate investment trust, or REIT, and to operate as a REIT beginning with our taxable year ended December 31, 2010. Our objectives are to preserve stockholder capital, realize growth in the value of our investments, increase cash distributions through increased cash flow from operations or asset sales, and enable stockholders to realize a return on their investments.

As of December 31, 2019, we owned 28 multifamily properties, as described further in "Item 2. Properties" below, and one performing loan.

We are externally managed by Resource Real Estate Opportunity Advisor, LLC, which we refer to as our Advisor, an indirect wholly owned subsidiary of Resource America, Inc. ("RAI"). RAI is a wholly-owned subsidiary of C-III Capital Partners LLC ("C-III"), a leading commercial real estate services company engaged in a broad range of activities. C-III controls both our Advisor and Resource Real Estate Opportunity Manager, LLC, our property manager. C-III also controls all of the shares of common stock held by our Advisor. To provide its services, the Advisor draws upon RAI, C-III, their management teams and their collective investment experience.

Our Offerings

On September 15, 2009, we commenced a private placement offering to accredited investors for the sale of up to 5,000,000 shares of common stock at a price of $10 per share, with discounts available to certain categories of purchasers. The offering, which closed on June 9, 2010, resulted in aggregate gross proceeds of $12.8 million, ($11.3 million, net of syndication costs) and resulted in the issuance of 1,283,727 common shares, including 20,000 shares purchased by our Advisor. Also, in conjunction with the private offering, we offered 5,000 shares of convertible stock at a price of $1 per share. Investors acquired 937 shares of the convertible stock; the Advisor purchased the remaining 4,063 shares.

On June 16, 2010, we commenced our initial primary public offering of up to 75,000,000 shares and a public offering of up to an additional 7,500,000 shares pursuant to our distribution reinvestment plan. An affiliate of our Advisor, Resource Securities LLC, or Resource Securities (formerly known as Resource Securities, Inc.), served as the dealer manager. We offered shares of our common stock in our primary offering for $10 per share, with discounts available to certain categories of investors.

We closed the primary portion of our initial public offering on December 13, 2013, having raised aggregate gross proceeds of $633.1 million through the issuance of 63,647,084 shares of our common stock, including 276,056 shares purchased by our Advisor and 1,161,623 shares sold pursuant to our distribution reinvestment plan. 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 shares pursuant to our distribution reinvestment plan at a purchase price equal to 95% of our current estimated value per share. During the years ended December 31, 2019, 2018, and 2017, we issued, in total, an additional 7.4 million shares through our distribution reinvestment plan for gross proceeds of $77.5 million.

Our Business Strategy

Our business strategy has a focus on multifamily assets. Our targeted 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 added 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. We do not expect to make any significant additional real estate investments and we continually monitor the portfolio of optimized, renovated properties seeking sales opportunities that will maximize our return. We generally expect to distribute gains from such sales to our stockholders in the form of distributions.

Our charter requires that, by December 2019, our Board of Directors consider listing our common stock or liquidating. Our Board has begun the process of considering various liquidity options for our stockholders, including, but not limited to, listing our common stock or liquidating. Pursuant to our charter requirement, the Board of Directors, including all of the independent directors, unanimously determined in September 2019 to continue to evaluate various possible alternatives with the objective of making a recommendation by the end of the second quarter of 2020.

Our Operating Policies and Strategies

Our Advisor has the primary responsibility for the selection of investments, the negotiation of the acquisition of these investments, and financing, asset-management and disposition decisions. A majority of our Board of Directors and a majority of the Conflicts Committee, which includes only our three independent directors, approve all proposed real estate property investments and certain significant real estate-related debt investments. Our Board of Directors meets regularly to monitor the execution of our investment strategies and our progress in achieving our investment objectives.

We may use leverage for our acquisitions in the form of both REIT level financing and individual investment financing. Such financing, both at the REIT level and at the individual investment level, may also be obtained from the seller of an investment. Although there is no limit on the amount we can borrow to acquire a single real estate investment, we may not leverage our assets with debt financing such that our total liabilities exceed 75% of the aggregate value of our assets unless a majority of our independent directors finds substantial justification for borrowing a greater amount.

Our Advisor and our Property Manager

Our Advisor manages our day-to-day operations and our portfolio of real estate investments, and provides asset management, marketing, investor relations, and other administrative services on our behalf, all subject to the supervision of our Board of Directors. Our Advisor has invested approximately $2.5 million in us and as of December 31, 2019, it owned 276,056 shares of our common stock and 30,274 shares of our convertible stock. Under certain circumstances, the convertible shares may be converted into shares of our common stock. As of December 31, 2019, our Advisor has granted 21,210 shares of its convertible stock to employees of RAI and its subsidiaries and affiliates. Of these shares, 2,421 have been forfeited and returned to the Advisor as of December 31, 2019. The outstanding shares vest ratably over three years, and 18,789 of these shares have vested as of December 31, 2019.

We have a management agreement with Resource Real Estate Opportunity Manager, LLC, an affiliate of our Advisor, or our Manager, to provide property management services, as applicable, for most of the properties or other real estate related assets, in each case where our Advisor is able to control the operational management of such properties. Our Manager may subcontract with an affiliate or third party to provide day-to-day property management, construction management and/or other property specific functions as applicable for the properties it manages. Our Manager also manages our real estate-related debt investments.

Greystar Management Services, L.P., an unrelated third party, is a property management company that our Manager has subcontracted with to manage most of the real estate assets that we own. The staff of Greystar, acting through our Manager, assist in providing property management as well as construction management services to us.

Competition

We believe that the current market for properties that meet our investment objectives is extremely competitive and many of our competitors have greater resources than we do. We believe that our multifamily communities are suitable for their intended purposes and adequately covered by insurance. There are a number of comparable properties located in the same submarkets that might compete with our properties. We compete with numerous other entities engaged in real estate investment activities, including individuals, corporations, banks and insurance company investment accounts, other REITs, real estate limited partnerships, the U.S. government and other entities, to acquire, manage and sell real estate properties and real estate related assets. Many of our expected competitors enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. In addition, the number of entities and the amount of funds competing for suitable investments may increase.

Environmental

As an owner of real estate, we are subject to various environmental laws of federal, state and local governments. Compliance with existing laws has not had a material adverse effect on our financial condition or results of operations, and management does not believe it will have such an impact in the future. However, we cannot predict the impact of unforeseen environmental contingencies or new or changed laws or regulations on properties in which we hold an interest, or on properties that may be acquired directly or indirectly in the future.

Employees and Economic Dependency

We have no paid employees. The employees of our Advisor and its affiliates provide management, acquisition, advisory and certain administrative services for us. We are dependent on our Advisor and its affiliates for certain services that are essential to us, including the identification, evaluation, negotiation, purchase and disposition of properties and other investments; management of the daily operations of our portfolio; and other general and administrative responsibilities. In the

event that these affiliated companies are unable to provide the respective services, we will be required to obtain such services from other sources.

Access to Company Information

We electronically file our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, proxy statement, Current Reports on Form 8-K and all amendments to those reports with the United States Securities and Exchange Commission ("SEC"). The SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically.

We make available free of charge, the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, proxy statement, Current Reports on Form 8-K and all amendments to those reports on our website, www.resourcereit.com, or by responding to requests addressed to our investor relations group. These reports are available as soon as reasonably practicable after such material is electronically filed or furnished to the SEC.

ITEM 1A. RISK FACTORS

Below are some of the risks and uncertainties that could cause our actual results to differ materially from those presented in our forward-looking statements. The risks and uncertainties described below are not the only ones we face but do represent those risks and uncertainties that we believe are material to our business, operating results, prospects, and financial condition. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also harm our business.

Risks Related to an Investment in Us

There is no established public trading market for our shares; therefore, it will be difficult for you to sell your shares.

There is no current established public market for our shares and we currently have no plans to list our shares on a national securities exchange. In addition, although our Board of Directors has begun the process of considering various liquidity options for our stockholders, we are not obligated to enter into any transaction and there is no guarantee that our Board of Directors will determine to pursue any liquidity option in the near term or that any liquidity option pursued will be completed successfully. Our charter limits your ability to transfer or sell your shares unless the prospective stockholder meets the applicable suitability and minimum purchase standards. Our charter also prohibits the ownership of more than 9.8% of our stock, unless exempted by our Board of Directors, which may inhibit large investors from desiring to purchase your shares. Moreover, our share redemption program has been suspended except for redemptions sought in connection with a stockholder's death, qualifying disability, or confinement to a long-term care facility and further includes numerous restrictions that limit your ability to sell your shares to us. In addition, our Board of Directors may amend, suspend or terminate our share redemption program upon 30 days' notice and without stockholder approval. Therefore, it will be difficult for you to sell your shares promptly or at all. If you are able to sell your shares, you would likely have to sell them at a substantial discount to our estimated value per share. It is also likely that your shares would not be accepted as the primary collateral for a loan. We can provide no assurances as to the timing of a potential liquidity event, and you should expect to hold our shares as a long-term investment because of the illiquid nature of the shares.

Because of the concentration of a significant portion of our assets in three geographic areas, any adverse economic, real estate or business conditions in these areas could affect our operating results and our ability to make distributions to our stockholders.

As of December 31, 2019, our real estate investments in Texas, California and Georgia represented approximately 31%, 17% and 15% of the net book value of our rental properties, respectively. As a result, the geographic concentration of our portfolio makes it particularly susceptible to adverse economic developments in the Texas, California and Georgia real estate markets. Any adverse economic or real estate developments in these markets, such as business layoffs or downsizing, industry slowdowns, relocations of businesses, changing demographics and other factors, or any decrease in demand for multifamily rentals resulting from the local business climate, could adversely affect our operating results and our ability to make distributions to stockholders.

Because we are dependent upon our Advisor and its affiliates to conduct our operations, any adverse changes in the financial health of our Advisor or its affiliates or our relationship with them could hinder our operating performance and the return on our stockholders' investment.

We are dependent on our Advisor to manage our operations and our portfolio of real estate assets. Our Advisor depends largely upon the fees and other compensation that it receives from us in connection with the purchase, management and sale of assets to conduct its operations. Any adverse changes in the financial condition of our Advisor or our relationship with our Advisor could hinder its ability to successfully manage our operations and our portfolio of investments.

Our ability to achieve our investment objectives and to conduct our operations is dependent upon the performance of our Advisor, which is a subsidiary of our sponsor and its parent company, C-III. Our sponsor's business is sensitive to trends

in the general economy, as well as the commercial real estate and credit markets. To the extent that any decline in our sponsor's or C-III's revenues and operating results impacts the performance of our Advisor, our results of operations, and financial condition could also suffer.

The loss of or the inability to hire additional or replacement key real estate and debt finance professionals by our Advisor and its affiliates could delay or hinder implementation of our investment strategies, which could limit our ability to make distributions and decrease the value of your investment.

We believe that our future success depends, in large part, upon our Advisor's and its affiliates' ability to retain highly skilled managerial, operational and marketing professionals. Competition for such professionals is intense, and our Advisor and its affiliates may be unsuccessful in attracting and retaining such skilled individuals. If our Advisor loses or is unable to obtain the services of highly skilled professionals, our ability to implement our investment strategies could be delayed or hindered and the value of your investment may decline.

If we make distributions from sources other than our cash flow from operations, your overall return may be reduced.

We declare distributions when our Board of Directors determines we have sufficient cash flow. We generally expect to fund distributions from interest and rental income on investments, the maturity, payoff or settlement of investments and from strategic sales of loans, properties and other assets. However, we may set distribution rates at levels we believe we will be able to cover with anticipated future cash flows from operating activities. In order to make these cash distributions, we may be required to use alternative funding sources.

Our organizational documents permit us to make distributions from any source. If we fund distributions from sources other than cash flow from operations, your overall return may be reduced. Further, to the extent distributions exceed our cash flow from operations, a stockholder's basis in our stock will be reduced and, to the extent distributions exceed a stockholder's basis, the stockholder may recognize capital gain. There is no limit on the amount that we can use to fund distributions from sources other than from cash flows from operations.

During the year ended December 31, 2019, we paid aggregate distributions of $42.0 million including $17.5 million of distributions paid in cash and $24.5 million of distributions reinvested in our shares through our distribution reinvestment plan. Our net loss attributable to common stockholders for the year ended December 31, 2019 was $1.7 million and net cash provided by operating activities was $14.1 million. During 2019, distributions were funded as follows: 39.4% from operating activities, 60.6% from the proceeds of property dispositions and none from debt financing. To the extent that we pay distributions from sources other than our cash flow from operating activities or gains from asset sales, the overall return to our stockholders may be reduced.

Future interest rate increases in response to inflation may inhibit our ability to conduct our business and acquire or dispose of real property or real estate-related debt investments at attractive prices and your overall return may be reduced.

While a significant amount of our leases are short-term multifamily leases that will not be affected by inflation, we will be exposed to inflation risk with respect to income from any long-term leases on real property and from related real estate debt investments as these may constitute a source of our cash flows from operations. Although inflation has been generally low in recent years, high inflation may in the future tighten credit and increase prices. Further, if interest rates rise, such as during an inflationary period, the cost of acquisition capital to purchasers may also rise, which could adversely impact our ability to dispose of our assets at attractive sales prices. Should we be required to acquire, hold or dispose of our assets during a period of inflation, our overall return may be reduced.

Our rights and the rights of our stockholders to recover claims against our independent directors are limited, which could reduce your and our recovery against them if they negligently cause us to incur losses.

Maryland law provides that a director has no liability in that capacity if he performs his duties in good faith, in a manner he reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Our charter provides that no independent director shall be liable to us or our stockholders for monetary damages and that we will generally indemnify them for losses unless they are grossly negligent or engage in willful misconduct. As a result, you and we may have more limited rights against our independent directors than might otherwise exist under common law, which could reduce our and your recovery from these persons if they act in a negligent manner. In addition, we may be obligated to fund the defense costs incurred by our independent directors (as well as by our other directors, officers, employees (if we ever have employees) and agents) in some cases, which would decrease the cash otherwise available for distributions to you. The SEC takes the position that indemnification against liabilities arising under the Securities Act is against public policy and unenforceable.

We may change our policies and our operations without stockholder consent.

Our Board of Directors determines our major policies, including our policies regarding financing, growth, debt capitalization, REIT qualification and distributions. Our Board of Directors may amend or revise these and other policies without a vote of the stockholders. Under Maryland General Corporation Law and our charter, our stockholders have a right to vote only on limited matters. Our Board of Directors' broad discretion in setting policies and our stockholders' inability to exert control over those policies increases the uncertainty and risks you face as a stockholder.

The estimated value per share of our common stock may not reflect the value that stockholders will receive for their investment and does not take into account how developments subsequent to the valuation date related to individual assets, the financial or real estate markets or other events may have increased or decreased the value of our portfolio.

On March 19, 2020, our Board of Directors approved an estimated value per share of our common stock of $11.10 based on the estimated market value of the Company's portfolio of investments as of December 31, 2019. As of the date of this filing, we are not aware of a material change in the value of our investments that would impact the overall estimated value per share; however, the outbreak of COVID-19, together with the resulting restrictions on travel and quarantines imposed, have had a negative impact on the economy and business activity globally, the full impact of which is not yet known and may result in an adverse impact to our investments and our resulting estimated value per share of our common stock.

We provided this estimated value per share to assist broker-dealers that participated in our public offerings in meeting their customer account statement reporting obligations under the Financial Industry Regulatory Authority ("FINRA") Rule 2231. This valuation was performed in accordance with the provisions of Practice Guideline 2013-01, Valuations of Publicly Registered Non-Listed REITs, issued by the Institute for Portfolio Alternatives (formerly Investment Program Association) ("IPA") in April 2013 (the "IPA Valuation Guidelines").

With the approval of the conflicts committee, we engaged Duff & Phelps, LLC ("Duff & Phelps") to provide a calculation of the range in estimated value per share of our common stock as of December 31, 2019. Duff & Phelps held discussions with senior management of our Advisor and conducted appraisals, investigations, research, review and analysis as it deemed necessary. Duff & Phelps based the range in estimated value per share upon its estimates of the "as is" market values of our interests in 28 multifamily properties and one debt investment. Duff & Phelps made adjustments to the aggregate estimated values of our investments to reflect balance sheet assets and liabilities provided by our management, which are disclosed in this Annual Report on Form 10-K before calculating a range of estimated values based on the number of outstanding shares of our common stock as of December 31, 2019.

As with any valuation methodology, the methodologies used are based upon a number of estimates and assumptions that may not be accurate or complete. Different parties with different assumptions and estimates could derive a different estimated value per share, and these differences could be significant. In particular, due in part to (i) the high concentration of our total assets in real estate, and (ii) the number of shares of our common stock outstanding, even modest changes in key assumptions made in appraising our real estate properties could have a very significant impact on the estimated value of our shares. The estimated value per share is not audited and does not represent the fair value of our assets less the fair value of our liabilities according to U.S. generally accepted accounting principles ("GAAP"), nor does it represent a liquidation value of our assets and liabilities or the amount that our shares of common stock would trade at on a national securities exchange. The estimated value per share does not reflect a discount for the fact that we are externally managed, nor does it reflect a real estate portfolio premium/discount versus the sum of the individual property values. The estimated value per share also does not take into account estimated disposition costs and fees for real estate properties, debt prepayment penalties that could apply upon the

prepayment of certain of our debt obligations or the impact of restrictions on the assumption of debt. Accordingly, with respect to the estimated value per share, we can give no assurance that:

- a stockholder would be able to resell his or her shares at the estimated value per share;
- a stockholder would ultimately realize distributions per share equal to our estimated value per share upon liquidation of our assets and settlement of its liabilities or a sale of our company;
- our shares of common stock would trade at the estimated value per share on a national securities exchange;
- a third party would offer the estimated value per share in an arm's-length transaction to purchase all or substantially all of our shares of common stock;
- another independent third-party appraiser or third-party valuation firm would agree with the our estimated value per share; or
- the methodology used to calculate our estimated value per share would be acceptable to FINRA or for compliance with ERISA reporting requirements.

Further, the estimated value per share as of December 31, 2019 is based on the estimated value of our investments as of December 31, 2019. We did not make any adjustments to the valuation for the impact of other transactions occurring subsequent to December 31, 2019, including, but not limited to, (i) the issuance of common stock under the distribution reinvestment plan, (ii) net operating income earned and distributions declared, (iii) the redemption of shares and (iv) the potential conversion of convertible stock into common stock. The value of our shares will fluctuate over time in response to developments related to individual assets in our portfolio and the management of those assets and in response to the real estate and finance markets. In particular, the outbreak of COVID-19, together with the resulting restrictions on travel and quarantines imposed, have had a negative impact on the economy and business activity globally, the full impact of which is not yet known and may result in an adverse impact to our operations and investments. For a full description of the methodologies and assumptions used to value our assets and liabilities in connection with the calculation of the estimated value per share, see Part II, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities — Market Information."

We face risks associated with security breaches through cyber-attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology, or IT, networks and related systems.

We will face risks associated with security breaches, whether through cyber-attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization, and other significant disruptions of our IT networks and related systems or the IT systems of our vendors. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations (including the IT systems of our vendors, such as Greystar, our third party manager), and, in some cases, may be critical to the operations of certain of our tenants. There can be no assurance that our efforts to maintain the security and integrity of these types of IT networks and related systems will be effective or that attempted security breaches or disruptions would not be successful or damaging. A security breach or other significant disruption involving our, or our vendors', IT networks and related systems could adversely impact our financial condition, results of operations, cash flows, and our ability to satisfy our debt service obligations and to pay distributions to our stockholders.

The outbreak of widespread contagious disease, such as the novel coronavirus, COVID-19, could adversely impact our operations and the value of our investments.

In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China. This virus continues to spread globally including in the United States and has resulted in restrictions on travel and quarantines imposed. These restrictions have had a negative impact on the economy and business activity globally and may adversely impact the ability of our tenants, many of whom may be restricted in their ability to work, to pay their rent as and when due. In addition, our property managers may be limited in their ability to properly maintain our properties. The extent to which COVID-19 impacts our business will depend on future developments, which are highly uncertain and cannot be predicted, including additional actions taken to contain COVID-19 or treat its impact, among others. Our business and financial results could be materially and adversely impacted.

Risks Related to Conflicts of Interest

Our Advisor and its affiliates, including all of our executive officers, our affiliated directors and other key real estate professionals face conflicts of interest caused by their compensation arrangements with us, which could result in actions that are not in the long-term best interests of our stockholders.

All of our executive officers and our affiliated directors are also officers, directors, managers or key professionals of our Advisor, and other affiliated Resource Real Estate and/or C-III entities. Our Advisor and its affiliates receive substantial fees from us. These fees could influence our Advisor's advice to us as well as the judgment of affiliates of our Advisor. Among other matters, these compensation arrangements could affect their judgment with respect to:

- the continuation, renewal or enforcement of our agreements with our Advisor and its affiliates, including the advisory agreement and the management agreement;
- sales of properties and other investments, which may entitle our Advisor to disposition fees and the possible issuance to our Advisor of shares of our common stock through the conversion of our convertible stock;
- acquisitions of properties and investments in loans, which entitle our Advisor to acquisition and asset management fees, and, in the case of acquisitions or investments from other sponsored programs, might entitle affiliates of our Advisor to disposition fees in connection with its services for the seller;
- borrowings to acquire properties and other investments, which borrowings will increase the acquisition, debt financing, and asset management fees payable to our Advisor;
- whether and when we seek to list our common stock on a national securities exchange, which listing could entitle our Advisor to the issuance of shares of our common stock through the conversion of our convertible stock;
- whether we internalize our management, which may entail significant payments to affiliates of our Advisor; and
- whether and when we seek to sell the company or its assets, which sale could entitle our Advisor to disposition fees and to the issuance of shares of our common stock through the conversion of our convertible stock.

The fees our Advisor receives in connection with the acquisition and management of assets are based on the cost of the investment, and not based on the quality of the investment or the quality of the services rendered to us. This may influence our Advisor to recommend riskier transactions to us.

Our Advisor will face conflicts of interest relating to the disposition of assets and such conflicts may not be resolved in our favor, which could limit our ability to make distributions and reduce your overall investment return.

We rely on our sponsor and other key real estate professionals at our Advisor to sell our assets. The executive officers and several of the other key real estate professionals at our Advisor are also the key real estate professionals at the advisors to other sponsored programs and joint ventures. As such, sponsored programs and joint ventures rely on many of the same real estate professionals as will future programs. These other sponsored programs and joint ventures may possess properties in similar locations and may be attempting to sell these properties at the same time we are attempting to sell some of our properties. If our Advisor directs potential purchasers to properties owned by another sponsored program when it could direct such purchasers to our properties, we may be unable to sell some or all of our properties at the time or at the price we otherwise would, which could limit our ability to pay distributions and reduce the overall investment return of our stockholders.

Our Advisor will face conflicts of interest relating to joint ventures that we may form with affiliates of our Advisor, which conflicts could result in a disproportionate benefit to the other joint venture partners at our expense.

If approved by our conflicts committee, we may enter into joint venture agreements with other sponsored programs or affiliated entities for the acquisition, development or improvement of properties or other investments. Our Advisor and the advisors to the other Resource Real Estate or C-III sponsored programs have the same executive officers and key employees; and these persons will face conflicts of interest in determining which program or investor should enter into any particular joint venture agreement. These persons may also face a conflict in structuring the terms of the relationship between our interests and the interests of the affiliated co-venturer and in managing the joint venture. Any joint venture agreement or transaction between us and an affiliated co-venturer will not have the benefit of arm's length negotiation of the type normally conducted between unrelated co-venturers. The affiliated co-venturer may have economic or business interests or goals that are or may become inconsistent with our business interests or goals. These co-venturers may thus benefit to our and your detriment.

Our Advisor, the real estate professionals assembled by our Advisor, their affiliates and our officers face competing demands relating to their time, and this may cause our operations and your investment to suffer.

We rely on our Advisor, the real estate professionals our Advisor has assembled and their affiliates and officers for the day-to-day operation of our business. Our Advisor, its real estate professionals and affiliates, including our officers, have

interests in other affiliated programs and engage in other business activities. As a result of their interests in other affiliated programs and the fact that they have engaged in and they will continue to engage in other business activities, they face conflicts of interest in allocating their time among us, our Advisor and other sponsored programs and other business activities in which they are involved. Should our Advisor inappropriately devote insufficient time or resources to our business, the returns on our investments may suffer.

Our executive officers and our affiliated directors face conflicts of interest related to their positions in our Advisor and its affiliates, including our property manager, which could hinder our ability to implement our business strategy and to generate returns to you.

Our executive officers and our affiliated directors are also executive officers, directors, managers and key professionals of our Advisor, our property manager and other affiliated Resource Real Estate and/or C-III entities. Their loyalties to these other entities could result in actions or inactions that are detrimental to our business, which could harm the implementation of our business strategy and our investment and leasing opportunities. If we do not successfully implement our business strategy, we may be unable to generate the cash needed to make distributions to you and to maintain or increase the value of our assets.

Payment of substantial fees and expenses to our Advisor and its affiliates reduces cash available for investment and distribution and increases the risk that you will not be able to recover the amount of your investment in our shares.

Our Advisor and its affiliates perform services for us in connection with the selection and acquisition of our investments, the management and leasing of our properties and the administration of our other investments. We pay them substantial fees for these services, which result in immediate dilution to the value of your investment and reduce the amount of cash available for investment or distribution to stockholders.

We also pay significant fees to our Advisor and its affiliates during our operational stage. Those fees include property management and debt servicing fees, asset management fees and obligations to reimburse our advisor and its affiliates for expenses they incur in connection with their providing services to us, including certain personnel services.

We may also pay significant fees during our listing/liquidation stage. The subordinated incentive fee that we will pay to our Advisor should our investors receive an agreed upon return on their investment is structured in the form of convertible stock. Our Advisor has exchanged 4,500 shares of our common stock for 45,000 shares of our convertible stock. As of December 31, 2019, our Advisor and affiliated persons owned 49,063 shares of our convertible stock, outside investors owned a total of 872 shares of our convertible stock. A total of 50,000 shares of convertible stock were authorized, and 49,935 shares were outstanding at December 31, 2019.

Under limited circumstances, including the listing of our shares on a national securities exchange, these shares may be converted into shares of our common stock satisfying our obligation to pay our Advisor an incentive fee and diluting our stockholders' interest in us.

Our Advisor can influence whether our common stock is listed for trading on a national securities exchange. Accordingly, our Advisor can influence the conversion of the convertible stock issued to it and the resulting dilution of other stockholders' interests.

These fees and other potential payments increase the risk that the amount available for distribution to common stockholders upon a liquidation of our portfolio would be less than our estimated net asset value per share. Substantial consideration paid to our Advisor and its affiliates also increases the risk that you will not be able to resell your shares at a profit, even if our shares are listed on a national securities exchange.

Risks Related to Our Corporate Structure

Our charter limits the number of shares a person may own, which may discourage a takeover that could otherwise result in a premium price to our stockholders.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. To help us comply with the REIT ownership requirements of the Internal Revenue Code, our charter prohibits a person from directly or constructively owning more than 9.8% of our outstanding shares, unless exempted by our Board of Directors. This restriction may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all, or substantially all, of our assets) that might provide a premium price for holders of our common stock.

Our charter permits our Board of Directors to issue stock with terms that may subordinate the rights of our common stockholders or discourage a third party from acquiring us in a manner that could result in a premium price to our stockholders.

Our Board of Directors may increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued common stock or preferred stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of redemption of any such stock. Our Board of Directors could authorize the issuance of preferred stock with terms and conditions that could have priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all, or substantially all, of our assets) that might provide a premium price to holders of our common stock. A majority of our independent directors who do not have an interest in the transaction must approve any issuance of preferred stock.

You may not be able to sell your shares under our share redemption program and, if you are able to sell your shares under the program, you may not be able to recover the amount of your investment in our shares.

Our Board of Directors has suspended the share redemption program, except for redemptions submitted in connection with a stockholder’s death, qualifying disability, or confinement to a long-term care facility and may further amend, suspend or terminate our share redemption program upon 30 days’ notice and without stockholder approval. Our Board of Directors may reject any request for redemption of shares. Further, there are many limitations on your ability to sell your shares pursuant to the share redemption program. Any stockholder requesting repurchase of their shares pursuant to our share redemption program will be required to certify to us that such stockholder acquired the shares by either (1) a purchase directly from us or (2) a transfer 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 stockholder’s immediate or extended family, (ii) a transfer to a custodian, trustee or other fiduciary for the account of the stockholder or his or her immediate or extended family in connection with an estate planning transaction, including by bequest or inheritance upon death or (iii) operation of law.

In addition, our share redemption program contains other restrictions and limitations. Shares will be redeemed on a quarterly basis, pro rata among all stockholders requesting redemption in such quarter. If the Board of Directors determines to fully resume the share redemption program, priority for redemptions will be given to redemptions upon the death or qualifying disability of a stockholder or redemptions sought upon a stockholder’s confinement to a long-term care facility; next, to stockholders who demonstrate, in the discretion of our Board of Directors, another involuntary, exigent circumstance, such as bankruptcy; next, to stockholders subject to a mandatory distribution requirement under such stockholder’s IRA; and, finally, to other redemption requests. You must hold your shares for at least one year prior to seeking redemption under the share redemption program, except that our Board of Directors may waive this one-year holding requirement with respect to redemptions sought upon the death or qualifying disability of a stockholder or redemptions sought upon a stockholder’s confinement to a long-term care facility or for other exigent circumstances and that if a stockholder is redeeming all of his or her shares the Board of Directors may waive the one-year holding requirement with respect to shares purchased pursuant to the distribution reinvestment plan. We will not redeem more than 5% of the weighted average number of shares outstanding during the twelve-month period immediately prior to the date of redemption. Our Board of Directors will determine from time to time, and at least quarterly, whether we have sufficient excess cash to repurchase shares. Generally, the cash available for redemption will be limited to proceeds from our distribution reinvestment plan plus 1% of the operating cash flow from the previous fiscal year (to the extent positive).

Your interest in us will be diluted if we issue additional shares, which could reduce the overall value of your investment.

Our stockholders do not have preemptive rights to any shares we issue in the future. Our charter authorizes us to issue 1,010,050,000 shares of capital stock, of which 1,000,000,000 shares are designated as common stock, 50,000 shares are designated as convertible stock and 10,000,000 are designated as preferred stock. Our Board of Directors may increase the number of authorized shares of capital stock without stockholder approval. Our Board may also elect to (1) sell additional equity securities in future public or private offerings; (2) issue shares of our common stock upon the exercise of the options we may grant to our independent directors or to our Advisor's or our Manager's employees; (3) issue shares to our Advisor, its

successors or assigns, in payment of an outstanding obligation or as consideration in a related-party transaction; (4) issue shares of common stock upon the conversion of our convertible stock; or (5) issue shares of our common stock to sellers of properties we acquire in connection with an exchange of limited partnership interests of our operating partnership. To the extent we issue additional equity interests, your percentage ownership interest in us will be diluted. Further, depending upon the terms of such transactions, most notably the offering price per share, which may be less than the price paid per share in any public offering, and the value of our properties, existing stockholders may also experience a dilution in the book value of their investment in us.

Our Board of Directors could opt into certain provisions of the Maryland General Corporation Law in the future, which may discourage others from trying to acquire control of us and may prevent our stockholders from receiving a premium price for their stock in connection with a business combination.

Under Maryland law, "business combinations" between a Maryland corporation and certain interested stockholders or affiliates of interested stockholders are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. Also under Maryland law, control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquirer, an officer of the corporation or an employee of the corporation who is also a director of the corporation are excluded from the vote on whether to accord voting rights to the control shares. Should our Board opt into these provisions of Maryland law, it may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer. Similarly, provisions of Title 3, Subtitle 8 of the Maryland General Corporation Law could provide similar anti-takeover protection.

Because Maryland law permits our Board to adopt certain anti-takeover measures without stockholder approval, investors may be less likely to receive a "control premium" for their shares.

In 1999, the State of Maryland enacted legislation that enhances the power of Maryland corporations to protect themselves from unsolicited takeovers. Among other things, the legislation permits our Board, without stockholder approval, to amend our charter to:

- stagger our Board of Directors into three classes;
- require a two-thirds stockholder vote for removal of directors;
- provide that only the Board can fix the size of the Board;
- provide that all vacancies on the Board, however created, may be filled only by the affirmative vote of a majority of the remaining directors in office; and
- require that special stockholder meetings may only be called by holders of a majority of the voting shares entitled to be cast at the meeting.

Under Maryland law, a corporation can opt to be governed by some or all of these provisions if it has a class of equity securities registered under the Exchange Act, and has at least three independent directors. Our charter does not prohibit our Board from opting into any of the above provisions permitted under Maryland law. Becoming governed by any of these provisions could discourage an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for holders of our securities.

If we internalize our management functions, we could incur significant costs associated with being self-managed and may not be able to retain or replace key personnel; and we may have increased exposure to litigation as a result of internalizing our management functions.

We may internalize management functions provided by our Advisor, our Manager and their respective affiliates by acquiring assets and personnel from our advisor, our property manager or their affiliates. In the event we were to acquire our advisor or our property manager, we cannot be sure of the terms relating to any such acquisition.

If we internalize, we would no longer bear the costs of the various fees and expenses we expect to pay to our Advisor and to our Manager under their respective agreements; however, our direct expenses would increase due to the inclusion of general and administrative costs, including legal, accounting, and other expenses related to corporate governance, SEC reporting and compliance. We would also incur the compensation and benefits costs of our officers and other employees and consultants that are now paid by our Advisor, our Manager or their affiliates. We cannot reasonably estimate the amount of fees to our Advisor, Manager and other affiliates we would save, and the costs we would incur, if we acquired these entities. If the expenses we assume as a result of an internalization are higher than the expenses we avoid paying to our Advisor, our Manager and their affiliates, our net income per share and funds from operations per share would be lower than they otherwise would have been had we not acquired these entities, potentially decreasing the amount of funds available for distribution.

Additionally, if we internalize our management functions, we would employ personnel and would be subject to potential liabilities commonly faced by employers, such as workers' disability and compensation claims, potential labor disputes and other employee-related liabilities and grievances. Also, there can be no assurances that we will be successful in retaining key personnel at our advisor or property manager in the event of an internalization transaction. In addition, we could have difficulty integrating the functions currently performed by our Advisor, our Manager and their affiliates. Currently, the officers and employees of our Advisor, our Manager, and their affiliates perform asset management, property management, and general and administrative functions, including accounting and financial reporting, for multiple entities. We may fail to properly identify the appropriate mix of personnel and capital needs to operate as a stand-alone entity. An inability to manage an internalization transaction effectively could result in our incurring additional costs and/or experiencing deficiencies in our disclosures controls and procedures or our internal control over financial reporting. Such deficiencies could cause us to incur additional costs and our management's attention could be diverted from effectively managing our properties and overseeing other real estate-related assets.

Internalization transactions have been the subject of stockholder litigation in the past. Stockholder litigation can be costly and time-consuming, and there can be no assurance that any litigation expenses we might incur would not be significant or that the outcome of litigation would be favorable to us. Any amounts we are required to expend defending any such litigation will reduce the amount of funds available for investment by us in properties or other investments.

Risks Related to Investments in Real Estate

Economic and regulatory changes that impact the real estate market generally may decrease the value of our investments and weaken our operating results.

The properties we acquire and their performance are subject to the risks typically associated with real estate, including:

- downturns in national, regional and local economic conditions;
- competition;
- adverse local conditions, such as oversupply or reduction in demand and changes in real estate zoning laws that may reduce the desirability of real estate in an area;
- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-let space;
- changes in the supply of or the demand for similar or competing properties in an area;
- changes in interest rates and the availability of permanent mortgage financing, which may render the sale of a property or loan difficult or unattractive;
- changes in governmental regulations, including those involving tax, real estate usage, environmental and zoning laws; and
- periods of high interest rates and tight money supply.

Any of the above factors, or a combination thereof, could result in a decrease in the value of our investments, which would have an adverse effect on our results of operations, reduce the cash available for distributions and the return on your investment.

Residents of multifamily rental properties that have experienced personal financial problems may delay enforcement of our rights, and we may incur substantial costs attempting to protect our investment.

Residents or tenants who have experienced a downturn in their residential or business leases and residents or tenants that have experienced difficulties with their personal financial situations such as a job loss, bankruptcy or bad credit rating, may result in their failure to make timely rental payments or their default under their leases. In the event of any default by residents or tenants at our properties, we may experience delays in enforcing our rights and may incur substantial costs attempting to protect our investment.

The bankruptcy or insolvency of any resident or tenant also may adversely affect the income produced by our properties. If any resident or tenant becomes a debtor in a case under the U.S. Bankruptcy Code, our actions may be restricted by the bankruptcy court and our financial condition and results of operations could be adversely affected.

The operating costs of our properties will not necessarily decrease if our income decreases.

Certain expenses associated with ownership and operation of a property may be intentionally increased to enhance the short- and long-term success of the property in the form of capital gain and current income, such as:

- increased staffing levels;

- enhanced technology applications; and
- increased marketing efforts.

Certain expenses associated with the ownership and operation of a property are not necessarily reduced by events that adversely affect the income from the property, such as:

- real estate taxes;
- insurance costs; and
- maintenance costs.

For example, if the leased property loses tenants or rents are reduced, then those costs described in the preceding sentence are not necessarily reduced. As a result, our cost of owning and operating leased properties may, in the future, exceed the income the property generates even though the property's income exceeded its costs at the time it was acquired. This would decrease the amount of cash available to us to distribute to you and could negatively affect your return on investment.

We will compete with third parties in managing and selling properties and other investments, which could reduce our profitability and the return on your investment.

We believe that the current market for properties that meet our investment objectives is extremely competitive and many of our competitors have greater resources than we do. We will compete with numerous other entities engaged in real estate investment activities, including individuals, corporations, banks and insurance company investment accounts, other REITs, real estate limited partnerships, the U.S. government and other entities, to manage and sell real estate and real estate-related assets. Many of our expected competitors enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. In addition, the number of entities and the amount of funds competing for suitable investments may increase.

Competition with these entities may result in the following:

- decreased availability of financing to us; or
- reductions in the size or desirability of the potential tenant base for one or more properties that we lease.

If such events occur, you may experience a lower return on your investment.

Properties that have significant vacancies, especially discounted real estate assets, may experience delays in leasing up or could be difficult to sell, which could diminish our return on these properties.

A property may incur vacancies either by the expiration of tenant leases or the continued default of tenants under their leases. Further, our potential investments in value-add multifamily rental properties or other types of discounted properties may have significant vacancies at the time of acquisition. If vacancies continue for a prolonged period of time beyond the expected lease-up stage that we anticipate will follow any redevelopment or repositioning efforts, we may suffer reduced revenues resulting in less cash available for distributions. In addition, the resale value of the property could be diminished because the market value of a particular property depends principally upon the value of the cash flow generated by the leases associated with that property. Such a reduction on the resale value of a property could also reduce your return on investment.

Because we rely on our Manager, its affiliates and third parties to manage the day-to-day affairs of any properties we acquire, should the staff of a particular property perform poorly, our operating results for that property will similarly be hindered and our net income may be reduced.

We depend upon the performance of our property managers to effectively manage our properties and real estate-related assets. Poor performance by those sales, leasing and other management staff members operating a particular property will necessarily translate into poor results of operations for that particular property. Should our Manager, its affiliates or third parties fail to identify problems in the day-to-day management of a particular property or fail to take the appropriate corrective action in a timely manner, our operating results may be hindered and our net income reduced.

If we are unable to obtain funding for future capital needs, cash distributions to our stockholders could be reduced and the value of our investments could decline.

If we need additional capital in the future to improve or maintain our properties or for any other reason, we may have to obtain financing from sources beyond our cash flow from operations, such as borrowings, sales of assets or future equity offerings. These sources of funding may not be available on attractive terms or at all. If we cannot procure additional funding for capital improvements, our investments may generate lower cash flows or decline in value, or both, which would limit our ability to make distributions to you and could reduce the value of your investment.

If we are unable to sell a property for the price, on the terms or within the time frame we desire, it could limit our ability to pay cash distributions to you.

Many factors that are beyond our control affect the real estate market and could affect our ability to sell properties for the price, on the terms or within the time frame that we desire. These factors include general economic conditions, the availability of financing, interest rates and other factors, including supply and demand. Because real estate investments are relatively illiquid, we have a limited ability to vary our portfolio in response to changes in economic or other conditions. Further, before we can sell a property on the terms we want, it may be necessary to expend funds to correct defects or to make improvements. However, we can give no assurance that we will have the funds available to correct such defects or to make such improvements. We may be unable to sell our properties at a profit. Our inability to sell properties at the time and on the terms we want could reduce our cash flow and limit our ability to make distributions to you and could reduce the value of your investment.

Government entities, community associations and contractors may cause unforeseen delays and increase costs to redevelop and reposition value-add properties that we may acquire, which may reduce our net income and cash available for distributions to you.

We may seek to or be required to incur substantial capital obligations to redevelop or reposition existing properties that we acquire at a discount as a result of neglect of the previous owners or tenants of the properties and to sell the properties. Our Advisor and its key real estate professionals will do their best to acquire properties that do not require excessive redevelopment or modifications and that do not contain hidden defects or problems. There could, however, be unknown and excessive costs, expenses and delays associated with a discounted property's redevelopment, repositioning or value-add upgrades. We will be subject to risks relating to the uncertainties associated with rezoning for redevelopment and other concerns of governmental entities, community associations and our construction manager's ability to control costs and to build in conformity with plans and the established timeframe. We will pay a construction management fee to a construction manager, which may be our Manager or its affiliates, if new capital improvements are required.

If we are unable to increase rental rates or sell the redeveloped property at a price consistent with our value-add projections due to local market or economic conditions to offset the cost of the redevelopment or repositioning the property, the return on your investment may suffer. To the extent we acquire discounted properties in major metropolitan areas where the local government has imposed rent controls, we may be prohibited from increasing the rental rates to a level sufficient to cover the particular property's redevelopment costs and expenses.

Costs of responding to both known and previously undetected environmental contamination and hazardous conditions may decrease our cash flows and limit our ability to make distributions.

Real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to protection of the environment and human health. We could be subject to liability in the form of fines, penalties or damages for noncompliance with these laws and regulations. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials, the remediation of contamination associated with the release or disposal of solid and hazardous materials, the presence of toxic building materials, and other health and safety-related concerns.

Some of these laws and regulations may impose joint and several liability on the tenants, current or previous owners or operators of real property for the costs to investigate or remediate contaminated properties, whether the contamination occurred prior to purchase, or whether the acts causing the contamination were legal. These costs could be substantial. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Our tenants' operations, the condition of properties at the time we buy them, operations in the vicinity of our properties, such as the presence of underground storage tanks, or activities of unrelated third parties may affect our properties.

Environmental laws also may impose liens on a property or restrictions on the manner in which a property may be used or businesses may be operated, and these restrictions may require substantial expenditures or prevent us from entering into leases with prospective tenants that may be impacted by such laws. Environmental laws provide for sanctions for noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for the release of and exposure to hazardous substances, including asbestos-containing materials and lead-based paint. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances.

The presence of hazardous substances, or the failure to properly manage or remediate these substances, may hinder our ability to sell, rent or pledge such property as collateral for future borrowings. Any material expenditures, fines, penalties, or damages we must pay will reduce our ability to make distributions and may reduce the value of your investment.

Properties acquired by us may have toxic mold that could result in substantial liabilities to us.

Litigation and concern about indoor exposure to certain types of toxic molds has been increasing as the public becomes aware that exposure to mold can cause a variety of health effects and symptoms, including allergic reactions. It is impossible to eliminate all mold and mold spores in the indoor environment. Although we will attempt to acquire properties and loans secured by properties that do not contain toxic mold, there can be no assurance that none of the properties acquired by us will contain toxic mold. The difficulty in discovering indoor toxic mold growth could lead to an increased risk of lawsuits by affected persons and the risk that the cost to remediate toxic mold will exceed the value of the property. There is a risk that we may acquire properties that contain toxic mold and such properties may negatively affect our performance and your return on investment.

Uninsured losses relating to real property or excessively expensive premiums for insurance coverage could reduce our cash flows and the return on your investment.

There are types of losses, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters that are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. Insurance risks associated with potential acts of terrorism could sharply increase the premiums we pay for coverage against property and casualty claims. Additionally, mortgage lenders in some cases have begun to insist that commercial property owners purchase coverage against terrorism as a condition for providing mortgage loans. Such insurance policies may not be available at reasonable costs, if at all, which could inhibit our ability to finance or refinance our properties. In such instances, we may be required to provide other financial support, either through financial assurances or self-insurance, to cover potential losses. We may not have adequate coverage for such losses. If any of our properties incurs a casualty loss that is not fully insured, the value of our assets will be reduced by any such uninsured loss. In addition, other than any working capital reserve or other reserves we may establish, we have no source of funding to repair or reconstruct any uninsured property. Also, to the extent we must pay unexpectedly large amounts for insurance, we could suffer reduced earnings that would result in lower distributions.

Our costs associated with and the risk of failing to comply with the Americans with Disabilities Act, the Fair Housing Act and other tax credit programs may adversely affect cash available for distributions.

Our properties are generally expected to be subject to the Americans with Disabilities Act of 1990, as amended (the "Disabilities Act"). Under the Disabilities Act, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. The Disabilities Act has separate compliance requirements for “public accommodations” and “commercial facilities” that generally require that buildings and services be made accessible and available to people with disabilities. The Disabilities Act’s requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties or, in some cases, an award of damages. We will attempt to acquire properties that comply with the Disabilities Act or place the burden on the seller or other third party to ensure compliance with such laws. However, we cannot assure you that we will be able to acquire properties or allocate responsibilities in this manner. If we cannot, our funds used for compliance with these laws may affect cash available for distributions and the amount of distributions to you.

The multifamily rental properties we acquire must comply with Title III of the Disabilities Act, to the extent that such properties are “public accommodations” or “commercial facilities” as defined by the Disabilities Act. Compliance with the Disabilities Act could require removal of structural barriers to handicapped access in certain public areas of our apartment communities where such removal is readily achievable. The Disabilities Act does not, however, consider residential properties, such as multifamily rental properties, to be public accommodations or commercial facilities, except to the extent portions of such facilities, such as the leasing office, are open to the public.

We also must comply with the Fair Housing Amendment Act of 1988 (“FHAA”), which requires that multifamily rental properties first occupied after March 13, 1991 be accessible to handicapped residents and visitors. Compliance with the FHAA could require removal of structural barriers to handicapped access in a community, including the interiors of apartment units covered under the FHAA. Recently there has been heightened scrutiny of multifamily rental properties for compliance with the requirements of the FHAA and the Disabilities Act and an increasing number of substantial enforcement actions and private lawsuits have been brought against multifamily rental properties to ensure compliance with these requirements. Noncompliance with the FHAA and the Disabilities Act could result in the imposition of fines, awards of damages to private litigants, payment of attorneys’ fees and other costs to plaintiffs, substantial litigation costs and substantial costs of remediation.

Certain of our properties may be subject to the low income housing tax credits, historic preservation tax credits or other similar tax credit rules at the federal, state or municipal level. The application of these tax credit rules is extremely complicated and noncompliance with these rules may have adverse consequences for us. Noncompliance with applicable tax regulations may result in the loss of future or other tax credits and the fractional recapture of these tax credits already taken.

Accordingly, noncompliance with these tax credit rules and related restrictions may adversely affect our ability to distribute any cash to our investors.

Our properties are dispersed geographically and across various markets and sectors.

We acquire and operate properties in different locations throughout the United States and in different markets and sectors. The success of our properties depends largely on our ability to hire various managers and service providers in each area, market and sector where the properties are located or situated. It may be more challenging to manage a diverse portfolio. Failure to meet such challenges could reduce the value of your investment.

Newly constructed and existing multifamily rental properties or other properties that compete with any properties we may acquire in any particular location could adversely affect the operating results of our properties and our cash available for distribution.

We may acquire properties in locations that experience increases in construction of multifamily rental or other properties that compete with our properties. This increased competition and construction could:

- make it more difficult for us to find residents to lease units in our apartment communities;
- force us to lower our rental prices in order to lease units in our apartment communities; or
- substantially reduce our revenues and cash available for distribution.

Our efforts to upgrade multifamily rental properties to increase occupancy and raise rental rates through redevelopment and repositioning may fail, which may reduce our net income and the cash available for distributions to you.

The success of our ability to upgrade any multifamily rental properties that we acquire and realize capital gains and current income for you on these investments materially depends upon the status of the economy where the multifamily rental property is located. Our revenues will be lower if the rental market cannot bear the higher rental rate that accompanies the upgraded multifamily rental property due to job losses or other economic hardships. Should the local market be unable to substantiate a higher rental rate for a multifamily rental property that we upgraded, we may not realize the premium rental we had assumed by a given upgrade and we may realize reduced rental income or a reduced gain or even loss upon the sale of the property. These events could cause us to reduce the cash available for distributions.

Repositioning risks could affect our profitability.

A component of our strategy is to renovate and reposition multifamily communities in order to effect long-term growth. Our renovation and repositioning activities generally entail certain risks, including the following:

- funds may be expended and management's time devoted to projects that may not be completed due to a variety of factors, including without limitation, the inability to obtain necessary governmental approvals;
- construction costs of a renovation or repositioning project may exceed original estimates, possibly making the project economically unfeasible or the economic return on a repositioned property less than anticipated;
- increased material and labor costs, problems with subcontractors, or other costs due to errors and omissions which occur in the renovation process;
- projects may be delayed due to required governmental approvals, adverse weather conditions, labor shortages or other unforeseen complications;
- occupancy rates and rents at a repositioned property may be less than anticipated; and
- the operating expenses at a repositioned property may be higher than anticipated.

These risks may reduce the funds available for distribution to our stockholders. Further, the renovation and repositioning of properties is also subject to the general risks associated with real estate investments.

A concentration of our investments in any one property sector may leave our profitability vulnerable to a downturn or slowdown in such sector.

All of our investments are in the multifamily sector. Vacancy rates in multifamily rental properties and other commercial real estate properties may be related to jobless rates. As a result, we are subject to risks inherent in investments in a single type of property. The potential effects on our revenues, and as a result, on cash available for distribution, resulting from increased jobless rates as well as a general downturn or slowdown in multifamily properties could be more pronounced than if we had more fully diversified our investments.

Increased competition and the increased affordability of single-family and multifamily homes and condominiums for sale or rent could limit our ability to retain residents, lease apartment units or increase or maintain rents.

The multifamily rental properties that we own will most likely compete with numerous housing alternatives in attracting residents, including single-family and multifamily homes and condominiums. Due to the current economic conditions, competitive housing in a particular area and the increasing affordability of single-family and multifamily homes and condominiums to buy caused by relatively low mortgage interest rates and generous federal and state government programs to promote home ownership could adversely affect our ability to fully occupy any multifamily rental properties we may acquire. Further, single-family homes and condominiums available for rent could also adversely affect our ability to retain our residents, lease apartment units and increase or maintain rental rates.

Short-term multifamily leases expose us to the effects of declining market rent, which could adversely impact our ability to make cash distributions.

We expect that substantially all of our apartment leases will be for a term of one year or less. Because these leases generally permit the residents to leave at the end of the lease term or earlier in certain situations, such as when a resident loses his/her job, without penalty, our rental revenues may be impacted by declines in market rents more quickly than if our leases were for longer terms.

Risks Related to Investments in Real Estate-Related Debt Assets

Investments in real estate-related debt investments are subject to the risks typically associated with real estate.

Our investment in our performing loan is secured by a first priority mortgage on a multifamily rental apartment communities. Upon the occurrence of a default on the loan, we could acquire ownership of the property. We will not know whether the value of the property securing our loan will remain at the level existing on the date of origination of the loan. If the value of the underlying property drops, our risk will increase because of the lower value of the security associated with the loan. In this manner, real estate values could impact the values of our loan investment. Therefore, our real estate-related debt investment is subject to the risks typically associated with real estate, which are described above under the heading "-Risks Related to Investments in Real Estate."

Our loan investment will be subject to interest rate fluctuations that will affect our returns as compared to market interest rates; accordingly, the value of our stockholders' investment would be subject to fluctuations in interest rates.

Our performing loan is a fixed rate, long term loan and if interest rates rise, the loan could yield a return that is lower than then-current market rates. If interest rates decrease, we will be adversely affected to the extent that the loan is prepaid because we may not be able to reinvest the proceeds at as high of an interest rate. For this reason, our returns on our performing loan and the value of our stockholders' investment will be subject to fluctuations in interest rates.

Delays in liquidating defaulted mortgage loans could reduce our investment returns.

If there are defaults under our mortgage loan investment, we may not be able to repossess and sell the underlying properties quickly. The resulting time delay could reduce the value of our investment in the defaulted mortgage loan. An action to foreclose on a property securing a mortgage loan is regulated by state statutes and regulations and is subject to many of the delays and expenses of other lawsuits if the defendant raises defenses or counterclaims. In the event of default by a mortgagor, these restrictions, among other things, may impede our ability to foreclose on or sell the mortgaged property or to obtain proceeds sufficient to repay all amounts due to us on the mortgage loan.

Government action may reduce recoveries on defaulted loans.

Legislative or regulatory initiatives by federal, state or local legislative bodies or administrative agencies, if enacted or adopted, could delay foreclosure, provide new defenses to foreclosure or otherwise impair our ability to foreclose on real estate-related debt investments in default. Bankruptcy courts could, if this legislation is enacted, reduce the amount of the principal balance on a mortgage loan that is secured by a lien on the mortgaged property, reduce the interest rate, extend the term to maturity or otherwise modify the terms of a bankrupt borrower's mortgage loan.

Property owners filing for bankruptcy may adversely affect us.

The filing of a petition in bankruptcy automatically stops or "stays" any actions to enforce the terms of all debt of the debtor, including a mortgage loan. The length of the stay and the costs associated with it will generally have an adverse impact on our profitability. Further, the bankruptcy court may take other actions that prevent us from foreclosing on the property.

Any bankruptcy proceeding will, at a minimum, delay us in achieving our investment objectives and may adversely affect our profitability.

Investments in non-performing real estate assets involve greater risks than investments in stabilized, performing assets and make our future performance more difficult to predict.

Traditional performance metrics of real estate assets are generally not as reliable for non-performing real estate assets as they are for performing real estate assets. Non-performing properties, for example, do not have stabilized occupancy rates. Similarly, non-performing loans do not have a consistent stream of loan servicing or interest payments. In addition, for non-performing loans, often there is greater uncertainty that the face amount of the note will be paid in full.

In addition, we may pursue more than one strategy to create value in a non-performing real estate investment. With respect to a property, these strategies may include development, redevelopment, or lease-up of such property. With respect to a loan, these strategies may include negotiating with the borrower for a reduced payoff, restructuring the terms of the loan or enforcing our rights as lender under the loan and foreclosing on the collateral securing the loan.

The factors described above make it challenging to evaluate non-performing investments.

We depend on debtors for our revenue from real estate-related debt assets, and, accordingly, our revenue and our ability to make distributions to our stockholders will be dependent upon the success and economic viability of such debtors.

The success of our real estate-related debt investment materially depends on the financial stability of the debtor underlying the investment. The inability of the debtor to meet its payment obligations could result in reduced revenue or losses. In the event of a debtor default or bankruptcy, we may experience delays in enforcing our rights as a creditor, and such rights may be subordinated to the rights of other creditors. These events could negatively affect the cash available for distribution to our stockholders and the value of our stockholders' investment.

Prepayments can adversely affect the yields on our debt investments.

Prepayments on debt instruments, where permitted under the debt documents, are influenced by changes in current interest rates and a variety of economic, geographic and other factors beyond our control, and consequently, such prepayment rates cannot be predicted with certainty. If we are unable to invest the proceeds of such prepayments received, the yield on our portfolio will decline. Under certain interest rate and prepayment scenarios, we may fail to recoup fully our cost of acquisition of certain investments.

Risks Associated with Debt Financing

We have incurred, and may continue to incur, mortgage indebtedness and other borrowings, which increases our risk of loss due to foreclosure.

We have obtained, and may continue to obtain, lines of credit and long-term financing that may be secured by our properties and other assets. In some instances, we may acquire real properties by financing a portion of the price of the properties and mortgaging or pledging some or all of the properties purchased as security for that debt. We have also incurred, and may continue to incur, mortgage debt on properties that we already own in order to obtain funds to acquire additional properties. In addition, we may borrow as necessary or advisable to ensure that we maintain our qualification as a REIT for federal income tax purposes, including borrowings to satisfy the REIT requirement that we distribute at least 90% of our annual REIT taxable income to our stockholders (computed without regard to the dividends paid deduction and excluding net capital gain). We, however, can give you no assurance that we will be able to obtain such borrowings on satisfactory terms.

If there is a shortfall between the cash flow from a mortgaged property and the cash flow needed to service mortgage debt on that property, then the amount of cash available for distributions to stockholders may be reduced. In addition, incurring mortgage debt increases the risk of loss of a property since defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the loan that is in default, reducing the value of your investment. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure even though we would not necessarily receive any cash proceeds. We may give full or partial guaranties to lenders of mortgage debt on behalf of the entities that own our properties. When we give a guaranty on behalf of an entity that owns one of our properties, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages contain cross-collateralization or cross-default provisions, a default on a single property could affect multiple properties.

We may also obtain recourse debt to finance our acquisitions and meet our REIT distribution requirements. If we have insufficient income to service our recourse debt obligations, our lenders could institute proceedings against us to foreclose upon our assets. If a lender successfully forecloses upon any of our assets, our ability to pay cash distributions to our stockholders will be limited and you could lose all or part of your investment.

High mortgage interest rates may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our net income and the amount of cash distributions we can make.

If mortgage debt is unavailable at reasonable interest rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we run the risk of being unable to refinance the properties when the loans become due, or of being unable to refinance on favorable terms. If interest rates are higher when we refinance the properties, our income could be reduced. If any of these events occur, our cash flow would be reduced. This, in turn, would reduce cash available for distribution to you and may hinder our ability to raise more capital by issuing more stock or by borrowing more money.

We may not be able to access financing sources on attractive terms, which could adversely affect our ability to execute our business plan.

We may finance our assets over the long term through a variety of means, including credit facilities, issuance of commercial mortgage-backed securities, and other structured financings. Our ability to execute this strategy will depend on various conditions in the markets for financing in this manner that are beyond our control, including lack of liquidity and greater credit spreads. We cannot be certain that these markets will remain an efficient source of long-term financing for our assets. If our strategy is not viable, we will have to find alternative forms of long-term financing for our assets. This could subject us to more recourse indebtedness and the risk that debt service on less efficient forms of financing would require a larger portion of our cash flows, thereby reducing cash available for distribution to our stockholders and funds available for operations, as well as for future business opportunities.

We could be negatively impacted by the condition of Fannie Mae or Freddie Mac and by changes in government support for multifamily housing.

Fannie Mae and Freddie Mac are a major source of financing for multifamily real estate in the United States. We have utilized and expect to continue to utilize loan programs sponsored by these entities as a key source of capital to finance our growth and our operations. In September 2008, the U.S. government increased its control of Fannie Mae and Freddie Mac and placed both companies into a government conservatorship under the Federal Housing Finance Agency (the “FHFA”). Since that time, members of Congress have introduced and Congressional committees have considered a substantial number of bills that include comprehensive or incremental approaches to winding down Fannie Mae and Freddie Mac or changing their purposes, businesses or operations. In 2019, the FHFA for the first time released formal objectives calling for the return of Fannie Mae and Freddie Mac to the private sector. It was also announced during the year that Fannie Mae and Freddie Mac will be permitted to retain a combined $45 billion worth of earnings (Fannie Mae will be allowed to retain $25 billion and Freddie Mac $20 billion). This is a modification of the so-called “net worth sweep” provision that has required Fannie Mae and Freddie Mac to deliver nearly all of their profits to the Treasury; the result being that each organization will have the opportunity to build its net worth. A decision by the U.S. government to eliminate or downscale Fannie Mae or Freddie Mac or to reduce government support for multifamily housing more generally may adversely affect interest rates, capital availability, development of multifamily communities and the value of multifamily assets and, as a result, may adversely affect our operations. Any potential reduction in loans, guarantees and credit enhancement arrangements from Fannie Mae and Freddie Mac could jeopardize the effectiveness of the multifamily sector’s derivative securities market, potentially causing breaches in loan covenants, and through reduced loan availability, impact the value of multifamily assets, which could impair the value of a significant portion of multifamily communities. Specifically, the potential for a decrease in liquidity made available to the multifamily sector by Fannie Mae and Freddie Mac could (i) hinder our ability to refinance our existing loans; (ii) require us to obtain other sources of debt capital with potentially different terms; and (iii) make it more difficult for potential buyers of our properties to obtain financing.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders.

When providing financing, a lender may impose restrictions on us that affect our distribution and operating policies and our ability to incur additional debt. Loan documents we enter into may contain covenants that limit our ability to further mortgage the property, discontinue insurance coverage or replace our Advisor. These or other limitations may limit our flexibility and our ability to achieve our operating plans.

Increases in interest rates could increase the amount of our debt payments and adversely affect our ability to make distributions to our stockholders.

As of December 31, 2019, we had total outstanding debt of approximately $804.9 million, including approximately $650.6 million of debt subject to variable interest rates, and we expect that we may incur additional indebtedness in the future. Interest we pay reduces our cash available for distributions. Since we have incurred and may continue to incur variable rate debt, increases in interest rates raise our interest costs, which reduces our cash flows and our ability to make distributions to you. In addition, if we need to repay existing debt during periods of rising interest rates, we could be required to sell one or more of our properties at times which may not permit realization of the maximum return on such investments.

We may be adversely affected by changes to the LIBOR settling process and potential phasing out of LIBOR after 2021.

As of December 31, 2019, we had approximately $650.6 million of debt and 21 interest rate caps with an aggregate notional value of $576.7 million that were indexed to the London Interbank Offered Rate ("LIBOR"). LIBOR and certain other interest "benchmarks" may be subject to regulatory guidance and/or reform that could cause interest rates under our current or future debt agreements and derivatives to perform differently than in the past or cause other unanticipated consequences. The United Kingdom's Financial Conduct Authority, which regulates LIBOR, has announced that it intends to stop encouraging or requiring banks to submit rates for the calculation of LIBOR rates after 2021, and it is unclear whether new methods of calculating LIBOR will be established, such that LIBOR may continue to exist after 2021. While there is no consensus on what rate or rates may become accepted alternatives to LIBOR, the Alternative Reference Rates Committee, a steering committee comprised of U.S. financial market participants, selected the Secured Overnight Finance Rate ("SOFR") as an alternative to LIBOR. SOFR is a broad measure of the cost of borrowing cash in the overnight U.S. treasury repo market, and the Federal Reserve Bank of New York started to publish the SOFR in May 2018. At this time, it is impossible to predict whether the SOFR or another reference rate will become an accepted alternative to LIBOR. The discontinuation, reform or replacement of LIBOR or any other benchmark rates may have an unpredictable impact on contractual mechanics in the credit markets or cause disruption to the broader financial markets, and could have an adverse effect on LIBOR-based interest rates on our current or future debt obligations and derivatives.

We have broad authority to incur debt, and high debt levels could hinder our ability to make distributions and decrease the value of your investment.

Our charter limits our leverage to 300% of our net assets, and we may exceed this limit with the approval of the conflicts committee of our Board of Directors. High debt levels would cause us to incur higher interest charges and higher debt service payments and may also be accompanied by restrictive covenants. These factors could limit the amount of cash we have available to distribute and could result in a decline in the value of your investment.

Federal Income Tax Risks

Our failure to continue to qualify as a REIT would subject us to federal income tax and reduce cash available for distribution to stockholders.

We elected to be taxed as a REIT under the Internal Revenue Code commencing with our taxable year ended December 31, 2010. We intend to continue to operate in a manner so as to continue to qualify as a REIT for federal income tax purposes. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only a limited number of judicial and administrative interpretations exist. Even an inadvertent or technical mistake could jeopardize our REIT status. Our continued qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Moreover, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to continue to qualify as a REIT. If we fail to continue to qualify as a REIT in any taxable year, we would be subject to federal and applicable state and local income tax on our taxable income at corporate rates, in which case we might be required to borrow or liquidate some investments in order to pay the applicable tax. Losing our REIT status would reduce our net income available for investment or distribution to you because of the additional tax liability. In addition, distributions to you would no longer qualify for the dividends-paid deduction and we would no longer be required to make distributions. Furthermore, if we fail to qualify as a REIT in any taxable year for which we have elected to be taxed as a REIT, we would generally be unable to elect REIT status for the four taxable years following the year in which our REIT status is lost.

Complying with REIT requirements may force us to borrow funds to make distributions to you or otherwise depend on external sources of capital to fund such distributions.

To continue to qualify as a REIT, we are required to distribute annually at least 90% of our taxable income, subject to certain adjustments, to our stockholders. To the extent that we satisfy the distribution requirement, but distribute less than

100% of our taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we may elect to retain and pay income tax on our net long-term capital gain. In that case, if we so elect, a stockholder would be taxed on its proportionate share of our undistributed long-term gain and would receive a credit or refund for its proportionate share of the tax we paid. A stockholder, including a tax-exempt or foreign stockholder, would have to file a federal income tax return to claim that credit or refund. Furthermore, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our stockholders in a calendar year is less than a minimum amount specified under federal tax laws.

From time-to-time, we may generate taxable income greater than our net income for GAAP. In addition, our taxable income may be greater than our cash flow available for distribution to you as a result of, among other things, investments in assets that generate taxable income in advance of the corresponding cash flow from the assets (for instance, if a borrower defers the payment of interest in cash pursuant to a contractual right or otherwise).

If we do not have other funds available in the situations described in the preceding paragraphs, we could be required to borrow funds on unfavorable terms, sell investments at disadvantageous prices or find another alternative source of funds to make distributions sufficient to enable us to distribute enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our equity.

Because of the distribution requirement, it is unlikely that we will be able to fund all future capital needs, including capital needs in connection with investments, from cash retained from operations. As a result, to fund future capital needs, we likely will have to rely on third-party sources of capital, including both debt and equity financing, which may or may not be available on favorable terms or at all. Our access to third-party sources of capital will depend upon a number of factors, including our current and potential future earnings and cash distributions.

Despite our qualification for taxation as a REIT for federal income tax purposes, we may be subject to other tax liabilities that reduce our cash flow and our ability to make distributions to you.

Despite our qualification for taxation as a REIT for federal income tax purposes, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income or property. Any of these taxes would decrease cash available for distribution to you. For instance:

- In order to continue to qualify as a REIT, we must distribute annually at least 90% of our REIT taxable income (which is determined without regard to the dividends paid deduction or net capital gain for this purpose) to you.
- To the extent that we satisfy the distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to federal corporate income tax on the undistributed income.
- We will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions we pay in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.
- If we have net income from the sale of foreclosure property that we hold primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we must pay a tax on that income at the highest corporate income tax rate.
- If we sell an asset, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business and do not qualify for a safe harbor in the Internal Revenue Code, our gain would be subject to the 100% "prohibited transaction" tax.
- Any domestic taxable REIT subsidiary, or TRS, of ours will be subject to federal corporate income tax on its income, and on any non-arm's-length transactions between us and any TRS, for instance, excessive rents charged to a TRS could be subject to a 100% tax.
- We may be subject to tax on income from certain activities conducted as a result of taking title to collateral.
- We may be subject to state or local income, property and transfer taxes, such as mortgage recording taxes.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or liquidate otherwise attractive investments.

To continue to qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to stockholders and the ownership of our stock. As discussed above, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Additionally, we may be unable to pursue investments that would be otherwise attractive to us in order to satisfy the requirements for qualifying as a REIT.

We must also ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets, including certain mortgage loans and mortgage-backed securities. The remainder of our investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets can consist of the securities of any one issuer (other than government securities and qualified real estate assets) and no more than 20% of the value of our gross assets (25% for tax years ending before 2018) may be represented by securities of one or more TRSs. Finally, for the taxable years after 2015, no more than 25% of our assets may consist of debt investments that are issued by "publicly offered REITs" and would not otherwise be treated as qualifying real estate assets. If we fail to comply with these requirements at the end of any calendar quarter, we must correct such failure within 30 days after the end of the calendar quarter to avoid losing our REIT status and suffering adverse tax consequences, unless certain relief provisions apply. As a result, compliance with the REIT requirements may hinder our ability to operate solely on the basis of profit maximization and may require us to liquidate investments from our portfolio, or refrain from making, otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to stockholders.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Internal Revenue Code may limit our ability to hedge our operations effectively. Our aggregate gross income from non-qualifying hedges, fees and certain other non-qualifying sources cannot exceed 5% of our annual gross income. As a result, we might have to limit our use of advantageous hedging techniques or implement those hedges through a TRS. Any hedging income earned by a TRS would be subject to federal, state and local income tax at regular corporate rates. This could increase the cost of our hedging activities or expose us to greater risks associated with interest rate or other changes than we would otherwise incur.

Liquidation of assets may jeopardize our REIT qualification.

To continue to qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to satisfy our obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% prohibited transaction tax on any resulting gain if we sell assets that are treated as dealer property or inventory.

The prohibited transactions tax may limit our ability to engage in transactions, including disposition of assets and certain methods of securitizing loans, which would be treated as sales for federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of dealer property, other than foreclosure property, but including loans held primarily for sale to customers in the ordinary course of business. We might be subject to the prohibited transaction tax if we were to dispose of or securitize loans in a manner that is treated as a sale of the loans, for federal income tax purposes. In order to avoid the prohibited transactions tax, we may choose not to engage in certain sales of loans and may limit the structures we use for any securitization financing transactions, even though such sales or structures might otherwise be beneficial to us. Additionally, we may be subject to the prohibited transaction tax upon a disposition of real property. Although a safe-harbor exception to prohibited transaction treatment is available, we cannot assure you that we can comply with such safe harbor or that we will avoid owning property that may be characterized as held primarily for sale to customers in the ordinary course of our trade or business. Consequently, we may choose not to engage in certain sales of real property or may conduct such sales through a TRS.

It may be possible to reduce the impact of the prohibited transaction tax by conducting certain activities through a TRS. However, to the extent that we engage in such activities through a TRS, the income associated with such activities will be subject to a corporate income tax. In addition, the IRS may attempt to ignore or otherwise recast such activities in order to impose a prohibited transaction tax on us, and there can be no assurance that such recast will not be successful.

We also may not be able to use secured financing structures that would create taxable mortgage pools, other than in a TRS or through a subsidiary REIT.

We may recognize substantial amounts of REIT taxable income, which we would be required to distribute to you, in a year in which we are not profitable under GAAP principles or other economic measures.

We may recognize substantial amounts of REIT taxable income in years in which we are not profitable under GAAP or other economic measures as a result of the differences between GAAP and tax accounting methods. For instance, certain of our assets will be marked-to-market for GAAP purposes but not for tax purposes, which could result in losses for GAAP purposes that are not recognized in computing our REIT taxable income. Additionally, we may deduct our capital losses only to the extent of our capital gains in computing our REIT taxable income for a given taxable year. Consequently, we could recognize substantial amounts of REIT taxable income and would be required to distribute such income to you, in a year in which we are not profitable under GAAP or other economic measures.

We may distribute our common stock in a taxable distribution, in which case our stockholder may sell shares of our common stock to pay tax on such distributions, and our stockholders may receive less in cash than the amount of the dividend that is taxable.

We may make taxable distributions that are payable in cash and common stock. The IRS has issued private letter rulings to other REITs treating certain distributions that are paid partly in cash and partly in stock as taxable distributions that would satisfy the REIT annual distribution requirement and qualify for the dividends paid deduction for federal income tax purposes. Those rulings may be relied upon only by taxpayers to whom they were issued, but we could request a similar ruling from the IRS. Accordingly, it is unclear whether and to what extent we will be able to make taxable distributions payable in cash and common stock. If we made a taxable dividend payable in cash and common stock, taxable stockholders receiving such distributions will be required to include the dividend as taxable income to the extent of our current and accumulated earnings and profits, as determined for federal income tax purposes. As a result, stockholders may be required to pay income tax with respect to such distributions in excess of the cash distributions received. If a U.S. stockholder sells the common stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount recorded in earnings with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common stock.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income (which is determined without regard to the dividends paid deduction or net capital gain for this purpose) in order to continue to qualify as a REIT. We intend to make distributions to our stockholders to comply with the REIT requirements of the Internal Revenue Code and to avoid corporate income tax and the 4% excise tax. We may be required to make distributions to stockholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Distributions paid by REITs do not qualify for the reduced tax rates that apply to other corporate distributions.

The maximum tax rate for “qualified dividends” paid by corporations to non-corporate stockholders is currently 20%. Distributions paid by REITs, however, generally are taxed at ordinary income rates (subject to a maximum rate of 37.0% for non-corporate stockholders), provided individuals may be able to deduct 20% of income received as ordinary REIT dividends, thus reducing the maximum effective federal income tax rate on such dividends, rather than the preferential rate applicable to qualified dividends.

Changes recently made to the U.S. tax laws could have a negative impact on our business.

The President signed a tax reform bill into law on December 22, 2017 (the “Tax Cuts and Jobs Act”). Among other things, the Tax Cuts and Jobs Act:

- reduces the corporate income tax rate from 35% to 21% (including with respect to our taxable REIT subsidiary);
- reduces the rate of U.S. federal withholding tax on distributions made to non-U.S. stockholders by a REIT that are attributable to gains from the sale or exchange of U.S. real property interests from 35% to 21%;
- allows an immediate 100% deduction of the cost of certain capital asset investments (generally excluding real estate assets), subject to a phase-down of the deduction percentage over time;
- changes the recovery periods for certain real property and building improvements (for example, to 15 years for qualified improvement property under the modified accelerated cost recovery system, and to 30 years (previously 40 years) for residential real property and 20 years (previously 40 years) for qualified improvement property under the alternative depreciation system);

- restricts the deductibility of interest expense by businesses (generally, to 30% of the business' adjusted taxable income) except, among others, real property businesses electing out of such restriction; we have not yet determined whether we and/or our subsidiaries can and/or will make such an election;
- requires the use of the less favorable alternative depreciation system to depreciate real property in the event a real property business elects to avoid the interest deduction restriction above;
- restricts the benefits of like-kind exchanges that defer capital gains for tax purposes to exchanges of real property;
- permanently repeals the "technical termination" rule for partnerships, meaning sales or exchanges of the interests in a partnership will be less likely to, among other things, terminate the taxable year of, and restart the depreciable lives of assets held by, such partnership for tax purposes;
- requires accrual method taxpayers to take certain amounts in income no later than the taxable year in which such income is taken into account as revenue in an applicable financial statement prepared under GAAP, which, with respect to certain leases, could accelerate the inclusion of rental income;
- eliminates the federal corporate alternative minimum tax;
- reduces the highest marginal income tax rate for individuals to 37% from 39.6% (excluding, in each case, the 3.8% Medicare tax on net investment income);
- generally allows a deduction for individuals equal to 20% of certain income from pass-through entities, including ordinary dividends distributed by a REIT (excluding capital gain dividends and qualified dividend income), generally resulting in a maximum effective federal income tax rate applicable to such dividends of 29.6% compared to 37% (excluding, in each case, the 3.8% Medicare tax on net investment income); and
- limits certain deductions for individuals, including deductions for state and local income taxes, and eliminates deductions for miscellaneous itemized deductions (including certain investment expenses).

Many of the provisions in the Tax Cuts and Jobs Act, in particular those affecting individual taxpayers, expire at the end of 2025. As a result of the changes to U.S. federal tax laws implemented by the Tax Cuts and Jobs Act, our taxable income and the amount of distributions to our stockholders required in order to maintain our REIT status, and our relative tax advantage as a REIT, could change. As a REIT, we are required to distribute at least 90% of our taxable income to our stockholders annually.

The Tax Cuts and Jobs Act is a complex revision to the U.S. federal income tax laws with various impacts on different categories of taxpayers and industries, and will require subsequent rulemaking and interpretation in a number of areas. The long-term impact of the Tax Cuts and Jobs Act on the overall economy, government revenues, our tenants, us, and the real estate industry cannot be reliably predicted at this time. Furthermore, the Tax Cuts and Jobs Act may negatively impact certain of our tenants' operating results, financial condition, and future business plans. The Tax Cuts and Jobs Act may also result in reduced government revenues, and therefore reduced government spending, which may negatively impact some of our tenants that rely on government funding. There can be no assurance that the Tax Cuts and Jobs Act will not negatively impact our operating results, financial condition, and future business operations.

At any time, the federal income tax laws can change. Laws and rules governing REITs or the administrative interpretations of those laws may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or stockholders.

Retirement Plan Risks

If the fiduciary of an employee benefit plan subject to ERISA (such as a profit sharing, Section 401(k) or pension plan) or an owner of a retirement arrangement subject to Section 4975 of the Internal Revenue Code (such as an IRA) fails to meet the fiduciary and other standards under ERISA or the Internal Revenue Code as a result of an investment in our stock, the fiduciary could be subject to penalties and other sanctions.

There are special considerations that apply to employee benefit plans subject to ERISA (such as profit sharing, Section 401(k) or pension plans) and other retirement plans or accounts subject to Section 4975 of the Internal Revenue Code (such as an IRA) that are investing in our shares. Fiduciaries and IRA owners investing the assets of such a plan or account in our common stock should satisfy themselves that:

- the investment is consistent with their fiduciary and other obligations under ERISA and the Internal Revenue Code;
- the investment is made in accordance with the documents and instruments governing the plan or IRA, including the plan's or account's investment policy;
- the investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA and other applicable provisions of ERISA and the Internal Revenue Code;

- the investment in our shares, for which no public market currently exists, is consistent with the liquidity needs of the plan or IRA;
- the investment will not produce an unacceptable amount of “unrelated business taxable income” for the plan or IRA;
- our stockholders will be able to comply with the requirements under ERISA and the Internal Revenue Code to value the assets of the plan or IRA annually; and
- the investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

Failure to satisfy the fiduciary standards of conduct and other applicable requirements of ERISA and the Internal Revenue Code may result in the imposition of civil and criminal penalties and could subject the fiduciary to claims for damages or for equitable remedies, including liability for investment losses. In addition, if an investment in our shares constitutes a prohibited transaction under ERISA or the Internal Revenue Code, the fiduciary or IRA owner who authorized or directed the investment may be subject to the imposition of excise taxes with respect to the amount invested. In addition, the investment transaction must be undone. In the case of a prohibited transaction involving an IRA owner, the IRA may be disqualified as a tax-exempt account and all of the assets of the IRA may be deemed distributed and subjected to tax. ERISA plan fiduciaries and IRA owners should consult with counsel before making an investment in our common stock.

If our assets are deemed to be plan assets, the Advisor and we may be exposed to liabilities under Title I of ERISA and the Internal Revenue Code.

In some circumstances where an ERISA plan holds an interest in an entity, the assets of the entity are deemed to be ERISA plan assets unless an exception applies. This is known as the “look-through rule.” Under those circumstances, the obligations and other responsibilities of plan sponsors, plan fiduciaries and plan administrators, and of parties in interest and disqualified persons, under Title I of ERISA or Section 4975 of the Internal Revenue Code, may be applicable, and there may be liability under these and other provisions of ERISA and the Internal Revenue Code. We believe that our assets should not be treated as plan assets because the shares should qualify as “publicly-offered securities” that are exempt from the look-through rules under applicable Treasury Regulations. We note, however, that because certain limitations are imposed upon the transferability of shares so that we may qualify as a REIT, and perhaps for other reasons, it is possible that this exemption may not apply. If that is the case, and if the Advisor or we are exposed to liability under ERISA or the Internal Revenue Code, our performance and results of operations could be adversely affected. Prior to making an investment in us, you should consult with your legal and other advisors concerning the impact of ERISA and the Internal Revenue Code on your investment and our performance.

If you hold our shares through an IRA or other retirement plan, you may be limited in your ability to withdraw required minimum distributions.

If you establish an IRA or other retirement plan through which you hold your investment in in our shares, federal law may require you to withdraw required minimum distributions ("RMDs") from such plan in the future. Our share redemption program limits the amount of redemptions that can be made in a given year. Additionally, you will not be eligible to have your shares redeemed until you have held your shares for at least one year. As a result, you may not be able to have your shares redeemed at a time in which you need liquidity to satisfy the RMD requirements under your IRA or other retirement plan. Even if you are able to have your shares redeemed, such redemption may be at a price less than the price at which the shares were initially purchased, depending on how long you have held your shares. If you fail to withdraw RMDs from your IRA or other retirement plan, you may be subject to certain tax penalties.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

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ITEM 2. PROPERTIES

Real Estate Investments

As of December 31, 2019, we owned interests in 28 multifamily properties. The following is a summary of our real estate properties:

Multifamily Community Name		City and State	Number of Units	Date of Acquisition (1)	Purchase Price (2)	Year of Construction	Average Unit Size (Sq. Ft.)	Physical Occupancy Rate (3)	Effective Monthly Revenue per Unit (4)
Vista Apartment Homes	(5)(6)	Philadelphia, PA	133	6/17/2011	$ 12,000	1961	876	93.5%	$ 1,634
Cannery Lofts	(7)(8)	Dayton, OH	156	5/13/2011	7,100	1838	1,030	100.0%	1,415
Retreat at Rocky Ridge		Hoover, AL	206	4/18/2013	8,500	1986	869	92.7%	995
Trailpoint at the Woodlands		Houston, TX	271	6/24/2013	27,200	1981	859	91.5%	1,122
The Westside Apartments		Plano, TX	412	7/25/2013	32,200	1984	862	94.9%	1,219
Tech Center Square		Newport News, VA	208	9/9/2013	18,250	1985	803	96.2%	1,038
Verona Apartment Homes		Littleton, CO	276	9/30/2013	30,600	1985	744	92.4%	1,487
Skyview Apartment Homes		Westminster, CO	224	9/30/2013	24,250	1985	748	94.2%	1,390
Maxwell Townhomes		San Antonio, TX	316	12/16/2013	22,500	1982	1,015	91.8%	1,239
Meridian Pointe		Burnsville, MN	339	12/20/2013	33,149	1988	982	91.4%	1,496
Evergreen at Coursey Place	(9)	Baton Rouge, LA	352	1/28/2014	15,499	2003	999	93.2%	1,083
Pines of York	(10)	Yorktown, VA	248	1/28/2014	8,087	1974	987	97.2%	1,095
The Estates at Johns Creek		Alpharetta, GA	403	3/28/2014	70,500	1999	1,457	92.3%	1,932
Perimeter Circle		Atlanta, GA	194	5/19/2014	29,500	1995	961	93.8%	1,574
Perimeter 5550		Atlanta, GA	165	5/19/2014	22,250	1995	906	91.5%	1,461
Aston at Cinco Ranch		Katy, TX	228	6/26/2014	32,300	2000	1,015	92.1%	1,428
Sunset Ridge		San Antonio, TX	324	9/4/2014	35,000	1949	861	92.3%	1,250
Calloway at Las Colinas		Irving, TX	536	9/29/2014	48,500	1984	850	93.7%	1,248
South Lamar Village		Austin, TX	208	2/26/2015	24,000	1981	729	93.8%	1,509
Heritage Pointe		Gilbert, AZ	458	3/19/2015	36,000	1986	697	92.1%	1,127
The Bryant at Yorba Linda		Yorba Linda, CA	400	6/1/2015	118,000	1986	995	93.0%	2,158
Point Bonita Apartment Homes		Chula Vista, CA	294	6/16/2015	49,050	1979	716	96.6%	1,849
Providence in the Park		Arlington, TX	524	12/22/2016	63,200	1997	893	93.7%	1,328
Green Trails Apartment Homes		Lisle, IL	440	5/31/2017	78,000	1988	828	93.0%	1,523
Terraces at Lake Mary		Lake Mary, FL	284	8/31/2017	44,100	1998	988	91.9%	1,449
Courtney Meadows Apartments		Jacksonville, FL	276	12/20/2017	41,400	2001	1,047	92.4%	1,359
Addison at Sandy Springs		Sandy Springs, GA	236	4/17/2018	34,000	1986	1,030	92.4%	1,250
Bristol Grapevine		Grapevine, TX	376	4/25/2018	44,700	1978	764	92.6%	1,136
			8,487						

(1) The date of acquisition reflects the date we acquired the property, the note or the initial joint venture interest, where applicable.

(2) Purchase price (in thousands) excludes closing costs and acquisition expenses. For properties acquired through foreclosure, the purchase price reflects the contract purchase price of the note.

(3) Physical occupancy rate is defined as the units occupied as of December 31, 2019 divided by the total number of residential units.

(4) Effective monthly rental revenue per unit has been calculated based on the leases in effect as of December 31, 2019, adjusted for any tenant concessions, such as free rent. Effective monthly rental revenue per unit includes base rents for occupied units, including affordable housing payments and subsidies. It also includes other charges for storage, parking, pets, cleaning, clubhouse or other miscellaneous amounts.

(5) In addition to its apartment units, Vista Apartment Homes contains one commercial space which is occupied, and a number of antennae on the roof of the property that generate additional income.

(6) Vista Apartment Homes originally served as the collateral for a non-performing promissory note that we purchased on June 17, 2011. The contract purchase price for the note was $12.0 million, excluding closing costs. On August 2, 2011, we were the successful bidder at a sheriff's sale and formally received title to the property.

(7) In addition to its apartment units, Cannery Lofts contains 12 commercial spaces, all of which are occupied, and one parking garage with parking spaces available to rent.

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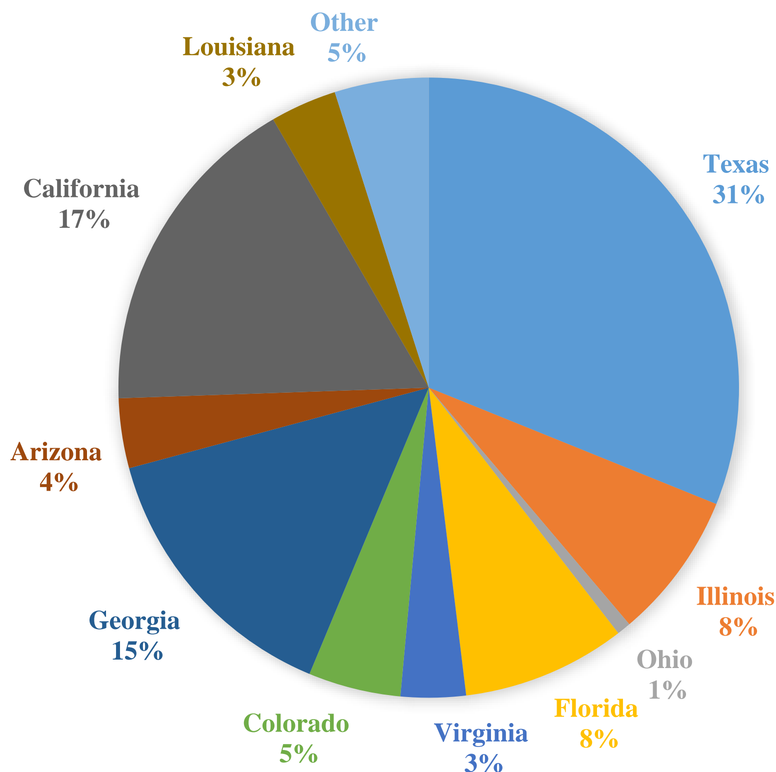
(8) Cannery Lofts originally served as the collateral for a non-performing note that we purchased on May 13, 2011. On December 21, 2011, we entered into a settlement agreement with the borrower whereby the borrower agreed to a consensual foreclosure of the Cannery Note. We formally received title to the property on June 6, 2012.

(9) Joint venture interests in this property were originally purchased as a part of the Paladin acquisition in January 2014. The remaining interests in this joint venture were acquired on March 31, 2014.

(10) Joint venture interests in this property were originally purchased as a part of the Paladin acquisition in January 2014. The remaining interests in this joint venture were acquired on November 25, 2014.

The following chart shows the geographic breakdown of our multifamily rental properties as of December 31, 2019 (based on net book value):



ITEM 3. LEGAL PROCEEDINGS

From time to time, we are party to legal proceedings, which arise in the ordinary course of our business. We are not currently involved in any legal proceedings of which the outcome is reasonably likely to have a material adverse effect on our results of operations or financial condition, nor are we aware of any such legal proceedings contemplated by governmental authorities.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Stockholder Information

As of March 13, 2020, we had 69,862,273 shares of common stock outstanding held by a total of 14,132 stockholders.

Market Information

There is no established public trading market for our common stock. Therefore, there is a risk that a stockholder may not be able to sell our stock at a time or price acceptable to the stockholder.

Estimated Value Per Share

On March 19, 2020, our Board of Directors approved an estimated value per share of our common stock of $11.10 based on the estimated market value of our portfolio of investments as of December 31, 2019. As of the date of this filing, we are not aware of a material change in the value of our investments that would impact the overall estimated value per share; however, the outbreak of COVID-19, together with the resulting restrictions on travel and quarantines imposed, have had a negative impact on the economy and business activity globally, the full impact of which is not yet known and may result in an adverse impact to our investments and our resulting estimated value per share of our common stock. We are providing this estimated value per share to assist broker-dealers that participated in our public offerings in meeting their customer account statement reporting obligations under the Financial Industry Regulatory Authority ("FINRA") Rule 2231. This valuation was performed in accordance with the provisions of Practice Guideline 2013-01, Valuations of Publicly Registered Non-Listed REITs, issued by the Institute for Portfolio Alternatives ("IPA") (formerly the Investment Program Association) in April 2013 (the "IPA Valuation Guidelines").

Our Conflicts Committee, composed solely of all of our independent directors, is responsible for the oversight of the valuation process, including the review and approval of the valuation process and methodology used to determine the estimated value per share, the consistency of the valuation and appraisal methodologies with real estate industry standards and practices and the reasonableness of the assumptions used in the valuations and appraisals. With the approval of the conflicts committee, we engaged Duff & Phelps, LLC ("Duff & Phelps") to provide a calculation of the range in estimated value per share of our common stock as of December 31, 2019. Duff & Phelps held discussions with senior management of our Advisor and conducted appraisals, investigations, research, review and analysis as it deemed necessary. Duff & Phelps based this range in estimated value per share upon its estimates of the "as is" market values of our interests in 28 multifamily properties and one debt investment. Duff & Phelps made adjustments to the aggregate estimated values of our investments to reflect balance sheet assets and liabilities provided by our management, which are disclosed in this Annual Report on Form 10-K before calculating a range of estimated values based on the number of outstanding shares of our common stock as of December 31, 2019. The valuation report that Duff & Phelps prepared (the "Valuation Report") summarized the key inputs and assumptions involved in the appraisal of each of our investments. Duff & Phelps's valuation was designed to follow the prescribed methodologies of the IPA Valuation Guidelines. The methodologies and assumptions used to determine the estimated value of our investments are described further below.

Upon the conflicts committee's receipt and review of the Valuation Report and in light of other factors considered by our conflicts committee and the conflicts committee's own extensive knowledge of our assets and liabilities, the conflicts committee concluded that the range in estimated value per share of $10.11 to $12.20, with an approximate midpoint value of $11.10 per share, as indicated in the Valuation Report, was appropriate. Upon recommendation by the Advisor, the Conflicts Committee recommended to our Board of Directors that it adopt $11.10 as the estimated value per share of our common stock, which approximates the midpoint value. Our Board of Directors unanimously agreed to accept the recommendation of the conflicts committee and approved $11.10 as the estimated value per share of our common stock, which determination is ultimately and solely the responsibility of the Board of Directors.

The following table summarizes the material components of the December 31, 2019 net asset value (in thousands, except per share amounts):

	December 31, 2019 Net Asset Value	December 31, 2019 Net Asset Value per Share
Investments	$ 1,531,493	$ 22.05
Cash	49,535	0.71
Other Assets	15,282	0.22
Mortgage Notes Payable	(803,556)	(11.57)
Other Liabilities	(21,432)	(0.31)
Net asset value	$ 771,322	$ 11.10

The following table sets forth the calculation of our estimated net asset value per share as of December 31, 2019, as well as the calculation of our prior estimated net asset value per share as of December 31, 2018:

	December 31, 2019 Net Asset Value per Share	December 31, 2018 Net Asset Value per Share	Change in Estimated Value per Share
Investments	$ 22.05	$ 22.04	$ 0.00
Cash	0.71	0.91	(0.19)
Other Assets	0.22	0.25	(0.03)
Mortgage Notes Payable	(11.57)	(12.04)	0.48
Other Liabilities	(0.31)	(0.33)	0.02
	$ 11.10	$ 10.83	$ 0.28

(1) For information relating to the December 31, 2018 net asset value per share and the assumptions and methodologies used by Duff and Phelps and our management, see our Annual Report on Form 10-K filed on March 22, 2019.

As with any valuation methodology, the methodologies used are based upon a number of estimates and assumptions that may not be accurate or complete. Different parties with different assumptions and estimates could derive a different estimated value per share, and these differences could be significant. In particular, due in part to (i) the high concentration of our total assets in real estate, and (ii) the number of shares of our common stock outstanding, even modest changes in key assumptions made in appraising our real estate properties could have a very significant impact on the estimated value of our shares. The estimated value per share is not audited and does not represent the fair value of our assets less the fair value of our liabilities according to U.S. generally accepted accounting principles ("GAAP"), nor does it represent a liquidation value of our assets and liabilities or the amount that our shares of common stock would trade at on a national securities exchange. The estimated value per share does not reflect a discount for the fact that we are externally managed, nor does it reflect a real estate portfolio premium/discount versus the sum of the individual property values. The estimated value per share also does not take into account estimated disposition costs and fees for real estate properties, debt prepayment penalties that could apply upon the prepayment of certain of our debt obligations or the impact of restrictions on the assumption of debt.

Methodology

Our goal in calculating an estimated value per share is to arrive at a value that is reasonable and supportable using what we deem to be appropriate valuation and appraisal methodologies and assumptions and a process that is in accordance with the IPA Valuation Guidelines. The following is a summary of the valuation and appraisal methodologies used to calculate the estimated value per share:

Real Estate

Independent Valuation Firm

Duff & Phelps was recommended by our Advisor, and approved by the conflicts committee. Duff & Phelps is engaged in the business of appraising commercial real estate properties and is not affiliated with us or the Advisor. Neither we, the Advisor, nor any of its affiliates have engaged Duff & Phelps for any other types of services during the two years prior to the date of this filing. Duff & Phelps and its affiliates may from time to time in the future perform other commercial real estate, appraisal and valuation services for us and our affiliates in transactions related to the properties that are the subjects of the appraisals, so long as such other services do not adversely affect the independence of the applicable Duff & Phelps appraiser as certified in the applicable appraisal reports.

The compensation Duff & Phelps received for its appraisal of our real estate properties was based on the scope of work and was not contingent upon the development or reporting of a predetermined value or direction in value that favors the

cause of us, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal. The appraisal was performed in accordance with the Code of Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice, or USPAP, the real estate appraisal industry standards created by The Appraisal Foundation. The Valuation Report was reviewed, approved and signed by an individual with the professional designation of MAI (Member of the Appraisal Institute). The use of the Valuation Report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. In preparing the Valuation Report, Duff & Phelps did not, and was not requested to, solicit third party indications of interest for our common stock in connection with possible purchase thereof or the acquisition of all or any part of us.

Duff & Phelps collected all reasonably available material information that it deemed relevant in estimating the market value of our real estate properties and other investments. In conducting its investigations and analyses, Duff & Phelps took into account customary and accepted financial and commercial procedures and considerations as it deemed relevant. Although Duff & Phelps reviewed information supplied or otherwise made available by us or the Advisor for reasonableness, each assumed and relied upon the accuracy and completeness of all such information and of all information supplied or otherwise made available to it by any other party and did not independently verify any such information. Duff & Phelps relied on our management or the Advisor to advise it promptly if any information previously provided became inaccurate or was required to be updated during the period of its review.

In performing its analysis of our real estate properties and other investments, Duff & Phelps made numerous other assumptions as of various points in time with respect to industry performance, general business, economic and regulatory conditions and other matters, many of which are beyond its control and our control, as well as certain factual matters. For example, unless specifically informed to the contrary, Duff & Phelps assumed that we had clear and marketable title to each real estate property appraised, that no title defects existed, that no hazardous materials had been present or were present previously, that no deed restrictions existed, and that the properties were responsibly owned and managed by competent property management. Furthermore, Duff & Phelps's analysis, opinions and conclusions were necessarily based upon market, economic, financial and other circumstances and conditions existing as of or prior to the date of the appraisals, and any material change in such circumstances and conditions may affect Duff & Phelps's analyses and conclusions. The Valuation Report contains other assumptions, qualifications and limitations that qualify the analysis, opinions and conclusions set forth therein. Furthermore, the prices at which our real estate properties may actually be sold could differ from their appraised values. The Valuation Report, including the analyses, opinions and conclusions set forth in such report, is qualified by the assumptions, qualifications and limitations set forth in the Valuation Report.

The foregoing is a summary of the standard assumptions, qualifications and limitations that generally apply to the Valuation Report.

Real Estate Valuation

Duff & Phelps estimated the "as is" market value of each of our real estate properties owned as of December 31, 2019, using various methodologies, including the direct capitalization approach, discounted cash flow analyses and sales comparison approach, and relied primarily on the direct capitalization approach for our stabilized properties and discounted cash flow analyses for our unstabilized properties. The sales comparison approach was utilized as a secondary approach to value. The direct capitalization approach applies a current market capitalization rate to the properties' net operating income. The capitalization rate was based on recent national overall capitalization rates, and the net operating income (NOI) was estimated based on Duff & Phelps's expertise in appraising commercial real estate. The direct capitalization approach was utilized for eight of our properties that have finished renovations and stabilized their operations. Discounted cash flow analyses focus on the operating cash flows expected from the properties and the anticipated proceeds of hypothetical sales at the end of assumed holding periods, which are then discounted to their present value. Discounted cash flow analyses were utilized for 20 of our properties that were recently acquired and either not yet stabilized or are currently undergoing renovations. One property was valued at its sale price as it was sold shortly after December 31, 2019. Real estate is currently carried in our financial statements at its amortized cost basis. Duff & Phelps performed its appraisals as of December 31, 2019.

The following summarizes the range of overall capitalization rates used to arrive at the estimated market values of our 9 stabilized properties:

	Range in Values	Weighted Average Basis
Overall Capitalization Rate	4.75% to 6.25%	5.41%

The following summarizes the range of terminal capitalization rates and discount rates used to arrive at the estimated market values of 19 unstabilized properties and one stabilized property that are currently undergoing renovations:

	Range in Values	Weighted Average Basis
Terminal Capitalization Rate	4.50% to 5.75%	5.06%
Discount Rate	5.25% to 6.75%	5.84%

While we believe that Duff & Phelps' assumptions and inputs are reasonable, a change in these assumptions and inputs would significantly impact the calculation of the appraised value of our real estate properties and other assets and, thus, its estimated value per share. As of December 31, 2019, the majority of our real estate assets have non-stabilized occupancies. Appraisals may provide a sense of the value of the investment, but any appraisal of the property will be based on numerous estimates, judgments and assumptions that significantly affect the appraised value of the underlying property. An appraisal of a non-stabilized property, in particular, involves a high degree of subjectivity due to higher vacancy levels and uncertainties with respect to future market rental rates and timing of lease-up and stabilization. Accordingly, different assumptions may materially change the appraised value of the property.

The total appraised value of our real estate properties using the appraisal methodologies described above was $1.53 billion compared to a total of purchase price and capital expenditures, through December 31, 2019, of approximately $938.0 million.

The table below illustrates the impact on the estimated value per share if the overall capitalization rates or discount rates were adjusted by 25 basis points, and assuming all other factors remain unchanged, with respect to the real estate properties referenced in the table above. Additionally, the table below illustrates the impact on the estimated value per share if the overall capitalization rates or discount rates were adjusted by 5% in accordance with the IPA Valuation Guidelines, assuming all other factors remain unchanged. The table is only hypothetical to illustrate possible results if only one change in assumptions was made, with all other factors held constant. Further, each of these assumptions could change by more than 25 basis points or 5%. Since the majority of the valuations employed utilized the discounted cash flow methodology, changes in terminal capitalization rates yielded minimal variances and are therefore excluded from the table below.

	Change in Estimated Value per Share			
	Increase of 25 Basis Points	Decrease of 25 Basis Points	Increase of 5%	Decrease of 5%
Overall Capitalization Rate	$ 10.11	$ 12.20	$ 10.88	$ 11.35
Discount Rate	$ 11.04	$ 11.15	$ 11.04	$ 11.16

Debt Investments

Duff & Phelps estimated the market value of our debt investment, which totaled approximately $893,432, or less than 1% of our assets, by making mark-to-market adjustments to the outstanding balances owed to us under these investments as of December 31, 2019.

Other Assets and Liabilities

Duff & Phelps made adjustments to the aggregate estimated values of our investments to reflect balance sheet assets and liabilities provided by our management, which are disclosed in this Annual Report on Form 10-K.

Limitations of Estimated Value Per Share

As mentioned above, we are providing this estimated value per share to assist broker dealers that participated in our public offering in meeting their customer account statement reporting obligations. This valuation was performed in accordance with the provisions of the IPA Valuation Guidelines. The estimated value per share set forth above will first appear on the March 31, 2020 customer account statements that will be mailed in April 2020. As with any valuation methodology, the methodologies used are based upon a number of estimates and assumptions that may not be accurate or complete. Different parties with different assumptions and estimates could derive a different estimated value per share, and this difference could be significant. The estimated value per share is not audited and does not represent the fair value of our assets or liabilities according to GAAP.

Accordingly, with respect to the estimated value per share, we can give no assurance that:

- a stockholder would be able to resell his or her shares at the estimated value per share;
- a stockholder would ultimately realize distributions per share equal to our estimated value per share upon liquidation of our assets and settlement of its liabilities or a sale of our company;
- our shares of common stock would trade at the estimated value per share on a national securities exchange;
- a third party would offer the estimated value per share in an arm's-length transaction to purchase all or substantially all of our shares of common stock;
- another independent third-party appraiser or third-party valuation firm would agree with the our estimated value per share; or

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- the methodology used to calculate our estimated value per share would be acceptable to FINRA or for compliance with ERISA reporting requirements.

Further, the estimated value per share as of December 31, 2019 is based on the estimated value of our investments as of December 31, 2019. We did not make any adjustments to the valuation for the impact of other transactions occurring subsequent to December 31, 2019, including, but not limited to, (i) the issuance of common stock under the distribution reinvestment plan, (ii) net operating income earned and distributions declared, (iii) the redemption of shares and (iv) the potential conversion of convertible stock into common stock. The value of our shares will fluctuate over time in response to developments related to individual assets in our portfolio and the management of those assets and in response to the real estate and finance markets. In particular, the outbreak of COVID-19, together with the resulting restrictions on travel and quarantines imposed, have had a negative impact on the economy and business activity globally, the full impact of which is not yet known and may result in an adverse impact to our operations and investments. Because of, among other factors, our high concentration of total assets in real estate and the number of shares of our common stock outstanding, any change in the value of individual assets in the portfolio, particularly changes affecting our real estate properties, could have a very significant impact on the value of our shares. The estimated value per share does not reflect a discount for the fact that we are externally managed, nor does it reflect a real estate portfolio premium/discount versus the sum of the individual property values. The estimated value per share also does not take into account estimated disposition costs and fees for real estate properties, debt prepayment penalties that could apply upon the prepayment of certain of our debt obligations or the impact of restrictions on the assumption of debt.

Historical Estimated Values per Share

The historical reported estimated values per share of our common stock approved by the Board of Directors are set forth below:

Estimated Value per Share		Valuation Date	Filing with the Securities and Exchange Commission
$	10.59	March 31, 2015	Current Report on Form 8-K filed June 9, 2015
$	10.83	December 31, 2015	Annual Report on Form 10-K filed March 30, 2016
$	10.94	December 31, 2016	Annual Report on Form 10-K filed March 31, 2017
$	10.80	December 31, 2017	Annual Report on Form 10-K filed March 29, 2018
$	10.83	December 31, 2018	Annual Report on Form 10-K filed March 22, 2019

Purchase Price for Distribution Reinvestment Plan

In accordance with our distribution reinvestment plan, participants in the distribution reinvestment plan acquire shares of common stock under the plan at a price equal to 95% of the estimated value per share of our common stock. Commencing on the next distribution reinvestment plan purchase date, which is on April 30, 2020, participants will acquire shares of our common stock under the plan at a price of $10.55 per share.

As provided under the distribution reinvestment plan, for a participant to terminate participation effective for a particular distribution, we must have received notice of termination from the participant at least ten business days prior to the last day of the month to which the distribution relates. Notwithstanding the ten business day termination notice requirement under the distribution reinvestment plan, if a participant wishes to terminate participation in the distribution reinvestment plan for the March 2020 purchase date, participants must notify the Company of such decision and we must receive the notice by the close of business on March 26, 2020, which is four business days following our announcement of an updated estimated value per share in this Annual Report on Form 10-K.

Notice of termination should be sent by facsimile to 877-894-1124 or by mail to c/o Resource Real Estate Opportunity REIT, Inc., P.O. Box 219169, Kansas City, Missouri 64121.

Redemption Price for Share Redemption Program

On February 14, 2020, the Board suspended the share redemption program with exceptions for redemptions sought upon a stockholder’s death, qualifying disability, or confinement to a long-term care facility (collectively, “special redemptions,” and each as described in our share redemption program). Special redemptions will be redeemed at the current estimated net asset value per share. The suspension took effect on March 20, 2020.

The complete share redemption program plan document is filed as an exhibit to our Annual Report on Form 10-K filed with the SEC on March 29, 2018 and is available at the SEC’s website at http://www.sec.gov.

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Unregistered Sale of Equity Securities

All securities sold by us during the year ended December 31, 2019 were sold in an offering registered under the Securities Act of 1933.

Repurchases of Securities

Redemption of Securities

Pursuant to our share redemption program, during the quarter ended December 31, 2019, we redeemed shares as follows:

Period	Total Number of Shares Redeemed [1]	Average Price Paid per Share	Year-to-Date 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
October 2019	—	$ —	—	(3)
November 2019	—	$ —	—	(3)
December 2019	535,839	$ 10.33	3,308,903	(3)
	535,839			

(1) Except with respect to the additional repurchases described below, all purchases of our equity securities by us in the three months ended December 31, 2019 were made pursuant to our share redemption program.
(2) We announced the commencement of the program on June 16, 2010, and it was subsequently amended on September 29, 2011 and March 28, 2018.
(3) We currently limit the dollar value and number of shares that may yet be redeemed under the program as described below.

There are several limitations on our ability to repurchase shares under the program:

Currently, our share redemption program is only available for redemptions submitted in connection with a stockholder's death, qualifying disability, or confinement of a stockholder to a long-term care facility. In addition, pursuant to the terms of the share redemption program, 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 we have sufficient excess cash to repurchase shares. Generally, the cash available for redemption will be limited to proceeds from our distribution reinvestment plan plus, if we had positive operating cash flow from the previous fiscal year, 1% of all operating cash flow from the previous fiscal 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 a stockholder's death, qualifying disability or confinement to a long-term care facility.

As of December 31, 2019, the Company had no outstanding and unfulfilled redemption requests.

Additional Repurchases

To address a ministerial error in connection with the issuance of securities pursuant to our distribution reinvestment plan in certain jurisdictions during the period from June 8, 2017 through June 28, 2019 we repurchased 33,415 shares at an average price of $10.83 per share pursuant to a rescission right available to investors in such jurisdictions.

Distribution Information

During the year ended December 31, 2019, we paid aggregate distributions of $42.0 million, including $17.5 million of distributions paid in cash and $24.5 million of distributions reinvested in shares of common stock through our distribution reinvestment plan, as follows (dollars in thousands, except per share data):

Record Date	Per Common Share	Distribution Date	Distributions Reinvested in Shares of Common Stock	Net Cash Distributions	Total Aggregate Distributions
January 30, 2019	$ 0.05	January 31, 2019	$ 2,108	$ 1,414	$ 3,522
February 27, 2019	0.05	February 28, 2019	2,100	1,431	3,531
March 28, 2019	0.05	March 29, 2019	2,090	1,413	3,503
April 29, 2019	0.05	April 30, 2019	2,082	1,430	3,512
May 30, 2019	0.05	May 31, 2019	2,084	1,439	3,523
June 27, 2019	0.05	June 28, 2019	2,069	1,438	3,507
July 30, 2019	0.05	July 31, 2019	1,740	1,777	3,517
August 29, 2019	0.05	August 30, 2019	2,066	1,459	3,525
September 27, 2019	0.05	September 30, 2019	2,043	1,419	3,462
October 30, 2019	0.05	October 31, 2019	2,042	1,430	3,472
November 26, 2019	0.05	November 27, 2019	2,043	1,439	3,482
December 30, 2019	0.05	December 31, 2019	2,032	1,432	3,464
	$ 0.60		$ 24,499	$ 17,521	$ 42,020

Distributions paid, distributions declared and sources of distributions paid were as follows for the year ended December 31, 2019 (dollars in thousands, except per share data):

	Distributions Paid				Distributions Declared		Sources of Distributions Paid	
2019	Cash	Distributions Reinvested (DRIP)	Total	Cash Provided B y (Used In) Operating Activities	Total	Per Share	Operating Activities Amount Paid/Percent of Total	Property Dispositions Amount Paid/Percent of Total (1)
First Quarter	$ 4,258	$ 6,298	$ 10,556	$ (3,413)	$ 10,556	$ 0.15	$0 / 0%	$10,556 / 100%
Second Quarter	4,307	6,235	10,542	6,060	10,542	$ 0.15	$6,060 / 57%	$4,482 / 43%
Third Quarter	4,655	5,849	10,504	12,276	10,504	$ 0.15	$10,504 / 100%	$0 / 0%
Fourth Quarter	4,301	6,117	10,418	(859)	10,418	$ 0.15	$0 / 0%	$10,418 / 100%
Total	$ 17,521	$ 24,499	$ 42,020	$ 14,064	$ 42,020	$ 0.60		

(1) Cash for distributions paid was funded by cash on hand remaining from prior year property dispositions.

We elected to be taxed as a REIT and to operate as a REIT beginning with our taxable year ended December 31, 2010. To maintain our qualification as a REIT, we will be required to make aggregate annual distributions to our common stockholders of at least 90% of our REIT taxable income (computed without regard to the dividends paid deduction and excluding net capital gain). Our Board of Directors may authorize distributions in excess of those required for us to maintain REIT status depending on our financial condition and such other factors as our Board of Directors deems relevant.

Our Board of Directors considers many factors before authorizing a cash distribution, including current and projected cash flow from operations, capital expenditure needs, general financial conditions and REIT qualification requirements. To the extent permitted by Maryland law, we may borrow funds, issue new securities or sell assets to make and cover our declared distributions, all or a portion of which could be deemed a return of capital. We may also fund such distributions from advances from our Advisor or sponsor or from our Advisor's deferral of its asset management fee, although we have no present intention

to do so. Our organizational documents do not limit the amount of distributions we can fund from sources other than from cash flows from operations.

We have funded our cumulative distributions, which includes net cash distributions and distributions reinvested by stockholders, with cash flow from operating activities, proceeds from disposals of real estate assets and proceeds from debt financing. To the extent that we pay distributions from sources other than our cash flow from operating activities or gains from asset sales, the overall return to our stockholders may be reduced.

We have not established a minimum distribution level, and our charter does not require that we make distributions to our stockholders. Our Board of Directors intends to evaluate the current distribution rate and may decrease or suspend the amount of ongoing distributions. We will make distributions with respect to our shares of common stock in the sole discretion of our Board of Directors. No distributions will be made with respect to shares of our convertible stock.

Convertible Stock Grants by our Advisor

As of December 31, 2019, our Advisor has granted 21,210 shares of its convertible stock to employees of RAI and its subsidiaries and affiliates. Of these shares, 2,421 have been forfeited and returned to the Advisor as of December 31, 2019. The outstanding shares vested ratably over three years, and 18,789 of these shares have vested as of December 31, 2019.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data has been derived from our audited consolidated statements of operations and should be read together with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this report and our consolidated financial statements, including the notes, found elsewhere herein. The following table sets forth selected operating and balance sheet data (in thousands, except per share data):

	As of and for the years ended December 31,				
Statement of operations data:	**2019**	**2018**	**2017**	**2016**	**2015**
Revenues:					
Rental income	$ 125,076	$ 128,696	$ 115,230	$ 109,146	$ 109,232
Utility income	7,935	8,142	7,122	6,627	6,617
Ancillary tenant fees	2,160	2,238	2,140	1,972	1,838
Interest and dividend income	374	329	239	622	638
Total revenues	135,545	139,405	124,731	118,367	118,325
Total expenses	138,764	149,618	140,622	131,262	149,626
Loss before net gains on dispositions	(3,219)	(10,213)	(15,891)	(12,895)	(31,301)
Net gains on dispositions of properties and joint venture interests	38,810	15,539	22,735	45,057	36,041
Income before other income (expense)	35,591	5,326	6,844	32,162	4,740
Other income (expense):					
Interest expense	(37,908)	(36,415)	(28,963)	(22,776)	(22,080)
Insurance proceeds in excess of cost basis	570	515	150	985	407
Total other income (expense)	(37,338)	(35,900)	(28,813)	(21,791)	(21,673)
Net (loss) income	(1,747)	(30,574)	(21,969)	10,371	(16,933)
Net (income) loss attributable to noncontrolling interests	—	—	—	(6,306)	38
Net (loss) income attributable to common stockholders	$ (1,747)	$ (30,574)	$ (21,969)	$ 4,065	$ (16,895)
Basic and diluted (loss) earnings per share attributable to common stockholders:					
Net (loss) income	$ (0.02)	$ (0.43)	$ (0.31)	$ 0.06	$ (0.24)
Dividends declared per common share	$ 0.60	$ 0.60	$ 0.60	$ 0.60	$ 0.60
Balance sheet data:					
Total assets	$ 1,005,088	$ 1,101,298	$ 1,135,792	$ 1,034,985	$ 1,084,695
Borrowings	$ 799,865	$ 841,345	$ 794,671	$ 622,152	$ 613,439
Total stockholders' equity attributable to common stockholders	$ 182,815	$ 236,306	$ 318,592	$ 390,593	$ 425,246
Total equity	$ 182,815	$ 236,306	$ 318,592	$ 392,019	$ 433,099

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the financial statements of Resource Real Estate Opportunity REIT, Inc. and notes thereto appearing elsewhere in this report. Statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" that are not historical facts may be forward-looking statements. See also "Forward-Looking Statements" preceding Part I.

We have omitted discussion of the earliest of the three years covered by our consolidated financial statements presented in this report because that disclosure was previously included in our Annual Report on Form 10-K for fiscal 2018, filed with the SEC on March 22, 2019. You are encouraged to reference Part II, Item 7, within that report, for a discussion of our financial condition and result of operations for fiscal 2017 compared to fiscal 2018.

Overview

We were formed on June 3, 2009. We have acquired a diversified portfolio of 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 added 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.

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 December 31, 2019, we owned interests in a total of 28 multifamily properties. We also owned one performing loan. During the year ended December 31, 2019, we disposed of our interests in two multifamily properties. Since our inception, we have acquired interests in 54 multifamily properties. As of December 31, 2019, we had sold our interests in 26 of these 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.

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

	For the Years Ended December 31,		
	2019	2018	2017
Revenues:			
Rental income	$ 135,171	$ 139,076	$ 124,492
Interest and dividend income	374	329	239
Total revenues	135,545	139,405	124,731
Expenses:			
Rental operating - expenses	25,954	29,610	26,253
Rental operating - payroll	13,047	13,947	13,652
Rental operating - real estate taxes	17,036	16,594	14,454
Subtotal - Rental operating expenses	56,037	60,151	54,359
Acquisition costs	—	10	4,469
Management fees	18,534	19,135	16,921
General and administrative	9,838	10,794	11,061
Loss on disposal of assets	541	796	1,468
Depreciation and amortization expense	53,814	58,732	52,344
Total expenses	138,764	149,618	140,622
Loss before net gains on dispositions	(3,219)	(10,213)	(15,891)
Net gains on dispositions of properties	38,810	15,539	22,735
Income before other income (expense)	35,591	5,326	6,844
Other income (expense):			
Interest expense	(37,908)	(36,415)	(28,963)
Insurance proceeds in excess of cost basis	570	515	150
Total other income (expense)	(37,338)	(35,900)	(28,813)
Net (loss) income attributable to common stockholders	$ (1,747)	$ (30,574)	$ (21,969)

Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

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 activity for the years ended December 31, 2019 and 2018 (in thousands):

	For the year ended December 31, 2019				For the year ended December 31, 2018			
	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	$ 114,562	$ 10,513	$ —	$ 125,075	$ 109,874	$ 18,822	$ —	$ 128,696
Utility income	7,041	895	—	7,936	6,797	1,345	—	8,142
Ancillary tenant fees	1,907	253	—	2,160	1,761	477	—	2,238
Interest and dividend income	208	5	161	374	189	4	136	329
Total revenues	123,718	11,666	161	135,545	118,621	20,648	136	139,405
Expenses:								
Rental operating - expenses	23,331	2,599	24	25,954	23,699	5,899	12	29,610
Rental operating - payroll	11,525	1,522	—	13,047	11,169	2,778	—	13,947
Rental operating - real estate taxes	15,558	1,478	—	17,036	14,547	2,047	—	16,594
Subtotal - Rental operating expenses	50,414	5,599	24	56,037	49,415	10,724	12	60,151
Acquisition costs	—	—	—	—	10	—	—	10
Management fees	5,521	512	12,501	18,534	5,299	930	12,906	19,135
General and administrative	3,337	468	6,033	9,838	3,331	778	6,685	10,794
Loss on disposal of assets	370	171	—	541	523	273	—	796
Depreciation and amortization expense	49,562	4,252	—	53,814	50,542	8,190	—	58,732
Total expenses	109,204	11,002	18,558	138,764	109,120	20,895	19,603	149,618
Income (loss) before net gains on dispositions	14,514	664	(18,397)	(3,219)	9,501	(247)	(19,467)	(10,213)
Net gains on dispositions of properties	—	38,810	—	38,810	—	15,539	—	15,539
Income (loss) before other income (expense)	14,514	39,474	(18,397)	35,591	9,501	15,292	(19,467)	5,326
Other income (expense):								
Interest expense	(33,102)	(4,804)	(2)	(37,908)	(31,241)	(5,174)	—	(36,415)
Insurance proceeds in excess of cost basis	532	38	—	570	288	227	—	515
Total other income (expense)	(32,570)	(4,766)	(2)	(37,338)	(30,953)	(4,947)	—	(35,900)
Net (loss) income attributable to common stockholders	$ (18,056)	$ 34,708	$ (18,399)	$ (1,747)	$ (21,452)	$ 10,345	$ (19,467)	$ (30,574)

Revenues: The $4.7 million increase in rental income for the 26 properties that we owned during both the year ended December 31, 2019 and December 31, 2018 reflects 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)	Change in Occupancy	Change in Effective Monthly Revenue Per Unit (in dollars)
The Bryant at Yorba Linda	$ 597	0.65%	$ 121
Heritage Pointe	524	1.18%	91
Village of Bonita Glen	433	0.52%	121
The Estates at Johns Creek	350	1.40%	53
Green Trails Apartments	348	1.40%	49
South Lamar Village	300	3.94%	73
Providence in the Park	278	0.47%	41
Maxwell Townhomes	269	1.77%	56
Courtney Meadows Apartments	232	1.01%	64
The Westside Apartments	211	2.89%	11
All other, net	1,146		
	$ 4,688		

Expenses: Our total rental operating expense for the 26 properties owned during both the year ended December 31, 2019 and the year ended December 31, 2018 increased by $1.0 million, largely driven by real estate tax expense which increased for properties owned in both periods by approximately $1.0 million due to higher real property assessments.

Management fees decreased by $600,000 for the year ended December 31, 2019 as compared to the year ended December 31, 2018 primarily related to property dispositions, which drove a $405,000 decrease in asset management fees paid to the Advisor and a $418,000 decrease in property management fees.

General and administrative expenses decreased by $1.0 million for the year ended December 31, 2019 as compared to the year ended December 31, 2018 primarily due to a decrease in allocated corporate level payroll.

Depreciation and amortization 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 year ended December 31, 2019, as compared to the year ended December 31, 2018, were as follows:

	Properties owned both periods	Properties purchased/sold during either period	Total
Depreciation	$ 777	$ (2,076)	$ (1,299)
Amortization of intangibles	(1,757)	(1,862)	(3,619)
	$ (980)	$ (3,938)	$ (4,918)

Net gains on dispositions of properties and joint venture interests increased by $23.3 million due to the sale of two properties during the year ended December 31, 2019 as compared to the sale of two properties during the year ended December 31, 2018, as follows (in thousands):

Multifamily Community	Location	Sale Date	Contract Sales price	Net Gains on Dispositions of Properties and Joint Venture Interests
2019 Dispositions:				
Williamsburg	Cincinnati, OH	March 8, 2019	$ 70,000	$ 34,575
Pinehurst	Kansas City, MO	December 20, 2019	$ 12,310	$ 4,235
			$ 82,310	$ 38,810
2018 Dispositions:				
Pheasant Run	Lee's Summit, MO	September 14, 2018	$ 16,400	$ 6,195
Retreat at Shawnee	Shawnee, KS	October 19, 2018	25,000	9,344
			$ 41,400	$ 15,539

Interest expense increased by $1.5 million for the year ended December 31, 2019 as compared to the year ended December 31, 2018, which is largely driven by approximately $1.1 million in loan-related costs triggered by the sale of Williamsburg.

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 or other lenders, proceeds from the sale of assets, and cash flow generated from our operations.

We initially allocated a portion of the funds we raised in our initial public offering to preserve capital for our investors by supporting the maintenance and viability of the properties we have acquired and those properties that we may acquire in the future. 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 $14.4 million during the year ended December 31, 2019 for capital expenditures. The properties in which we deployed the most capital during the year ended December 31, 2019 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 year ended December 31, 2019	Remaining capital budgeted
The Bryant at Yorba Linda	$ 2,122	$ 2,696
Bristol Grapevine	1,343	479
Calloway at Las Colinas	1,202	386
Courtney Meadows	1,174	1,999
Heritage Pointe	968	738
Addison at Sandy Springs	966	812
Providence in the Park	749	1,297
Terraces at Lake Mary	749	1,581
Point Bonita	654	385
Trailpoint at The Woodlands	566	142
All other properties	3,930	3,619
	$ 14,423	$ 14,134

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 95% of our current estimated value per share.

Common Stock

As of December 31, 2019, an aggregate of 69.5 million shares of our $0.01 par value common stock have been issued as follows (dollars in thousands):

	Shares	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	16,432,119	168,934
Shares issued in conjunction with the Advisor's initial investment, net of 4,500 share conversion	15,500	155
Total	82,329,073	$ 803,748
Shares redeemed and retired	(12,861,384)	
Total shares issued and outstanding as of December 31, 2019	69,467,689	

(1) Includes 276,056 shares held by the Advisor.

Mortgage Debt

During the year ended December 31, 2019, we borrowed an additional $86.0 million through additional mortgages on our rental properties and paid off $128.6 million on outstanding borrowings.

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

	December 31, 2019				December 31, 2018			
Collateral	Outstanding borrowings	Premium (Discount)	Deferred finance costs, net	Carrying Value	Outstanding borrowings	Premium (Discount)	Deferred finance costs, net	Carrying Value
Vista Apartment Homes	$ 14,315	$ —	$ (68)	$ 14,247	$ 14,603	$ —	$ (104)	$ 14,499
Cannery Lofts	13,100	—	(108)	12,992	13,100	—	(136)	12,964
Trailpoint at the Woodlands	17,723	—	(121)	17,602	18,046	—	(154)	17,892
Verona Apartment Homes	32,970	—	(362)	32,608	32,970	—	(419)	32,551
Skyview Apartment Homes	28,400	—	(315)	28,085	28,400	—	(364)	28,036
Maxwell Townhomes	12,785	—	(53)	12,732	13,069	—	(81)	12,988
Pinehurst	—	—	—	—	7,220	—	(105)	7,115
Evergreen at Coursey Place	25,627	34	(32)	25,629	26,146	55	(54)	26,147
Pines of York	14,114	(112)	(21)	13,981	14,422	(173)	(33)	14,216
The Estates at Johns Creek	65,000	—	(589)	64,411	47,576	—	(170)	47,406
Perimeter Circle	26,115	—	(304)	25,811	26,115	—	(356)	25,759
Perimeter 5550	20,630	—	(279)	20,351	20,630	—	(327)	20,303
Aston at Cinco Ranch	22,032	—	(96)	21,936	22,497	—	(152)	22,345
Sunset Ridge 1	18,300	54	(43)	18,311	18,788	121	(96)	18,813
Sunset Ridge 2	2,768	7	(6)	2,769	2,831	16	(13)	2,834
Calloway at Las Colinas	32,938	—	(115)	32,823	33,681	—	(177)	33,504
South Lamar Village	21,000	—	(298)	20,702	11,909	—	(29)	11,880
Heritage Pointe	24,808	—	(201)	24,607	25,360	—	(242)	25,118
The Bryant at Yorba Linda	66,238	—	(87)	66,151	67,092	—	(301)	66,791
Point Bonita Apartment Homes	25,696	1,063	(183)	26,576	26,121	1,359	(233)	27,247
The Westside Apartments	35,838	—	(293)	35,545	36,624	—	(341)	36,283
Tech Center Square	11,730	—	(101)	11,629	11,933	—	(132)	11,801
Williamsburg	—	—	—	—	53,995	—	(582)	53,413
Retreat at Rocky Ridge	11,221	—	(145)	11,076	11,375	—	(183)	11,192
Providence in the Park	46,398	—	(345)	46,053	47,000	—	(434)	46,566
Green Trails Apartment Homes	60,998	—	(451)	60,547	61,500	—	(559)	60,941
Meridian Pointe	39,277	—	(402)	38,875	39,500	—	(495)	39,005
Terraces at Lake Mary	32,110	—	(259)	31,851	32,250	—	(318)	31,932
Courtney Meadows Apartments	27,100	—	(257)	26,843	27,100	—	(311)	26,789
Addison at Sandy Springs	22,750	—	(244)	22,506	22,750	—	(292)	22,458
Bristol at Grapevine	32,922	—	(306)	32,616	32,922	—	(365)	32,557
	$ 804,903	$ 1,046	$ (6,084)	$ 799,865	$ 847,525	$ 1,378	$ (7,558)	$ 841,345

The following table presents additional information about our mortgage notes payable, net, as of December 31, 2019 (in thousands, except percentages):

Collateral	Maturity Date	Annual Interest Rate		Average Monthly Debt Service	Average Monthly Escrow
Vista Apartment Homes	1/1/2022	4.05%	(1)(5)	$ 80	$ 32
Cannery Lofts	11/1/2023	4.30%	(1)(3)	55	23
Trailpoint at the Woodlands	11/1/2023	4.17%	(1)(4)	96	46
Verona Apartment Homes	10/1/2026	4.12%	(1)(3)	137	43
Skyview Apartment Homes	10/1/2026	4.12%	(1)(3)	118	31
Maxwell Townhomes	1/1/2022	4.32%	(2)(5)	71	80
Evergreen at Coursey Place	8/1/2021	5.07%	(2)(5)	154	51
Pines of York	12/1/2021	4.46%	(2)(5)	80	29
The Estates at Johns Creek	11/25/2026	3.01%	(1)(5)(6)	165	—
Perimeter Circle	1/1/2026	3.26%	(1)(3)	82	46
Perimeter 5550	1/1/2026	3.26%	(1)(3)	65	34
Aston at Cinco Ranch	10/1/2021	4.34%	(2)(5)	120	55
Sunset Ridge 1	11/1/2020	4.58%	(2)(5)	113	79
Sunset Ridge 2	11/1/2020	4.54%	(2)(5)	16	—
Calloway at Las Colinas	12/1/2021	3.87%	(2)(5)	171	133
South Lamar Village	7/22/2026	3.06%	(1)(3)(6)	61	—
Heritage Pointe	4/1/2025	3.64%	(1)(4)	131	56
The Bryant at Yorba Linda	6/1/2020	3.51%	(1)(3)	289	—
Point Bonita Apartment Homes	10/1/2023	5.33%	(2)(5)	152	68
The Westside Apartments	9/1/2026	3.88%	(1)(3)	196	82
Tech Center Square	6/1/2023	4.34%	(1)(5)	66	25
Retreat at Rocky Ridge	1/1/2024	4.22%	(1)(3)	59	24
Providence in the Park	2/1/2024	4.06%	(1)(3)	240	149
Green Trails Apartment Homes	6/1/2024	3.75%	(1)(3)	303	81
Meridian Pointe	8/1/2024	3.66%	(1)(3)	193	81
Terraces at Lake Mary	9/1/2024	3.67%	(1)(3)	158	63
Courtney Meadows Apartments	1/1/2025	3.60%	(1)(3)	128	71
Addison at Sandy Springs	5/1/2025	3.52%	(1)(3)	96	42
Bristol at Grapevine	5/1/2025	3.47%	(1)(3)	110	104

(1) Variable rate based on one-month LIBOR (1.76250% as of December 31, 2019) plus applicable margin.
(2) Fixed rate.
(3) Monthly interest-only payment required.
(4) Monthly fixed principal plus interest payment required.
(5) Fixed monthly principal and interest payment required.
(6) New debt placed during the year ended December 31, 2019.

At December 31, 2019, the weighted average interest rate of all our outstanding indebtedness was 3.84%.

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 (64% as of December 31, 2019). 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.

Central banks and regulators in a number of major jurisdictions (including both the U.S. and the U.K.) have convened working groups to find, and implement the transition to, suitable replacements for Interbank Offered Rates (IBORs), including LIBOR. The Financial Conduct Authority of the U.K., which regulates LIBOR, has announced that it will not compel panel banks to contribute to LIBOR after 2021.

We have exposure to IBORs through floating rate mortgage debt with maturity dates beyond 2021 for which the interest rates are tied to LIBOR. There is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. Any changes in benchmark interest rates could increase our cost of capital, which could impact our results of operations, cash flows, and the market value of our real estate investments.

Operating Costs

We expect to use our capital resources to make payments to our Advisor. We make payments to our Advisor in connection with the acquisition of real estate investments and for the management of our assets and costs incurred by our Advisor in providing services to us. We describe these payments in more detail in Note 14 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 December 31, 2019 did not exceed the charter imposed limitation.

Distributions

For the year ended December 31, 2019, we paid aggregate distributions of $42.0 million, including $17.5 million of distributions paid in cash and $24.5 million of distributions reinvested in shares of our common stock through our distribution reinvestment plan, as follows (dollars in thousands, except per share data):

Record Date	Per Common Share	Distribution Date	Distributions Reinvested in Shares of Common Stock	Net Cash Distributions	Total Aggregate Distributions
January 30, 2019	$ 0.05	January 31, 2019	$ 2,108	$ 1,414	$ 3,522
February 27, 2019	0.05	February 28, 2019	2,100	1,431	3,531
March 28, 2019	0.05	March 29, 2019	2,090	1,413	3,503
April 29, 2019	0.05	April 30, 2019	2,082	1,430	3,512
May 30, 2019	0.05	May 31, 2019	2,084	1,439	3,523
June 27, 2019	0.05	June 28, 2019	2,069	1,438	3,507
July 30, 2019	0.05	July 31, 2019	1,740	1,777	3,517
August 29, 2019	0.05	August 30, 2019	2,066	1,459	3,525
September 27, 2019	0.05	September 30, 2019	2,043	1,419	3,462
October 30, 2019	0.05	October 31, 2019	2,042	1,430	3,472
November 26, 2019	0.05	November 27, 2019	2,043	1,439	3,482
December 30, 2019	0.05	December 31, 2019	2,032	1,432	3,464
	$ 0.60		$ 24,499	$ 17,521	$ 42,020

Distributions paid, distributions declared, and sources of distributions paid were as follows for the year ended December 31, 2019 (dollars in thousands, except per share data):

	Distributions Paid				Distributions Declared		Sources of Distributions Paid	
2019	Cash	Distributions Reinvested (DRIP)	Total	Cash Provided B y (Used In) Operating Activities	Total	Per Share	Operating Activities Amount Paid/Percent of Total	Property Dispositions Amount Paid/Percent of Total (1)
First Quarter	$ 4,258	$ 6,298	$ 10,556	$ (3,413)	$ 10,556	$ 0.15	$0 / 0%	$10,556 / 100%
Second Quarter	4,307	6,235	10,542	6,060	10,542	$ 0.15	$6,060 / 57%	$4,482 / 43%
Third Quarter	4,655	5,849	10,504	12,276	10,504	$ 0.15	$10,504 / 100%	$0 / 0%
Fourth Quarter	4,301	6,117	10,418	(859)	10,418	$ 0.15	$0 / 0%	$10,418 / 100%
Total	$ 17,521	$ 24,499	$ 42,020	$ 14,064	$ 42,020	$ 0.60		

(1) Cash for distributions paid was funded by cash on hand remaining from prior year property dispositions.

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

Fiscal Year Paid	Per Common Share	Distributions Reinvested in Shares of Common Stock	Net Cash Distributions	Total Aggregate Distributions
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	0.60	27,114	15,919	43,033
2018	0.60	25,931	16,548	42,479
2019	0.60	24,499	17,521	42,020
	$ 4.04	$ 168,934	$ 93,310	$ 262,244

Since our formation, we have issued a total of seven quarterly stock distributions of 0.015 shares each, two quarterly stock distributions of 0.0075 shares each, one quarterly stock distribution of 0.00585 shares each, and two quarterly stock distributions of 0.005 shares each of its common stock outstanding. In connection with these stock distributions, we have increased our accumulated deficit by $21.3 million as of December 31, 2019.

Our net loss attributable to common shareholders for the year ended December 31, 2019 was $1.7 million and net cash provided by operating activities was $14.1 million. Our cumulative cash distributions and net loss attributable to common stockholders from inception through December 31, 2019 were $262.2 million and $150.7 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 the disposal of real estate and proceeds from debt financing. To the extent that we pay distributions from sources other than our cash flow from operating activities or gains from asset sales, we will have fewer funds available for investment in commercial real estate and real estate-related debt, the overall return to our stockholders may be reduced.

Funds from Operations, Modified Funds from Operations and Adjusted Funds from Operations attributable to common stockholders

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 (incurred prior to January 1, 2018, as explained below);
(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.

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. Under current GAAP, acquisition costs related to business combinations are expensed but are capitalized for asset acquisitions. Prior to January 1, 2018, all of our acquisitions were accounted for as business combinations and their related costs were expensed. On January 1, 2018, we adopted Financial Accounting Standards Board Accounting Standards Update 2017-01; we anticipate that most property acquisitions will be treated as asset acquisitions, therefore, the related costs will be capitalized. Acquisition costs will continue to be funded from both the proceeds of debt financing and the proceeds of property dispositions, not from cash flows from operations. We believe that 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 costs 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 after our acquisition stage is completed. 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 after our acquisition stage is completed with the sustainability of the operating performance of other real estate companies that are not as affected by other MFFO adjustments.

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 (loss) 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. 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.

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 tables below include adjustments attributable to noncontrolling interests.

	Years Ended December 31,		
	2019	**2018**	**2017**
Net income (loss) attributable to common stockholders – GAAP	$ (1,747)	$ (30,574)	$ (21,969)
Net gain on disposition of property	(38,810)	(15,539)	(22,735)
Depreciation expense	53,802	55,100	48,729
FFO attributable to common stockholders	13,245	8,987	4,025
Adjustments for straight-line rents	61	(32)	(144)
Amortization of intangible lease assets	12	3,632	3,615
Realized loss on change in fair value of interest rate cap related to extinguishments	117	—	28
Loss on extinguishment of debt	69	51	—
Debt premium amortization	(333)	(345)	(465)
Acquisition costs	—	10	4,469
MFFO attributable to common stockholders	13,171	12,303	11,528
Net gains on dispositions of property	38,810	15,539	22,735
AFFO attributable to common stockholders	$ 51,981	$ 27,842	$ 34,263
Basic and diluted net (loss) income per common share - GAAP	$ (0.02)	$ (0.43)	$ (0.31)
FFO per share	$ 0.19	$ 0.13	$ 0.06
MFFO per share	$ 0.19	$ 0.17	$ 0.16
AFFO per share	$ 0.74	$ 0.39	$ 0.48
Weighted average shares outstanding (1)	70,134	70,964	71,865

(1) None of the shares of convertible stock are included in the diluted earnings per share calculations because the necessary conditions for conversion have not been satisfied as of December 31, 2019, 2018, and 2017.

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Critical Accounting Policies

We consider these policies critical because they involve significant management judgments and assumptions, they require estimates about matters that are inherently uncertain, and they are important for understanding and evaluating our reported financial results. These judgments affect the reported amounts of our assets and liabilities and our disclosure of contingent assets and liabilities on the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. With different estimates or assumptions, materially different amounts could be reported in our financial statements. Additionally, other companies may utilize different estimates that may impact the comparability of our results of operations to those of companies in similar businesses.

Real Estate Assets

Depreciation

We make subjective assessments as to the useful lives of our depreciable assets. These assessments have a direct impact on our net income, because, if we were to shorten the expected useful lives of our investments in real estate, we would depreciate these investments over fewer years, resulting in more depreciation expense and lower net income on an annual basis throughout the expected useful lives of these investments. We consider the period of future benefit of an asset to determine its appropriate useful life. The estimated useful lives of our assets by class are 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
Lease intangibles	Remaining term of related lease

Improvements and replacements in excess of $1,000 are capitalized when they have a useful life greater than or equal to one year. Construction management fees (further discussed in Note 14) are capitalized along with the related asset. Costs of repairs and maintenance are expensed as incurred.

Real Estate Purchase Price Allocation

On January 1, 2018, we adopted Accounting Standards Update ("ASU") 2017-01. Acquisitions that do not meet the definition of a business under this guidance are accounted for as asset acquisitions. In most cases, we believe acquisitions of real estate will no longer be considered a business combination, as in most cases substantially all of the fair value is concentrated in a single identifiable asset or group of tangible assets that are physically attached to each other (land and building). However, if we determine that substantially all of the fair value of the gross assets acquired is not concentrated in either a single identifiable asset or in a group of similar identifiable assets, we will then perform an assessment to determine whether the asset is a business by using the framework outlined in the ASU. If we determine that the acquired asset is not a business, we will allocate the cost of the acquisition, including transaction costs, to the assets acquired or liabilities assumed based on their related fair value.

Upon the acquisition of real properties, we allocate the purchase price of properties to acquired tangible assets consisting of land, buildings, fixtures and improvements, identified intangible lease assets, consisting of the value of above-market and below-market leases, as applicable, the value of in-place leases, the value of tenant relationships, and liabilities, based in each case on their fair values.

We record 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. We amortize 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.

We measure 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. Our estimates of value are determined by independent appraisers (e.g., discounted cash flow analysis). Factors to be considered in the analysis include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions and costs to execute similar leases.

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In estimating carrying costs, we include real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods. We also estimate 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 total amount of other intangible assets acquired is further allocated to in-place lease values and customer relationship intangible values based on management's evaluation of the specific characteristics of each tenant's lease and the our overall relationship with that respective tenant. Characteristics we consider in allocating these values include the nature and extent of our 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.

We amortize 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.

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 our reported net income.

Valuation of Real Estate Assets

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of our real estate and related intangible assets may not be recoverable. When indicators of potential impairment suggest that the carrying value of real estate and related intangible assets may not be recoverable, we will assess the recoverability of the assets by estimating whether we will recover the carrying value of the asset through its undiscounted future cash flows and its eventual disposition. If based on this analysis we do not believe that we will be able to recover the carrying value of the asset, we will record an impairment loss to the extent that the carrying value exceeds the estimated fair value of the asset.

Projections of future cash flows require us to estimate the expected future operating income and expenses related to an asset as well as market and other trends. The use of inappropriate assumptions in our future cash flows analysis would result in an incorrect assessment of our assets' future cash flows and fair values and could result in the overstatement of the carrying values of our real estate assets and an overstatement of our net income.

For properties held and used, an impairment loss will be recorded to the extent that the carrying value of a property exceeds the estimated fair value of the property. For properties held for sale, the impairment loss would be the adjustment to fair value less the estimated cost to dispose of the asset.

Loans Held for Investment, Net

Real estate loans held for investment are recorded at cost and reviewed for potential impairment at each balance sheet date. A loan held for investment is considered impaired when it becomes probable, based on current information, that we will be unable to collect all amounts due according to the loan's contractual terms. 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 the fair value of the collateral. If a loan was deemed to be impaired, we would record a reserve for loan losses through a charge to income for any shortfall. Failure to recognize impairment would result in the overstatement of the carrying values of our real estate loans receivable and an overstatement of our net income.

Goodwill

We record 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.

Revenue Recognition

We recognize 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 we will include amounts expected to be received in later years in deferred rents. We record property operating expense reimbursements due from tenants for common area maintenance, real estate taxes and other recoverable costs in the period in which the related expenses are incurred.

We make estimates of the collectability of our tenant receivables in relation to base rents, including straight-line rentals, expense reimbursements and other revenue or income. We specifically analyze accounts receivable and historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. In addition, with respect to tenants in bankruptcy, we will make estimates of the expected recovery of pre-petition and post-petition claims in assessing the estimated collectability of the related receivable. In some cases, the ultimate resolution of these claims can exceed one year. These estimates have a direct impact on our net income because a higher bad debt reserve results in less net income.

Interest income from performing loans receivable is recognized based on the contractual terms of the loan agreement. Fees related to any buy-down of the interest rate will be deferred as prepaid interest income and amortized over the term of the loan as an adjustment to interest income. Closing costs related to the purchase of a performing loan held for investment will be amortized using effective yield method over the term of the loan and accreted as an adjustment against interest income.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-02, "Leases" ("ASU No. 2016-02"), which was amended by ASU No. 2018-10 "Codification Improvements to Topics 842, Leases" in July 2018. ASU No. 2016-02, as amended, is intended to improve financial reporting related to 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 No. 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. The Company adopted these standards as of January 1, 2019, and the adoption did not have a material effect on the Company's consolidated financial statements and disclosures. For operating leases where the Company is the lessor, the underlying leased asset is recognized as real estate on the balance sheet. The Company has chosen to apply the practical expedient (discussed in ASU No. 2018-11, “Leases: Targeted Improvements”) to nonlease component revenue streams and account for them as a combined component with leasing revenue. For leases in which the Company is the lessee, primarily consisting of a parking lot lease, laundry equipment lease, and office equipment leases, the Company recognized an initial right-of-use (ROU) asset and a lease liability equal to the present value of the minimum lease payments of approximately $526,000 at January 1, 2019. The Company determines if an arrangement is a lease at inception. The Company elected the package of practical expedients permitted within the new standard, which among other things, allows the Company to carry forward the historical lease classification. Also allowable under the new standard (ASU No. 2018-11) is the option, which the Company has elected, to present the operating lease ROU asset and operating lease liabilities as of January 1, 2019 and not restate prior periods. No cumulative impact adjustment was necessary to opening retained earnings as of January 1, 2019. For certain equipment leases, such as copiers, the Company applied a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

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 Company adopted the standard on January 1, 2019, and the adoption did not have a significant impact on its consolidated financial statements.

In June 2018, FASB issued ASU 2018-07 “Improvements to Nonemployee Share-Based Payment Accounting” to simplify the accounting for share-based payment transactions for acquiring goods and services from nonemployees by including these payments in the scope of the guidance for share-based payments to employees. The Company adopted the standard on January 1, 2019, and the adoption did not have a significant impact on its consolidated financial statements.

In July 2018, FASB issued ASU No. 2018-09, "Codification Improvements". This standard does not prescribe any new accounting guidance, but instead makes minor improvements and clarifications of several different FASB Accounting Standards Codification areas based on comments and suggestions made by various stakeholders. The Company adopted the standard on January 1, 2019, and the adoption did not have a significant impact on its consolidated financial statements.

In October 2018, FASB issued ASU No. 2018-16, “Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes”. ASU No. 2018-16 permits the use of the Overnight Index Swap (“OIS”) Rate based on the Secured Overnight Financing Rate as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815 in addition to the interest rates on direct Treasury obligations of the U.S. government, the London Interbank Offered Rate (“LIBOR”) and the OIS Rate based on the Federal Funds Effective Rate. The Company adopted the standard on January 1, 2019, and the adoption did not have a significant impact on its consolidated financial statements.

Accounting Standards Issued But Not Yet Effective

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. 2016-03 will be effective for the Company beginning January 1, 2020. Early application is permitted. The Company is continuing to evaluate this guidance; however, the Company does not expect the adoption to have a significant impact 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 to eliminate Step 2. Step 2 required that, if the carrying amount of a reporting unit exceeded its fair value, the implied fair value of the goodwill must be compared to the carrying amount in order to determine impairment. ASU No. 2017-04 will be effective for the Company beginning January 1, 2020. Early application is permitted. The Company is continuing to evaluate this guidance; however, the Company does not expect the adoption to have a significant impact on its consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement." This update removes, modifies and adds certain disclosure requirements in FASB ASC 820, "Fair Value Measurement" ("ASC 820"). ASU No. 2018-13 will be effective for the Company beginning January 1, 2020 and early adoption is permitted. The Company is continuing to evaluate this guidance; however, the Company does not expect the adoption to have a significant impact on its consolidated financial statements.

In November 2018, FASB issued ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments-Credit Losses." ASU No. 2018-19 clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with ASC 842 Leases. ASU No. 2018-19 will be effective for the Company beginning January 1, 2020 and early adoption is permitted. The Company is continuing to evaluate this guidance; however, the Company does not expect the adoption to have a significant impact on its consolidated financial statements.

Contractual Obligations

The following table presents our scheduled contractual obligations required for the next five years and thereafter as of December 31, 2019 (dollars in thousands):

	Payments due by period				
	Total	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Long-Term Debt Obligations	$ 804,903	$ 96,459	$ 137,849	$ 258,755	$ 311,840
Interest on Long-Term Debt Obligations	139,710	32,576	53,336	38,945	14,853
Operating Lease Obligations	409	142	210	57	—
	$ 945,022	$ 129,177	$ 191,395	$ 297,757	$ 326,693

Off-Balance Sheet Arrangements

As of December 31, 2019 and 2018, we did not have any off-balance sheet arrangements or obligations.

Subsequent Events

On January 21, 2020, our 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 dates: January 30, 2020, February 27, 2020 and March 30, 2020. Such distributions were or are to be paid on January 31, February 28, and March 31, 2020.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The resulting restrictions on travel and quarantines imposed have had a negative impact on the U.S. economy and business activity globally, the full impact of which is not yet known and may result in an adverse impact to our investments and operating results.

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 7A. 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 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 21 interest rate caps that were designated as cash flow hedges during the years 2016 through 2019. 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 December 31, 2019 and December 31, 2018, we had $650.6 million and $630.5 million, respectively, in variable rate debt outstanding. If interest rates on the variable rate debt had been 100 basis points higher during the years ended December 31, 2019 and 2018, our annual interest expense would have increased by approximately $6.1 million and $5.9 million, respectively.

In addition, changes in interest rates affect the fair value of our fixed rate mortgage notes payable. As of December 31, 2019 and December 31, 2018, we had $154.3 million and $217.0 million, respectively, in fixed rate debt outstanding. As of December 31, 2019 and December 31, 2018, this fixed rate debt had fair values of $154.4 million and $211.9 million, respectively. Fair values are 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 December 31, 2019 and December 31, 2018, the fair value of this fixed rate debt would have decreased by $2.9 million and $4.9 million, respectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the Index to Financial Statements at page F-1 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no disagreements with our independent registered public accountants during the year ended December 31, 2019.

ITEM 9A. 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth in the 2013 version of the *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that our internal control over financial reporting is effective as of December 31, 2019.

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 December 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Code of Conduct and Ethics

We have adopted a Code of Conduct and Ethics that applies to all of our executive officers and directors, including but not limited to, our chief executive officer and chief financial officer. Our Code of Conduct and Ethics may be found at http://www.resourcereit.com, on the Prospectus/SEC Filings page.

The other information required by this Item is incorporated by reference from our 2020 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from our 2020 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference from our 2020 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference from our 2020 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated by reference from our 2020 Proxy Statement.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Annual Report on Form 10-K:

(a) **Financial Statements**

1. See the Index to Consolidated Financial Statements at page F-1 of this report.

(b) **Financial Statement Schedules**

i. Our financial statement schedules are included in a separate section of this Annual Report on Form 10-K commencing on page F-33.

(c) **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	Third Amended and Restated Distribution Reinvestment Plan dated March 28, 2018 (incorporated by reference to Exhibit 4.4 to the Company's Annual Report on Form 10-K filed March 29, 2018)
4.4	Description of the Company's Common Stock Registered under Section 12 of the Exchange Act
10.1	Fourth Amended and Restated Advisory Agreement dated September 11, 2019 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 13, 2019)
10.2	Management Agreement (incorporated by reference to Pre-Effective Amendment No. 1 to the Company's Registration Statement on Form S-11 (No. 333-160463) filed September 15, 2009)
21.1	Subsidiaries of the Company
23.1	Consent of Grant Thornton LLP
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	Second Amended and Restated Share Redemption Program dated March 28, 2018 (incorporated by reference to the Company's Annual Report on Form 10-K filed March 29, 2018)
99.2	Consent of Duff & Phelps, LLC
101.1	Interactive Data Files

ITEM 16. FORM 10-K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

March 20, 2020	By: /s/ Alan F. Feldman
	ALAN F. FELDMAN
	Chief Executive Officer and Director

Pursuant to the requirements of the Securities Act of 1933, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Robert C. Lieber ROBERT C. LIEBER	Director	March 20, 2020
/s/ Andrew Ceitlin ANDREW CEITLIN	Director	March 20, 2020
/s/ Gary Lichtenstein GARY LICHTENSTEIN	Director	March 20, 2020
/s/ Lee F. Shlifer LEE F. SHLIFER	Director	March 20, 2020
/s/ Alan F. Feldman ALAN F. FELDMAN	Chief Executive Officer and Director (Principal Executive Officer)	March 20, 2020
/s/ Steven R. Saltzman STEVEN R. SALTZMAN	Chief Financial Officer, Senior Vice President and Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 20, 2020

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Resource Real Estate Opportunity REIT, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Resource Real Estate Opportunity REIT, Inc. (a Maryland corporation) and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedules included under Item 15(b) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2009.

Philadelphia, Pennsylvania

March 20, 2020

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

	December 31, 2019	December 31, 2018
ASSETS		
Investments:		
Rental properties, net	$ 938,144	$ 1,017,943
Loan held for investment, net	809	793
Identified intangible assets, net	14	26
Total investments	938,967	1,018,762
Cash	49,534	63,763
Restricted cash	12,304	14,858
Subtotal- cash and restricted cash	61,838	78,621
Due from related parties	236	123
Tenant receivables, net	189	192
Deposits	220	229
Prepaid expenses and other assets	2,853	2,894
Goodwill	404	477
Operating lease right-of-use assets	381	—
Total assets	$ 1,005,088	$ 1,101,298
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable, net	$ 799,865	$ 841,345
Accounts payable	235	951
Accrued expenses and other liabilities	8,430	7,776
Accrued real estate taxes	9,086	10,191
Due to related parties	683	919
Tenant prepayments	1,087	1,160
Security deposits	2,506	2,650
Operating lease liabilities	381	—
Total liabilities	$ 822,273	$ 864,992
Stockholders' Equity:		
Preferred stock (par value $.01; 10,000,000 shares authorized, none issued)	—	—
Common stock (par value $.01; 1,000,000,000 shares authorized; 69,467,689 and 70,427,946 shares issued and outstanding, respectively)	695	704
Convertible stock (“promote shares”; par value $.01; 50,000 shares authorized; 49,935 and 49,989 shares issued and outstanding, respectively)	1	1
Additional paid-in capital	616,465	626,436
Accumulated other comprehensive loss	(218)	(474)
Accumulated deficit	(434,128)	(390,361)
Total stockholders’ equity	182,815	236,306
Total liabilities and stockholders' equity	$ 1,005,088	$ 1,101,298

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

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

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Revenues:			
Rental income	$ 135,171	$ 139,076	$ 124,492
Interest and dividend income	374	329	239
Total revenues	135,545	139,405	124,731
Expenses:			
Rental operating - expenses	25,954	29,610	26,253
Rental operating - payroll	13,047	13,947	13,652
Rental operating - real estate taxes	17,036	16,594	14,454
Subtotal - Rental operating expenses	56,037	60,151	54,359
Acquisition costs	—	10	4,469
Management fees	18,534	19,135	16,921
General and administrative	9,838	10,794	11,061
Loss on disposal of assets	541	796	1,468
Depreciation and amortization expense	53,814	58,732	52,344
Total expenses	138,764	149,618	140,622
Loss before net gains on dispositions	(3,219)	(10,213)	(15,891)
Net gains on dispositions of properties and joint venture interests	38,810	15,539	22,735
Income before other income (expense)	35,591	5,326	6,844
Other income (expense):			
Interest expense	(37,908)	(36,415)	(28,963)
Insurance proceeds in excess of cost basis	570	515	150
Total other income (expense)	(37,338)	(35,900)	(28,813)
Net loss	$ (1,747)	$ (30,574)	$ (21,969)
Other comprehensive income (loss):			
Reclassification adjustment for realized loss on designated derivatives	344	203	163
Designated derivatives, fair value adjustments	(88)	(115)	(380)
Total other comprehensive income (loss)	256	88	(217)
Comprehensive loss	$ (1,491)	$ (30,486)	$ (22,186)
Basic and diluted weighted average common shares outstanding	70,134	70,964	71,865
Basic and diluted net loss per common share	$ (0.02)	$ (0.43)	$ (0.31)

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

RESOURCE REAL ESTATE OPPORTUNITY REIT, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017
(in thousands)

	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 the distribution reinvestment plan	2,482	25	—	—	27,089	—	—	27,114	—	27,114
Distributions declared	—	—	—	—	—	—	(43,033)	(43,033)	—	(43,033)
Common stock redemptions	(3,190)	(32)	—	—	(34,786)	—	—	(34,818)	—	(34,818)
Other comprehensive income	—	—	—	—	—	(217)	—	(217)	—	(217)
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	(504)	(504)
Deconsolidation of noncontrolling interest	—	—	—	—	922	—	—	922	(922)	—
Net loss	—	—	—	—	—	—	(21,969)	(21,969)		(21,969)
Balance at December 31, 2017	71,299	713	50	1	635,748	(562)	(317,308)	318,592	—	318,592
Common stock issued through the distribution reinvestment plan	2,490	25	—	—	25,906	—	—	25,931	—	25,931
Distributions declared	—	—	—	—	—	—	(42,479)	(42,479)	—	(42,479)
Common stock redemptions	(3,361)	(34)	—	—	(35,218)	—	—	(35,252)	—	(35,252)
Other comprehensive income	—	—	—	—	—	88	—	88	—	88
Net loss	—	—	—	—	—	—	(30,574)	(30,574)	—	(30,574)
Balance at December 31, 2018	70,428	704	50	1	626,436	(474)	(390,361)	236,306	—	236,306
Common stock issued through the distribution reinvestment plan	2,382	24	—	—	24,475	—	—	24,499	—	24,499
Distributions declared	—	—	—	—	—	—	(42,020)	(42,020)	—	(42,020)
Common stock redemptions	(3,309)	(33)	—	—	(34,087)	—	—	(34,120)	—	(34,120)
Rescission redemptions	(33)	—	—	—	(359)	—	—	(359)	—	(359)
Other comprehensive income	—	—	—	—	—	256	—	256	—	256
Net loss	—	—	—	—	—	—	(1,747)	(1,747)	—	(1,747)
Balance at December 31, 2019	69,468	$ 695	50	$ 1	$ 616,465	$ (218)	$ (434,128)	$ 182,815	$ —	$ 182,815

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

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

	For the Years Ended December 31,		
	2019	2018	2017
Cash flows from operating activities:			
Net loss	$ (1,747)	$ (30,574)	$ (21,969)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Loss on disposal of assets	541	796	1,468
Casualty (gains) losses	(527)	(795)	(103)
Loss on extinguishment of debt	69	51	—
Net gains on disposition of properties and joint venture interests	(38,810)	(15,539)	(22,735)
Depreciation and amortization	53,814	58,732	52,344
Amortization of deferred financing costs	2,320	1,773	2,014
Amortization of debt premium (discount)	(333)	(345)	(465)
Realized loss on interest rate cap	344	203	163
Accretion of discount and direct loan fees and costs	(43)	(33)	(39)
Changes in operating assets and liabilities, net of acquisitions:			
Tenant receivables, net	(6)	59	(162)
Deposits	9	(2)	35
Prepaid expenses and other assets	(28)	(1,197)	1,242
Due to/from related parties, net	(349)	448	(332)
Accounts payable and accrued expenses	(1,259)	132	1,506
Tenant prepayments	(51)	(22)	106
Security deposits	120	143	(110)
Net cash provided by operating activities	14,064	13,830	12,963
Cash flows from investing activities:			
Proceeds from disposal of properties and joint venture interests, net of closing costs	17,532	21,510	31,403
Property acquisitions	—	(24,560)	(42,842)
Insurance proceeds received for casualty losses	749	1,859	248
Capital expenditures	(14,423)	(21,499)	(21,592)
Principal payments received on loans held for investment	27	22	26
Net cash provided by (used in) investing activities	3,885	(22,668)	(32,757)
Cash flows from financing activities:			
Redemptions of common and convertible stock	(34,120)	(35,252)	(34,818)
Rescissions of common stock	(359)	—	—
Payment of deferred financing costs	(116)	(1,250)	(2,287)
Borrowings on mortgages	26,676	16,998	86,051
Principal repayments on mortgages	(9,230)	(7,456)	(6,600)
Purchase of interest rate caps	(62)	(94)	(187)
Distributions paid on common stock	(17,521)	(16,548)	(15,919)
Distributions to noncontrolling interests	—	—	(504)
Net cash (used in) provided by financing activities	(34,732)	(43,602)	25,736
Net (decrease) increase in cash and restricted cash	(16,783)	(52,440)	5,942
Cash and restricted cash at beginning of year	78,621	131,061	125,119
Cash and restricted cash at end of year	$ 61,838	$ 78,621	$ 131,061
Reconciliation to consolidated balance sheets			
Cash	49,534	63,763	117,660
Restricted Cash	12,304	14,858	13,401
Cash and restricted cash at end of year	$ 61,838	$ 78,621	$ 131,061

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

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RESOURCE REAL ESTATE OPPORTUNITY REIT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – NATURE OF BUSINESS AND OPERATIONS

Resource Real Estate Opportunity REIT, Inc. (the "Company") was organized in Maryland on June 3, 2009 for the purpose of owning 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, 2019, 2018 and 2017, the Company issued a total of 7.4 million, in aggregate, additional shares for $77.5 million pursuant to its distribution reinvestment plan. The Company's distribution reinvestment plan offering is ongoing.

The Company has acquired real estate and real estate-related debt. The Company has a focus on owning and operating multifamily assets; it has targeted this asset class consistent with its investment objectives. The Company's portfolio predominantly 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 "Code"). 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.

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 accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP").

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Principles of Consolidation

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

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 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, 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 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 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	294	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
RRE Courtney Meadows Holdings, LLC ("Courtney Meadows")	Courtney Meadows Apartments	276	Jacksonville, FL
RRE Sandy Springs Holdings, LLC ("Sandy Springs")	Addison at Sandy Springs	236	Sandy Springs, GA
RRE Grapevine Holdings, LLC ("Bristol Grapevine")	Bristol Grapevine	376	Grapevine, TX
		8,487	
Subsidiaries related to disposed investments:			
RRE Crestwood Holdings, LLC (“Crestwood”)	(c)(d)	N/A	N/A
PRIP 5060/6310, LLC ("Governor Park")	(b)(d)	N/A	N/A
RRE Campus Club Holdings, LLC (“Campus Club”)	(c)(d)	N/A	N/A
PRIP 6700, LLC ("Hilltop Village")	(b)(d)	N/A	N/A
RRE Westhollow Holdings, LLC (“Westhollow”)	(c)(d)	N/A	N/A
RRE Flagstone Holdings, LLC ("Flagstone")	(c)(d)	N/A	N/A
RRE 107th Avenue Holdings, LLC (“107th Avenue”)	(c)(d)	N/A	N/A
RRE Bristol Holdings, LLC (“Bristol”)	(c)(d)	N/A	N/A
RRE Skyview Holdings, LLC ("Skyview")	(c)(d)	N/A	N/A
RRE Kenwick Canterbury Holdings, LLC ("Kenwick & Canterbury")	(d)	N/A	N/A
RRE Foxwood Holdings, LLC ("Foxwood")	(c)(d)	N/A	N/A
PRIP 3383, LLC ("Conifer Place")	(b)(c)(d)	N/A	N/A
PRIP 3700, LLC ("Champion Farms")	(b)(c)(d)	N/A	N/A
RRE Armand Place Holdings, LLC ("Armand")	(c)(d)	N/A	N/A
RRE Spring Hill Holdings, LLC ("Spring Hill")	(c)(d)	N/A	N/A

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RRE Nob Hill Holdings, LLC ("Nob Hill")	(c)(d)	N/A	N/A
PRIP 10637, LLC ("Fieldstone")	(b)(c)(d)	N/A	N/A
RRE Jasmine Holdings, LLC ("Jasmine")	(c)(d)	N/A	N/A
RRE Chisholm Place Holdings LLC ("Chisholm Place")	(c)(e)	N/A	N/A
RRE Park Forest Holdings, LLC ("Park Forest")	(c)(e)	N/A	N/A
RRE Deerfield Holdings, LLC ("Deerfield")	(c)(e)	N/A	N/A
PRIP Stone Ridge, LLC ("Stone Ridge")	(b)(c)(e)	N/A	N/A
PRIP 1102, LLC ("Pheasant Run")	(b)(c)(f)	N/A	N/A
PRIP 11128, LLC ("Retreat at Shawnee")	(b)(c)(f)	N/A	N/A
RRE Williamsburg Holdings, LLC (“Williamsburg”)	(g)	N/A	N/A
WPL Holdings, LLC	(a)(g)	N/A	N/A
PRIP 500, LLC ("Pinehurst")	(b)(g)	N/A	N/A

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.
(c) Subsidiary was dissolved prior to December 31, 2019.
(d) Underlying investment sold prior to 2017.
(e) Underlying investment sold in 2017.
(f) Underlying investment sold in 2018.
(g) Underlying investment sold in 2019.

All intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements reflect the Company's accounts and the accounts of the Company's majority-owned and/or controlled subsidiaries. All of the Company’s subsidiaries are wholly-owned.

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 amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Assets Held for Sale

The Company presents rental property assets that 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. Subsequent to classification of an asset as held for sale, no further depreciation is recorded. The Company had no rental properties included in assets held for sale as of December 31, 2019 and 2018.

Rental Properties

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

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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
Lease intangibles	Remaining term of related lease

Improvements and replacements in excess of $1,000 are capitalized when they have a useful life greater than or equal to one year. Construction management fees (further discussed in Note 14) are capitalized along with the related asset. Costs of repairs and maintenance are expensed as incurred.

As of December 31, 2019, the Company's real estate investments in Texas, California, and Georgia represented approximately 31%, 17%, and 15% of the net book value of its rental property assets, respectively. As a result, the geographic concentration of the Company's portfolio makes it particularly susceptible to adverse economic developments in the Texas, Georgia, and California real estate markets. Any adverse economic or real estate developments in these markets, such as business layoffs or downsizing, industry slowdowns, relocations of businesses, changing demographics and other factors, or any decrease in demand for multifamily rentals resulting from the local business climate, could adversely affect the Company's operating results and its ability to make distributions to stockholders.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist of periodic temporary deposits of cash. At December 31, 2019, the Company had $63.1 million of deposits at various banks, $50.2 million of which were over the insurance limit of the Federal Deposit Insurance Corporation. No losses have been experienced on such deposits.

Contractual Obligations

The Company leases parking space and equipment under leases with varying expiration dates through 2023. As of December 31, 2019, the total payments due under these obligations were approximately $409,000.

The following table presents our scheduled contractual obligations required for the next five years and thereafter as of December 31, 2019:

	Payments due by period				
	Total	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Operating Lease Obligations	409,000	142,000	210,000	57,000	—

Impairment of Long Lived Assets

When circumstances indicate the carrying value of a property may not be recoverable, the Company reviews the asset for permanent 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 the property for properties 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 losses recorded on long lived assets during the years ended December 31, 2019, 2018 and 2017.

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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

On January 1, 2018, the Company adopted ASU 2017-01. Acquisitions that do not meet the definition of a business under this guidance are accounted for as asset acquisitions. In most cases, the Company believes acquisitions of real estate will no longer be considered business combinations, as in most cases substantially all of the fair value is concentrated in a single identifiable asset or group of tangible assets that are physically attached to each other (land and building). However, if the Company determines that substantially all of the fair value of the gross assets acquired is not concentrated in either a single identifiable asset or in a group of similar identifiable assets, the Company will then perform an assessment to determine whether the asset is a business by using the framework outlined in the ASU. If the Company determines that the acquired asset is not a business, the Company will allocate the cost of the acquisition, including transaction costs, to the assets acquired or liabilities assumed based on their related fair value.

Upon the acquisition of real properties, the Company allocates the purchase price of properties to acquired tangible assets consisting of land, buildings, fixtures and improvements, identified intangible lease assets, consisting of the value of above-market and below-market leases, as applicable, the value of in-place leases, the value of tenant relationships, and liabilities, based in each case on their fair values.

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 determined by independent appraisers (e.g., discounted cash flow analysis). Factors to be considered in the analysis include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions and costs to execute similar leases.

In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods. 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 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 underlying 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.

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.

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. The Company tested goodwill as of December 31, 2019 and found no indications of impairment.

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.

The future minimum rental payments to be received from noncancelable operating leases for residential rental properties are $59.1 million and $65,000 for the 12 month periods ending December 31, 2020 and 2021, respectively, and none thereafter. The future minimum rental payments to be received from noncancelable operating leases for commercial rental properties and antenna rentals are $499,000, $463,000, $337,000, $181,000, and $149,000 for the 12 month periods ending December 31, 2020 through 2024, respectively, and $1.5 million thereafter.

Revenue is primarily derived from the rental of residential housing units for which the Company receives minimum rents pursuant to underlying tenant lease agreements. The Company also receives utility reimbursements,

other ancillary tenant fees for administration of leases, late payments and amenities, which are charged to residents and recognized monthly as earned. The Company elected the practical expedient to not separate lease and non-lease components and has presented property revenues combined, based upon the lease being determined to be the predominant component. The Company also has revenue sharing arrangements of cable income from contracts with cable providers at the Company's properties. Included in Accrued expenses and other liabilities on the consolidated balance sheet at December 31, 2019 and 2018 is deferred revenue for contracts with cable providers for approximately $596,000 and $564,000, respectively. The Company recognizes income on a straight line basis over the contract period of 5 years to 12 years. In the year ended December 31, 2019, approximately $77,000 of revenue from the contract liability was recognized as income.

Tenant Receivables

Tenant receivables are stated in the financial statements at 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. At December 31, 2019 and 2018, there were allowances for uncollectible receivables of $49,000 and $19,000, respectively.

Leases

For operating leases where the Company is the lessor, the underlying leased asset is recognized as real estate on the balance sheet. The Company, as a lessor of multifamily apartment units, has nonlease components associated with these leases (i.e. CAM, utilities, etc.). The Company combines nonlease component revenue streams and accounts for them as a combined component with leasing revenue.

For leases in which the Company is the lessee, primarily consisting of a parking space lease, a laundry equipment lease, and office equipment leases, the Company recognizes a right-of-use asset and a lease liability equal to the present value of the minimum lease payments. Operating leases are included in operating lease ROU assets and operating lease liabilities in the Company's consolidated balance sheets. The Company uses a market rate for equipment leases, when readily determinable, in calculating the present value of lease payments. Otherwise, the incremental borrowing rate is used. The operating lease ROU asset includes any lease payments and excludes lease incentives. Operating lease terms may include options to extend the lease when it is reasonably certain the lease will be extended. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Income Taxes

The Company elected to be taxed as a REIT commencing with its taxable year ended December 31, 2010. To maintain its REIT qualification under the Code, 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 GAAP net income because the determination of taxable income is based on tax provisions and not financial accounting principles.

The Company may elect to treat any of its subsidiaries as a taxable REIT subsidiary ("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. While a TRS may generate net income, a TRS can declare dividends to the Company which will be included in the Company's taxable income and necessitate a distribution to its stockholders. Conversely, if the Company retains earnings at a TRS level, no distribution is required and the Company can increase book equity of the consolidated entity. As of December 31, 2019 and 2018, the Company did not treat any of its subsidiaries as a TRS.

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 2015 and prior.

Earnings Per Share

Basic earnings per share are calculated on the basis of the weighted-average number of common shares outstanding during the year. Basic earnings per share are computed by dividing income available to common stockholders by the weighted-average common shares outstanding during the period. Diluted earnings per share take 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 shares of convertible stock (discussed in Note 15) are included in the diluted earnings per share calculations because the necessary conditions for conversion have not been satisfied as of December 31, 2019 (were such date to represent the end of the contingency period).

Reclassifications

Certain amounts in the prior years 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

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-02, "Leases" ("ASU No. 2016-02"), which was amended by ASU No. 2018-10 "Codification Improvements to Topic 842, Leases" in July 2018. ASU No. 2016-02, as amended, is intended to improve financial reporting related to 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 No. 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. The Company adopted these standards as of January 1, 2019, and the adoption did not have a material effect on the Company's consolidated financial statements and disclosures. For operating leases where the Company is the lessor, the underlying leased asset is recognized as real estate on the balance sheet. The Company has chosen to apply the practical expedient (discussed in ASU No. 2018-11, “Leases: Targeted Improvements”) to nonlease component revenue streams and account for them as a combined component with leasing revenue. For leases in which the Company is the lessee, primarily consisting of a parking lot lease, laundry equipment lease, and office equipment leases, the Company recognized an initial right-of-use (ROU) asset and a lease liability equal to the present value of the minimum lease payments of approximately $526,000 at January 1, 2019. The Company determines if an arrangement is a lease at inception. The Company elected the package of practical expedients permitted within the new standard, which among other things, allows the Company to carry forward the historical lease classification. Also allowable under the new standard (ASU No. 2018-11) is the option, which the Company has elected, to present the operating lease ROU asset and operating lease liabilities as of January 1, 2019 and not restate prior periods. No cumulative impact adjustment was necessary to opening retained earnings as of January 1, 2019. For certain equipment leases, such as copiers, the Company applied a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

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 Company adopted the standard on January 1, 2019, and the adoption did not have a significant impact on its consolidated financial statements.

In June 2018, FASB issued ASU 2018-07 “Improvements to Nonemployee Share-Based Payment Accounting” to simplify the accounting for share-based payment transactions for acquiring goods and services from nonemployees by including these payments in the scope of the guidance for share-based payments to employees. The Company adopted the standard on January 1, 2019, and the adoption did not have a significant impact on its consolidated financial statements.

In July 2018, FASB issued ASU No. 2018-09, "Codification Improvements". This standard does not prescribe any new accounting guidance, but instead makes minor improvements and clarifications of several different FASB Accounting Standards Codification areas based on comments and suggestions made by various stakeholders. The Company adopted the standard on January 1, 2019, and the adoption did not have a significant impact on its consolidated financial statements.

In October 2018, FASB issued ASU No. 2018-16, “Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes”. ASU No. 2018-16 permits the use of the Overnight Index Swap (“OIS”) Rate based on the Secured Overnight Financing Rate as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815 in addition to the interest rates on direct Treasury obligations of the U.S. government, the London Interbank Offered Rate (“LIBOR”) and the OIS Rate based on the Federal Funds Effective Rate. The Company adopted the standard on January 1, 2019, and the adoption did not have a significant impact on its consolidated financial statements.

Accounting Standards Issued But Not Yet Effective

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. 2016-03 will be effective for the Company beginning January 1, 2020. Early application is permitted. The Company is continuing to evaluate this guidance; however, the Company does not expect the adoption to have a significant impact 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 to eliminate Step 2. Step 2 required that, if the carrying amount of a reporting unit exceeded its fair value, the implied fair value of the goodwill must be compared to the carrying amount in order to determine impairment. ASU No. 2017-04 will be effective for the Company beginning January 1, 2020. Early application is permitted. The Company is continuing to evaluate this guidance; however, the Company does not expect the adoption to have a significant impact on its consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.” This update removes, modifies and adds certain disclosure requirements in FASB ASC 820, “Fair Value Measurement” (“ASC 820”). ASU No. 2018-13 will be effective for the Company beginning January 1, 2020 and early adoption is permitted. The Company is continuing to evaluate this guidance; however, the Company does not expect the adoption to have a significant impact on its consolidated financial statements.

In November 2018, FASB issued ASU No. 2018-19, “Codification Improvements to Topic 326, Financial Instruments-Credit Losses.” ASU No. 2018-19 clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with ASC 842 Leases. ASU No. 2018-19 will be effective for the Company beginning January 1, 2020 and early adoption is permitted. The Company is continuing to evaluate this guidance; however, the Company does not expect the adoption to have a significant impact on its consolidated financial statements.

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NOTE 3 – SUPPLEMENTAL CASH FLOW INFORMATION

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

	For the Years Ended December 31,		
	2019	2018	2017
Non-cash financing and investing activities:			
Stock issued from distribution reinvestment plan	$ 24,499	$ 25,931	$ 27,114
Deferred financing costs, interest, and fees funded directly by mortgage notes	973	218	449
Repayments on borrowings through refinancing	58,350	29,586	—
Accrual for construction in progress	2,470	680	1,346
Lease liabilities arising from obtaining right-of-use assets	526	—	—
Non-cash activity related to sales:			
Mortgage notes payable settled directly with proceeds from sale of rental property	61,041	18,713	26,976
Non-cash activity related to acquisitions:			
Mortgage notes payable used to acquire real property	—	55,615	120,401
Cash paid during the period for:			
Interest	$ 35,936	$ 34,262	$ 26,458

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):

	December 31,	
	2019	2018
Real estate taxes	$ 8,824	$ 10,426
Insurance	1,438	1,669
Capital improvements	2,042	2,763
Total	$ 12,304	$ 14,858

In addition, the Company had unrestricted cash designated for capital expenditures of approximately $12.1 million and $22.2 million as of December 31, 2019 and 2018, respectively.

NOTE 5 – RENTAL PROPERTIES, NET

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

	December 31,	
	2019	2018
Land	$ 196,358	$ 200,848
Building and improvements	920,781	965,629
Furniture, fixtures and equipment	43,757	44,918
Construction in progress	2,831	1,325
	1,163,727	1,212,720
Less: accumulated depreciation	(225,583)	(194,777)
	$ 938,144	$ 1,017,943

Depreciation expense for the years ended December 31, 2019, 2018, and 2017 was $53.8 million, $55.1 million, and $48.7 million, respectively.

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NOTE 6 − OTHER INVESTMENTS

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 December 31, 2019 and December 31, 2018, the Trail Ridge Note was both current and performing.

The following table presents details of the balance and terms of the Trail Ridge Note, the Company's remaining loan held for investment at December 31, 2019 and 2018 (in thousands):

	December 31,	
	2019	**2018**
Unpaid principal balance	$ 885	$ 912
Unamortized discount and acquisition costs	(76)	(119)
Net book value	$ 809	$ 793
Maturity date	10/28/2021	
Interest rate	7.5%	
Average monthly payment	$ 8	

The Company has evaluated the loan for impairment and determined that, as of December 31, 2019, it was not impaired. There were no allowances for credit losses as of both December 31, 2019 and 2018. There were no charge-offs for the years ended December 31, 2019 and 2018.

NOTE 7 – ACQUISITIONS

Real Estate Investments

As of December 31, 2019, the Company owned 28 properties.

On April 17, 2018, the Company, through its wholly-owned subsidiary, purchased Addison at Sandy Springs Apartments, a 236-unit multifamily apartment complex in Sandy Springs, Georgia, for $34.0 million from an unrelated third party. On April 25, 2018, the Company, through its wholly-owned subsidiary, purchased Bristol at Grapevine, a 376-unit multifamily apartment complex in Grapevine, Texas, for $44.7 million from an unrelated third party.

As discussed in Note 2, on January 1, 2018, the Company adopted ASU 2017-01. Both properties acquired during the twelve months ended December 31, 2018, were accounted for as asset acquisitions. The following table presents the allocated contract purchase price, acquisition fee, and acquisition costs during the twelve months ended December 31, 2018 (in thousands):

Bristol at Grapevine	**Contractual Purchase Price** [(1)]	**Acquisition Fee**	**Acquisition Costs**	**Total Real Estate Cost**
Land	$ 3,279	$ 70	$ 15	$ 3,364
Building and Improvements	39,777	854	187	40,818
Furniture, fixtures and equipment	570	12	3	585
Intangible Assets	1,074	23	5	1,102
	$ 44,700	$ 959	$ 210	$ 45,869

Addison at Sandy Springs	**Contractual Purchase Price** [(1)]	**Acquisition Fee**	**Acquisition Costs**	**Total Real Estate Cost**
Land	$ 4,595	$ 100	$ 24	$ 4,719
Building and Improvements	28,241	613	145	28,999
Furniture, fixtures and equipment	424	9	2	435
Intangible Assets	740	16	4	760
	$ 34,000	$ 738	$ 175	$ 34,913

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

Properties acquired prior to January 1, 2018, were accounted for as business combinations. The tables below present the total revenues, net loss, and acquisition costs of the Company's acquisitions during the year ended December 31, 2017 (dollars in thousands):

Multifamily Community	**Total Revenues**	**Net Loss**	**Acquisition Costs**
2017 Acquisitions:			
Green Trails Apartment Homes	$ 4,128	$ (1,920)	$ (1,774)
Terraces at Lake Mary	1,394	(1,424)	(1,290)
Courtney Meadows Apartments	103	(879)	(1,217)
Various properties	—	—	(188) [(1)]
	$ 5,625	$ (4,223)	$ (4,469)

(1) Acquisition fees paid related to additional investments in the Company's properties to fund additional capital reserves.

NOTE 8 – DISPOSITION OF PROPERTIES AND DECONSOLIDATION OF INTERESTS

The following table presents details of our disposition and deconsolidation activity during the years ended December 31, 2019, 2018, and 2017 (in thousands):

Multifamily Community	Location	Sale Date	Contract Sales price	Net Gains on Dispositions of Properties and Joint Venture Interests	Revenues Attributable to Properties Sold	Net Income (loss) Attributable to Properties Sold
2019 Dispositions:						
Williamsburg	Cincinnati, OH	March 8, 2019	$ 70,000	$ 34,575	$ 2,151	$ (1,431)
Pinehurst	Kansas City, MO	December 20, 2019	$ 12,310	$ 4,235	$ 1,427	$ (460)
			$ 82,310	$ 38,810	$ 3,578	$ (1,891)
2018 Dispositions:						
Pheasant Run	Lee's Summit, MO	September 14, 2018	$ 16,400	$ 6,195	$ 1,167	$ 7
Retreat at Shawnee	Shawnee, KS	October 19, 2018	25,000	9,344	2,522	(68)
			$ 41,400	$ 15,539	$ 3,689	$ (61)
2017 Dispositions:						
Chisholm Place	Plano, Texas	May 10, 2017	$ 21,250	$ 6,922	$ 823	$ (266)
Mosaic	Oklahoma City, Oklahom a	May 12, 2017	6,100	1,513	473	(72)
Deerfield	Hermantown, Minnesota	August 16, 2017	23,600	11,035	1,653	3
Stone Ridge	Columbia, South Carolina	September 27, 2017	10,534	3,265	1,291	(232)
			$ 61,484	$ 22,735	$ 4,240	$ (567)

NOTE 9 – IDENTIFIED INTANGIBLE ASSETS, NET

Identified intangible assets, net, relate to in-place apartment unit rental and antennae leases. The value of the acquired in-place leases totaled $14,000 and $26,000 as of December 31, 2019 and 2018, respectively, net of accumulated amortization of $27.1 million and $29.3 million, respectively. Intangible lease assets were fully amortized as of December 31, 2019 and 2018. Expected amortization for the antennae leases at the Vista Apartment Homes for the years ended December 31, 2020 and 2021 are $9,000 and $5,000, respectively, and none thereafter. Amortization of the apartment unit rental and antennae leases for the years ended December 31, 2019, 2018, and 2017 was $12,500, $3.6 million, and $3.6 million respectively.

The following table presents the Company's expected amortization for the rental and antennae leases for the next five years ending December 31, and thereafter (in thousands):

2020	$ 9
2021	5
2022	—
2023	—
Thereafter	—
	$ 14

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NOTE 10 – GOODWILL

The following table presents a rollforward of the Company's activity in goodwill for the years ended December 31, 2019 and 2018 (in thousands):

Balance, January 1, 2018	$ 670
Activity - 2018: Sale of Retreat at Shawnee	(117)
Activity - 2018: Sale of Pheasant Run	(76)
Balance, December 31, 2018	$ 477
Activity - 2019: Sale of Pinehurst	(73)
Balance, December 31, 2019	$ 404

NOTE 11 – MORTGAGE NOTES PAYABLE, NET

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

	December 31, 2019				December 31, 2018			
Collateral	Outstanding borrowings	Premium (Discount)	Deferred finance costs, net	Carrying Value	Outstanding borrowings	Premium (Discount)	Deferred finance costs, net	Carrying Value
Vista Apartment Homes	$ 14,315	$ —	$ (68)	$ 14,247	$ 14,603	$ —	$ (104)	$ 14,499
Cannery Lofts	13,100	—	(108)	12,992	13,100	—	(136)	12,964
Trailpoint at the Woodlands	17,723	—	(121)	17,602	18,046	—	(154)	17,892
Verona Apartment Homes	32,970	—	(362)	32,608	32,970	—	(419)	32,551
Skyview Apartment Homes	28,400	—	(315)	28,085	28,400	—	(364)	28,036
Maxwell Townhomes	12,785	—	(53)	12,732	13,069	—	(81)	12,988
Pinehurst	—	—	—	—	7,220	—	(105)	7,115
Evergreen at Coursey Place	25,627	34	(32)	25,629	26,146	55	(54)	26,147
Pines of York	14,114	(112)	(21)	13,981	14,422	(173)	(33)	14,216
The Estates at Johns Creek	65,000	—	(589)	64,411	47,576	—	(170)	47,406
Perimeter Circle	26,115	—	(304)	25,811	26,115	—	(356)	25,759
Perimeter 5550	20,630	—	(279)	20,351	20,630	—	(327)	20,303
Aston at Cinco Ranch	22,032	—	(96)	21,936	22,497	—	(152)	22,345
Sunset Ridge 1	18,300	54	(43)	18,311	18,788	121	(96)	18,813
Sunset Ridge 2	2,768	7	(6)	2,769	2,831	16	(13)	2,834
Calloway at Las Colinas	32,938	—	(115)	32,823	33,681	—	(177)	33,504
South Lamar Village	21,000	—	(298)	20,702	11,909	—	(29)	11,880
Heritage Pointe	24,808	—	(201)	24,607	25,360	—	(242)	25,118
The Bryant at Yorba Linda	66,238	—	(87)	66,151	67,092	—	(301)	66,791
Point Bonita Apartment Homes	25,696	1,063	(183)	26,576	26,121	1,359	(233)	27,247
The Westside Apartments	35,838	—	(293)	35,545	36,624	—	(341)	36,283
Tech Center Square	11,730	—	(101)	11,629	11,933	—	(132)	11,801
Williamsburg	—	—	—	—	53,995	—	(582)	53,413
Retreat at Rocky Ridge	11,221	—	(145)	11,076	11,375	—	(183)	11,192
Providence in the Park	46,398	—	(345)	46,053	47,000	—	(434)	46,566
Green Trails Apartment Homes	60,998	—	(451)	60,547	61,500	—	(559)	60,941
Meridian Pointe	39,277	—	(402)	38,875	39,500	—	(495)	39,005
Terraces at Lake Mary	32,110	—	(259)	31,851	32,250	—	(318)	31,932
Courtney Meadows Apartments	27,100	—	(257)	26,843	27,100	—	(311)	26,789
Addison at Sandy Springs	22,750	—	(244)	22,506	22,750	—	(292)	22,458
Bristol at Grapevine	32,922	—	(306)	32,616	32,922	—	(365)	32,557
	$ 804,903	$ 1,046	$ (6,084)	$ 799,865	$ 847,525	$ 1,378	$ (7,558)	$ 841,345

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The following table presents additional information about the Company's mortgage notes payable, net, at December 31, 2019 (in thousands, except percentages):

Collateral	Maturity Date	Annual Interest Rate		Average Monthly Debt Service	Average Monthly Escrow
Vista Apartment Homes	1/1/2022	4.05%	(1)(5)	$ 80	$ 32
Cannery Lofts	11/1/2023	4.30%	(1)(3)	55	23
Trailpoint at the Woodlands	11/1/2023	4.17%	(1)(4)	96	46
Verona Apartment Homes	10/1/2026	4.12%	(1)(3)	137	43
Skyview Apartment Homes	10/1/2026	4.12%	(1)(3)	118	31
Maxwell Townhomes	1/1/2022	4.32%	(2)(5)	71	80
Evergreen at Coursey Place	8/1/2021	5.07%	(2)(5)	154	51
Pines of York	12/1/2021	4.46%	(2)(5)	80	29
The Estates at Johns Creek	11/25/2026	3.01%	(1)(5)(6)	165	—
Perimeter Circle	1/1/2026	3.26%	(1)(3)	82	46
Perimeter 5550	1/1/2026	3.26%	(1)(3)	65	34
Aston at Cinco Ranch	10/1/2021	4.34%	(2)(5)	120	55
Sunset Ridge 1	11/1/2020	4.58%	(2)(5)	113	79
Sunset Ridge 2	11/1/2020	4.54%	(2)(5)	16	—
Calloway at Las Colinas	12/1/2021	3.87%	(2)(5)	171	133
South Lamar Village	7/22/2026	3.06%	(1)(3)(6)	61	—
Heritage Pointe	4/1/2025	3.64%	(1)(4)	131	56
The Bryant at Yorba Linda	6/1/2020	3.51%	(1)(3)	289	—
Point Bonita Apartment Homes	10/1/2023	5.33%	(2)(5)	152	68
The Westside Apartments	9/1/2026	3.88%	(1)(3)	196	82
Tech Center Square	6/1/2023	4.34%	(1)(5)	66	25
Retreat at Rocky Ridge	1/1/2024	4.22%	(1)(3)	59	24
Providence in the Park	2/1/2024	4.06%	(1)(3)	240	149
Green Trails Apartment Homes	6/1/2024	3.75%	(1)(3)	303	81
Meridian Pointe	8/1/2024	3.66%	(1)(3)	193	81
Terraces at Lake Mary	9/1/2024	3.67%	(1)(3)	158	63
Courtney Meadows Apartments	1/1/2025	3.60%	(1)(3)	128	71
Addison at Sandy Springs	5/1/2025	3.52%	(1)(3)	96	42
Bristol at Grapevine	5/1/2025	3.47%	(1)(3)	110	104

(1) Variable rate based on one-month LIBOR of 1.76250% (as of December 31, 2019) plus applicable 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 year ended December 31, 2019.

Loans assumed as part of the Point Bonita Apartment Homes, Paladin (Pinehurst, Evergreen at Coursey Place, Pines of York), Sunset Ridge and Maxwell Townhomes acquisitions were recorded at fair value. The premium or discount is amortized over the remaining term of the loans and included in interest expense. For the years ended December 31, 2019, 2018, and 2017, interest expense was reduced by $333,000, $345,000, and $465,000, respectively, for the amortization of the premium or discount.

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.

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The following table presents the Company's annual principal payments on outstanding borrowings for each of the next five years ending December 31, and thereafter (in thousands):

2020	$	96,459
2021		101,796
2022		36,053
2023		75,451
2024		183,304
Thereafter		311,840
	$	804,903

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. The Company has guaranteed the mortgage notes by executing a guarantee with respect to the properties. These exceptions are referred to as "carveouts." 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 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 net worth, liquidity, and debt service coverage ratio covenants. During the twelve months ended December 31, 2018, the Company paid $50,000 to the lender in connection with an amendment to the loan agreement to modify the debt service coverage ratio covenant. The Company was in compliance with all covenants related to this loan as of December 31, 2019.

The Company refinanced the loans on Perimeter Circle and Perimeter 5550 during the year ended December 31, 2018. As a result, $51,000 of loss on extinguishment of debt was included in interest expense on the consolidated statement of operations for the year ended December 31, 2018.

The Company refinanced the loans on South Lamar and Estates at Johns Creek during the year ended December 31, 2019. As a result, approximately $69,000 of loss on extinguishment of debt was included in interest expense on the consolidated statement of operations for the year ended December 31, 2019. Both refinanced mortgage loans include net worth, liquidity, and debt service coverage ratio covenants; the Company was in compliance with all covenants related to these loans as of December 31, 2019.

Deferred financing costs incurred to obtain financing are amortized over the term of the related debt. During the years ended December 31, 2019, 2018, and 2017, $2.3 million, $1.8 million, and $1.9 million, respectively, of amortization of deferred financing costs were included in interest expense. Accumulated amortization as of December 31, 2019 and 2018 was $5.6 million and $5.2 million, respectively.

The following table presents the Company's estimated amortization of the existing deferred financing costs for the next five years ending December 31, and thereafter (in thousands):

2020	$	1,458
2021		1,268
2022		1,072
2023		1,012
2024		682
Thereafter		592
	$	6,084

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NOTE 12 – LEASES

As the lessee, the Company's operating leases primarily consist of a parking lot lease, a laundry equipment lease, and office equipment leases. These operating leases have remaining terms ranging from less than one year to four years. Some of the leases include options to extend the lease for up to an additional five years. Only those rental periods reasonably certain to be extended beyond the initial term expiration are included within the calculation of the operating lease liability. As of December 31, 2019, the payments due under the contractually-obligated portion of these leases totaled $409,000. The market rate is used for equipment leases, when readily determinable, in calculating the present value of lease payments. Otherwise, the incremental borrowing rate based on the information available at commencement date is used. As of December 31, 2019, the weighted average remaining lease term was 3.2 years and the weighted average discount rate was 4.31% for the Company's operating leases. As of December 31, 2019, the Company included approximately $381,000 in its consolidated balance sheet for both operating lease right-of-use assets and operating lease liabilities. The Company's lease expense for the year ended December 31, 2019 was approximately $162,300, which is included in rental operating expenses in the consolidated statements of operations.

The following table presents the Company's annual payments for the operating lease liabilities (including reasonably assured extension periods) for each of the next five 12–month periods ending December 31, and thereafter (in thousands):

2020	$	144
2021		118
2022		92
2023		55
2024		—
Thereafter		—
	$	409

NOTE 13 - ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents the changes in each component of the Company's accumulated other comprehensive loss for the years ended December 31, 2019, 2018, and 2017 (dollars in thousands):

Balance, January 1, 2017	$	(345)
Reclassification adjustment for realized loss on designated derivatives		163
Unrealized loss on designated derivatives		(380)
Balance, December 31, 2017		(562)
Reclassification adjustment for realized loss on designated derivatives		203
Unrealized loss on designated derivatives		(115)
Balance, December 31, 2018		(474)
Reclassification adjustment for realized loss on designated derivatives		344
Unrealized loss on designated derivatives		(88)
Balance, December 31, 2019	**$**	**(218)**

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NOTE 14 – 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. Until February 28, 2019, the Company's properties participated in a property loss self-insurance pool with other properties directly and indirectly managed by RAI and C-III, which was backed by a catastrophic insurance policy. The pool covered losses up to $2.5 million, after a $25,000 deductible per incident. Claims beyond the insurance pool limits would be covered by the catastrophic insurance policy, which covers claims up to $250.0 million, after either a $25,000 or a $100,000 deductible per incident depending on the location and/or type of loss. 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.

Beginning March 1, 2019, the Company now participates (with other properties directly or indirectly managed by RAI and C-III) only in the catastrophic insurance policy, which covers claims up to $250.0 million, after either a $25,000 or a $100,000 deductible per incident, depending on location and/or type of loss. Therefore, unforeseen or catastrophic losses in excess of the Company's insured limited could have a material adverse effect on the Company's financial condition and operating results. 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.

General liability loss policy. The Company also 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.

Directors and officers liability insurance. The Company participates in a liability insurance program for directors and officers coverage with other C-III managed entities and subsidiaries for coverage up to $100.0 million. The Company paid premiums of $269,911 in connection with this insurance program during the year ended December 31, 2019 for an annual policy through September 2020.

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, March 2015, and September 2019. 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 further amended and renewed the Advisory Agreement for another year on September 11, 2019. 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. The Manager subcontracts certain services to an unaffiliated third-party and pays for those services from its property management fee.

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 for which they are reimbursed.

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.

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

	As of December 31,	
	2019	**2018**
Due from related parties:		
RAI and affiliates	$ 236	$ 123
Due to related parties:		
Advisor:		
Operating expense reimbursements	35	55
Manager:		
Property management fees	521	520
Construction management fees	119	—
Operating expense reimbursements	8	344
	$ 683	$ 919

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

	For the Years Ended December 31,		
	2019	2018	2017
Fees earned / expenses paid to related parties:			
Advisor:			
Acquisition fees [1]	$ —	$ 1,697	$ 3,670
Asset management fees [2]	12,498	12,904	11,352
Disposition fees [3]	453	136	361
Debt financing fees [4]	116	350	1,036
Overhead allocation [5]	3,663	4,467	4,442
Internal audit fees [5]	108	102	69
Manager :			
Property management fees [2]	$ 6,034	$ 6,229	$ 5,567
Construction management fees [6]	500	790	764
Construction payroll reimbursements [6]	97	178	191
Acquisition-related reimbursements [1]	—	53	—
Operating expense reimbursements [7]	184	443	1,015
Debt servicing fees [2]	2	2	2
Other:			
The Planning & Zoning Resource Company [4]	$ 2	$ 2	$ 4
Graphic Images [5]	—	6	9

(1) For the year ended December 31, 2017, Acquisition fees are included in Acquisition costs on the consolidated statements of operations and comprehensive income (loss). For the year ended December 31, 2018, Acquisition fees are capitalized and included in Rental Properties, net on the consolidated balance sheet.
(2) Included in Management fees on the consolidated statements of operations and comprehensive income (loss).
(3) Included in Net gains on dispositions of properties 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 costs on the consolidated statements of operations and comprehensive income (loss).
(6) Capitalized and 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).

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NOTE 15 – 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 December 31, 2019 and 2018, no shares of preferred stock were issued and outstanding.

Common Stock

As of December 31, 2019, the Company had an aggregate of 69,467,689 shares of its $0.01 par value common stock outstanding as follows (dollars in thousands):

	Shares	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	16,432,119	168,934
Shares issued in conjunction with the Advisor's initial investment, net of 4,500 share conversion	15,500	155
Total	82,329,073	$ 803,748
Shares redeemed and retired	(12,861,384)	
Total shares issued and outstanding as of December 31, 2019	69,467,689	

(1) Includes 276,056 shares held by the Advisor.

Convertible Stock

As of December 31, 2019 and 2018, the Company had 49,935 and 49,989 shares of $0.01 par value convertible stock outstanding. The Advisor and affiliated persons owned 49,063 shares and outside investors own 872 shares at December 31, 2019. In 2017, the Company repurchased and retired five 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

(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.

As of December 31, 2019, no Triggering Event has occurred or was probable to occur.

Redemption of Securities

During the year ended December 31, 2019, the Company redeemed shares of its outstanding common stock pursuant to its share redemption program as follows (in thousands, except per share data):

Period	Total Number of Shares Redeemed[(1)]	Average Price Paid per Share
January 2019	—	—
February 2019	—	—
March 2019	789	$ 10.29
April 2019	—	—
May 2019	—	—
June 2019	515	$ 10.35
July 2019	—	—
August 2019	—	—
September 2019	1,469	$ 10.32
October 2019	—	—
November 2019	—	—
December 2019	536	$ 10.33
	3,309	

(1) With the exception of 4,444 shares redeemed outside of the Company's share redemption program in September 2019, and shares repurchased pursuant to a rescission right as described below, all purchases of equity securities by the Company during the twelve months ended December 31, 2019 were made pursuant to the Company's share redemption program.

As of December 31, 2019, the Company has no outstanding and unfulfilled redemption requests.

Effective March 20, 2020, the share redemption program is only available for redemptions submitted in connection with a stockholder's death, qualifying disability, or confinement to a long-term care facility. In addition, pursuant to the terms of the share redemption program, 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 currently redeems shares submitted in connection with a stockholder's death, qualifying disability, or confinement to a long-term care facility at a purchase price of $11.10 per share, which is equal to the current net asset value per share redeemed.

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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Additional Repurchases of Securities

To address a ministerial error in connection with the issuance of securities pursuant to the Company's distribution reinvestment plan during the period from June 8, 2017 through June 28, 2019 in certain jurisdictions, the Company repurchased 33,415 shares at an average price of $10.83 per share pursuant to a rescission right available to investors in such jurisdictions.

Distributions

For the year ended December 31, 2019, the Company paid aggregate distributions of $42.0 million, including $17.5 million of distributions paid in cash and $24.5 million of distributions reinvested in shares of common stock through the Company's 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 Distributions	Total Aggregate Distributions
January 30, 2019	$ 0.05	January 31, 2019	$ 2,108	$ 1,414	$ 3,522
February 27, 2019	0.05	February 28, 2019	2,100	1,431	3,531
March 28, 2019	0.05	March 29, 2019	2,090	1,413	3,503
April 29, 2019	0.05	April 30, 2019	2,082	1,430	3,512
May 30, 2019	0.05	May 31, 2019	2,084	1,439	3,523
June 27, 2019	0.05	June 28, 2019	2,069	1,438	3,507
July 30, 2019	0.05	July 31, 2019	1,740	1,777	3,517
August 29, 2019	0.05	August 30, 2019	2,066	1,459	3,525
September 27, 2019	0.05	September 30, 2019	2,043	1,419	3,462
October 30, 2019	0.05	October 31, 2019	2,042	1,430	3,472
November 26, 2019	0.05	November 27, 2019	2,043	1,439	3,482
December 30, 2019	0.05	December 31, 2019	2,032	1,432	3,464
	$ 0.60		$ 24,499	$ 17,521	$ 42,020

Since its formation, the Company has declared a total of seven quarterly stock distributions of 0.015 shares each, two quarterly stock distributions of 0.0075 shares each, one quarterly stock distribution of 0.00585 shares each, and two quarterly stock distributions of 0.005 shares each of its common stock outstanding.

NOTE 16 – 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.

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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)

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
December 31, 2019				
Assets:				
Interest rate caps	$ —	$ 20	$ —	$ 20
	$ —	$ 20	$ —	$ 20
December 31, 2018				
Assets:				
Interest rate caps	$ —	$ 28	$ —	$ 28
	$ —	$ 28	$ —	$ 28

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

	December 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loan held for investment, net	$ 809	$ 938	$ 793	$ 948
Mortgage notes payable- outstanding borrowings	$ (804,903)	$ (790,413)	$ (847,525)	$ (840,914)

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 rates available to the Company for debt with similar terms and remaining maturities. (Level 3)

NOTE 17 – DERIVATIVES AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks 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 21 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 transaction affects earnings. During the years ended December 31, 2019 and 2018, 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 years ended December 31, 2019 and December 31, 2018 the Company had a loss of $344,000 and $203,000, respectively, due to amortization of premiums paid for interest rate caps.

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. At December 31, 2019, the Company estimates that an additional $123,172 will be reclassified as an increase to interest expense over the next 12 months.

The following table presents the Company's outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk as of December 31, 2019 (dollars in thousands):

Interest Rate Derivative	Number of Instruments	Notional	Maturity Dates
Interest Rate Caps	21	$ 576,727	January 1, 2020 to April 1, 2023

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 December 31, 2019 and 2018 (in thousands):

Asset Derivatives				Liability Derivatives			
December 31, 2019		December 31, 2018		December 31, 2019		December 31, 2019	
Balance Sheet	Fair Value	Balance Sheet	Fair Value	Balance Sheet	Fair Value	Balance Sheet	Fair Value
Prepaid expenses and other assets	$ 20	Prepaid expenses and other assets	$ 28	—	$ —	—	$ —

NOTE 18 – OPERATING EXPENSES

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 December 31, 2019 were in compliance with the charter imposed limitation.

NOTE 19 – INSURANCE PROCEEDS IN EXCESS OF COST BASIS

For the year ended December 31, 2019, there were $570,000 of insurance proceeds in excess of cost basis included on the consolidated statements of operations and comprehensive income (loss). The Company received approximately $611,000 of proceeds from insurers, net of expenses, largely due to incidents that occurred in 2018 at The Westside Apartments and Calloway at Las Colinas.

For the year ended December 31, 2018, there were $515,000 of insurance proceeds in excess of cost basis included on the consolidated statements of operations and comprehensive income (loss). The Company received $466,000 of proceeds from insurers, net of expenses, largely due to incidents that occurred in 2017 at Williamsburg, Meridian Pointe, Evergreen at Coursey, Aston at Cinco Ranch, Providence in the Park, and Terraces at Lake Mary and $49,000 from insurers, net of expenses, related to an April 2018 fire at The Westside Apartments.

For the year ended December 31, 2017, there were $150,000 of insurance proceeds in excess of cost basis included on the consolidated statements of operations and comprehensive income (loss) received in 2017 from casualties that occurred in prior years at Evergreen at Coursey, Verona Apartment Homes, Skyview Apartment Homes, Meridian Pointe, Chisholm Place and Perimeter Circle.

NOTE 20 – QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables present the Company's operating results by quarter (in thousands, except share data):

Quarterly Results for 2019	March 31	June 30	September 30	December 31
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	$ 34,972	$ 33,559	$ 33,540	$ 33,474
Net income (loss) attributable to common stockholders	23,181	(9,807)	(9,641)	(5,480)
Basic and diluted net income (loss) per common share	$ 0.33	$ (0.14)	$ (0.14)	$ (0.07)

Quarterly Results for 2018	March 31	June 30	September 30	December 31
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	$ 32,649	$ 35,127	$ 36,302	$ 35,327
Net loss attributable to common stockholders	(10,949)	(12,229)	(5,631)	(1,765)
Basic and diluted net loss per common share	$ (0.15)	$ (0.17)	$ (0.09)	$ (0.02)

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NOTE 21 – SUBSEQUENT EVENTS

On January 21, 2020, 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 dates: January 30, 2020, February 27, 2020 and March 30, 2020. Such distributions were or are to be paid on January 31, February 28, and March 31, 2020.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The resulting restrictions on travel and quarantines imposed have had a negative impact on the U.S. economy and business activity globally, the full impact of which is not yet known and may result in an adverse impact to the Company’s investments and operating results.

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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RESOURCE REAL ESTATE OPPORTUNITY REIT, INC.
SCHEDULE III
Real Estate and Accumulated Depreciation
December 31, 2019
(in thousands)

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I
Description	Encumbrances	Initial cost to Company Buildings and Land Improvements	Cost capitalized subsequent to acquisition Improvements Carrying Costs	Gross Amount at which carried at close of Buildings and Land Improvements Total period	Accumulated Depreciation	Date of Construction	Date Acquired	Life on which depreciation in latest income is computed
Real estate owned:								
Residential	$ 14,315	$ 11,076	$ 4,949	$ 16,025	$ (5,897)	1961	6/17/2011	3 - 27.5 years
Philadelphia, PA			-	0				
Residential	13,100	8,273	2,174	10,447	(3,601)	1838	5/13/2011	3 - 27.5 years
Dayton, OH			-	-				
Residential	11,221	8,064	3,781	11,845	(4,002)	1986	4/18/2013	3 - 27.5 years
Hoover, AL			-	-				
Residential	17,723	26,496	4,755	31,251	(9,550)	1981	6/24/2013	3 - 27.5 years
Houston, TX			-	-				
Residential	35,838	31,001	6,308	37,309	(10,365)	1984	7/25/2013	3 - 27.5 years
Plano, TX			-	-				
Residential	11,730	17,583	2,957	20,540	(6,123)	1985	9/9/2013	3 - 27.5 years
Newport News, VA			-	-				
Residential	32,970	23,321	10,175	33,496	(8,643)	1985	9/30/2013	3 - 27.5 years
Littleton, CO			-	-				
Residential	28,400	29,509	(1,260)	28,249	(7,858)	1985	9/30/2013	3 - 27.5 years
Westminster, CO			-	-				
Residential	12,785	21,831	6,816	28,647	(10,064)	1982	12/16/2013	3 - 27.5 years
San Antonio, TX			-	-				
Residential	39,277	32,142	5,667	37,809	(10,426)	1988	12/20/2013	3 - 27.5 years
Burnsville, MN			-	-				
Residential	65,000	69,111	10,240	79,351	(20,321)	1999	3/28/2014	3 - 27.5 years
Alpharetta, GA			-	-				
Residential	25,627	42,001	1,289	43,290	(10,797)	2003	5/5/2014	3 - 27.5 years
Baton Rouge, LA			-	-				
Residential	26,115	28,911	3,635	32,546	(7,779)	1995	5/19/2014	3 - 27.5 years
Atlanta, GA			-	-				
Residential	20,630	21,796	3,550	25,346	(6,208)	1995	5/19/2014	3 - 27.5 years
Atlanta, GA			-	-				
Residential	22,032	31,385	3,448	34,833	(8,151)	2000	6/26/2014	3 - 27.5 years
Katy, TX			-	-				
Residential	21,068	34,554	6,491	41,045	(9,152)	1949	9/4/2014	3 - 27.5 years
San Antonio, TX			-	-				
Residential	32,938	47,075	8,892	55,967	(13,260)	1984	9/29/2014	3 - 27.5 years
Irving, TX			-	-				
Residential	14,114	21,204	923	22,127	(4,763)	1974	11/25/2014	3 - 27.5 years
Yorktown, VA			-	-				
Residential	21,000	23,370	5,535	28,905	(6,522)	1981	2/26/2015	3 - 27.5 years
Austin, TX			-	-				
Residential	24,808	35,070	8,053	43,123	(8,945)	1986	3/19/2015	3 - 27.5 years
Gilbert, AZ			-	-				
Residential	66,238	116,036	13,815	129,851	(17,684)	1986	6/1/2015	3 - 27.5 years
Orange County, CA			-	-				
Residential	25,696	50,365	6,578	56,943	(7,869)	1988	6/16/2015	3 - 27.5 years
Chula Vista, CA			-	-				
Residential	46,397	61,490	3,918	65,408	(8,057)	1997	12/22/2016	3 - 27.5 years
Arlington, TX			-	-				
Residential	60,999	77,128	2,102	79,230	(7,100)	1988	5/31/2017	3 - 27.5 years
Lisle, IL			-	-				

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Residential	32,110	43,132	1,765	44,897	(3,827)	1998	8/31/2017	3 - 27.5 years
Lake Mary, FL			-	-				
Residential	27,100	40,508	1,640	42,148	(2,964)	2001	12/20/2017	3 - 27.5 years
Jacksonville, FL			-	-				
Residential	22,750	33,260	2,612	35,872	(2,385)	1986	4/17/2018	3 - 27.5 years
Sandy Springs, GA			-	—				
Residential	32,922	43,626	3,601	47,227	(3,270)	1978	4/25/2018	3 - 27.5 years
Grapevine, TX			-	-				
	$ 804,903	$ 1,029,318	$ 134,409	$ 1,163,727	$ (225,583)			

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Investments in Rental Properties:			
Balance, beginning of the period	$ 1,212,720	$ 1,146,597	$ 1,010,264
Acquisitions	—	76,886	160,767
Improvements, etc.	14,423	21,499	21,592
Dispositions during the period	(63,416)	(32,262)	(46,026)
Balance, close of the period	$ 1,163,727	$ 1,212,720	$ 1,146,597
Accumulated depreciation:			
Balance, beginning of the period	$ (194,777)	$ (147,708)	$ (107,810)
Sales	22,075	6,972	8,146
Disposals	921	1,059	685
Depreciation	(53,802)	(55,100)	(48,729)
Balance, close of the period	$ (225,583)	$ (194,777)	$ (147,708)

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RESOURCE REAL ESTATE OPPORTUNITY REIT, INC.
SCHEDULE IV
Mortgage Loans on Real Estate
December 31, 2019
(dollars in thousands)

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
Description	Interest rate	Final maturity date	Periodic payment term	Prior liens	Face amount of mortgages	Carrying amount of mortgages	Principal amount of loans subject to delinquent principal or interest
Residential Columbia City, IN	Fixed interest rate of 7.5%	10/28/2021	N/A	N/A	$ 891	$ 809	$ —
					$ 891	$ 809	$ —

	Year Ended December 31, 2019
Balance, beginning of the period	$ 793
Interest accretion	44
Principal reductions	(28)
Balance, end of the period	$ 809

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