



Clipper Realty Inc.

SUPPLEMENTAL DATA

Third Quarter 2020



Clipper Realty Inc. Announces Third Quarter 2020 Results

NEW YORK, November 9, 2020 /Business Wire/ -- Clipper Realty Inc. (NYSE: CLPR) (the “Company”), a leading owner and operator of multifamily residential and commercial properties in the New York metropolitan area, today announced financial and operating results for the three months ended September 30, 2020.

Highlights for the Three Months Ended September 30, 2020

- Achieved quarterly revenues of \$29.6 million for the third quarter of 2020, representing an increase of 0.6% compared to the same period in 2019
- Achieved quarterly income from operations of \$6.8 million for the third quarter of 2020, or \$5.9 million excluding a non-recurring \$0.8 million gain on termination of lease
- Achieved quarterly net operating income (“NOI”)¹ of \$14.5 million for the third quarter of 2020
- Recorded quarterly net loss of \$3.4 million for the third quarter of 2020, or \$4.3 million excluding a non-recurring \$0.8 million gain on termination of lease
- Achieved quarterly adjusted funds from operations (“AFFO”)¹ of \$2.9 million for the third quarter of 2020
- Declared a dividend of \$0.095 per share for the third quarter of 2020

David Bistricher, Co-Chairman and Chief Executive Officer, commented,

“Our third quarter 2020 results were challenging in light of the economic issues posed by the ongoing COVID-19 pandemic, which resulted in declines in occupancy and rental rates at certain of our properties. We continue to focus on efficiently operating our portfolio, with the safety of our tenants and employees our highest priority. Despite the continuing headwinds, our properties are currently 93% leased and our third quarter rent collection rate was over 97%. We have a strong liquidity position with \$105.0 million of cash on the balance sheet, consisting of \$82.9 million of unrestricted cash and \$22.1 million of restricted cash, and have no debt maturities on any operating properties until 2027, providing further support in the current environment. We remain committed to executing our strategic initiatives to create long-term value.”

Financial Results

For the third quarter of 2020, revenues increased by \$0.2 million, or 0.6%, to \$29.6 million, compared to \$29.4 million for the third quarter of 2019. The growth was primarily attributable to the commencement of a new office lease at the 250 Livingston Street property and bringing the Clover House property online during the third quarter of 2019, partially offset by a decline in leased occupancy and residential rental rate at the Tribeca House property.

For the third quarter of 2020, net loss was \$3.4 million, or \$0.09 per share (\$4.3 million, or \$0.10 per share, excluding a non-recurring \$0.8 million gain on termination of lease), compared to net loss of \$0.2 million, or \$0.01 per share, for the third quarter of 2019. The change was primarily attributable to the revenue increase discussed above, offset by higher property operating expenses (including an increase in the provision for bad debt), property taxes, insurance expense, and depreciation and amortization expense (each such expense inclusive of the impact of bringing the Clover House property online), and higher interest expense primarily

¹ NOI and AFFO are non-GAAP financial measures. For a definition of these financial measures and a reconciliation of such measures to the most comparable GAAP measures, see “Reconciliation of Non-GAAP Measures” at the end of this release.

resulting from the refinancing of the Flatbush Gardens property in May 2020 and the recognition of interest expense in connection with bringing the Clover House property online.

For the third quarter of 2020, AFFO was \$2.9 million, or \$0.06 per share, compared to \$5.4 million, or \$0.12 per share, for the third quarter of 2019. The change was primarily attributable to the revenue increase discussed above, offset by higher property operating expenses (including an increase in the provision for bad debt), property taxes, insurance expense and interest expense.

Balance Sheet

At September 30, 2020, notes payable (excluding unamortized loan costs) was \$1,090.4 million, compared to \$1,009.4 million at December 31, 2019; the increase primarily reflected the refinancing of the Flatbush Gardens property in May 2020, partially offset by scheduled principal amortization.

The Company repurchased 45,858 shares of common stock during the third quarter at a weighted average price of \$5.90 per share under its \$10.0 million stock repurchase program announced in August 2020. At the end of September 2020, the Company had \$9.7 million remaining under the stock repurchase program.

Dividend

The Company today declared a third quarter dividend of \$0.095 per share, the same amount as last quarter, to shareholders of record on November 20, 2020, payable November 27, 2020.

Conference Call and Supplemental Material

The Company will host a conference call on November 9, 2020, at 5:00 PM Eastern Time to discuss the third quarter 2020 results and provide a business update pertaining to the COVID-19 pandemic. The conference call can be accessed by dialing (800) 346-7359 or (973) 528-0008, conference entry code 247691. A replay of the call will be available from November 9, 2020, following the call, through November 23, 2020, by dialing (800) 332-6854 or (973) 528-0005, replay conference ID 247691. Supplemental data to this press release can be found under the “Quarterly Earnings” navigation tab on the “Investors” page of our website at www.clipperrealty.com. The Company’s filings with the Securities and Exchange Commission (the “SEC”) are filed at www.sec.gov under Clipper Realty Inc.

About Clipper Realty Inc.

Clipper Realty Inc. (NYSE: CLPR) is a self-administered and self-managed real estate company that acquires, owns, manages, operates and repositions multifamily residential and commercial properties in the New York metropolitan area, with a portfolio in Manhattan and Brooklyn. For more information on the Company, please visit www.clipperrealty.com.

Forward-Looking Statements

Various statements contained in this press release, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements may include estimates concerning capital projects and the success of specific properties. Our forward-looking statements are generally accompanied by words such as "estimate," "project," "predict," "believe," "expect," "intend," "anticipate," "potential," "plan" or other words that convey the uncertainty of future events or outcomes. The forward-looking statements in this press release speak only as of the date of this press release.

We disclaim any obligation to update these statements unless required by law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties (including uncertainties regarding the impact of the COVID-19 pandemic, and measures intended to curb its spread, on our business, our tenants and the economy generally), most of which are difficult to predict and many of which are beyond our control and which may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. For a discussion of these and other important factors that could affect our actual results, please refer to our filings with the SEC, including the "Risk Factors" section of our Quarterly Report on Form 10-Q for the quarters ended September 30, 2020, June 30, 2020, and March 31, 2020, our Annual Report on Form 10-K for the year ended December 31, 2019, and other reports filed from time to time with the SEC.

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Clipper Realty Inc.
Consolidated Balance Sheets
(In thousands, except for share and per share data)

	September 30, 2020	December 31, 2019
	(unaudited)	
ASSETS		
Investment in real estate		
Land and improvements	\$ 540,859	\$ 540,859
Building and improvements	624,379	602,547
Tenant improvements	2,998	3,051
Furniture, fixtures and equipment	12,090	11,707
Real estate under development	35,176	31,787
Total investment in real estate	1,215,502	1,189,951
Accumulated depreciation	(126,270)	(109,418)
Investment in real estate, net	1,089,232	1,080,533
Cash and cash equivalents	82,856	42,500
Restricted cash	22,117	14,432
Tenant and other receivables, net of allowance for doubtful accounts of \$4,985 and \$3,361, respectively	8,058	4,187
Deferred rent	673	1,274
Deferred costs and intangible assets, net	7,898	8,782
Prepaid expenses and other assets	12,047	14,499
TOTAL ASSETS	\$ 1,222,881	\$ 1,166,207
LIABILITIES AND EQUITY		
Liabilities:		
Notes payable, net of unamortized loan costs of \$10,811 and \$11,528, respectively	\$ 1,079,585	\$ 997,903
Accounts payable and accrued liabilities	11,757	13,029
Security deposits	7,079	7,570
Below-market leases, net	189	1,625
Other liabilities	4,172	4,297
TOTAL LIABILITIES	1,102,782	1,024,424
Equity:		
Preferred stock, \$0.01 par value; 100,000 shares authorized (including 140 shares of 12.5% Series A cumulative non-voting preferred stock), zero shares issued and outstanding	-	-
Common stock, \$0.01 par value; 500,000,000 shares authorized, 17,768,814 and 17,814,672 shares issued and outstanding, respectively	178	178
Additional paid-in-capital	93,612	93,431
Accumulated deficit	(45,384)	(36,375)
Total stockholders' equity	48,406	57,234
Non-controlling interests	71,693	84,549
TOTAL EQUITY	120,099	141,783
TOTAL LIABILITIES AND EQUITY	\$ 1,222,881	\$ 1,166,207

Clipper Realty Inc.
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
REVENUES				
Residential rental income	\$ 21,948	\$ 22,117	\$ 69,345	\$ 64,035
Commercial rental income	7,663	7,323	21,881	21,503
TOTAL REVENUES	29,611	29,440	91,226	85,538
OPERATING EXPENSES				
Property operating expenses	7,867	7,357	21,894	21,667
Real estate taxes and insurance	7,463	6,740	21,105	18,178
General and administrative	2,407	1,904	7,324	6,151
Depreciation and amortization	5,934	4,929	17,364	14,068
TOTAL OPERATING EXPENSES	23,671	20,930	67,687	60,064
Gain on termination of lease	838	-	838	-
INCOME FROM OPERATIONS	6,778	8,510	24,377	25,474
Interest expense, net	(10,207)	(8,692)	(29,974)	(25,176)
Loss on modification/extinguishment of debt	-	-	(4,228)	(1,771)
Gain on involuntary conversion	-	-	85	-
Net loss	(3,429)	(182)	(9,740)	(1,473)
Net loss attributable to non-controlling interests	2,045	109	5,808	879
Net loss attributable to common stockholders	\$ (1,384)	\$ (73)	\$ (3,932)	\$ (594)
Basic and diluted net loss per share	\$ (0.09)	\$ (0.01)	\$ (0.24)	\$ (0.05)
Weighted average common shares / OP units				
Common shares outstanding	17,811	17,815	17,814	17,814
OP units outstanding	26,317	26,317	26,317	26,317
Diluted shares outstanding	44,128	44,132	44,131	44,131

Clipper Realty Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (9,740)	\$ (1,473)
<i>Adjustments to reconcile net loss to net cash provided by operating activities:</i>		
Depreciation	16,939	13,496
Amortization of deferred financing costs	910	1,263
Amortization of deferred costs and intangible assets	785	933
Amortization of above- and below-market leases	(358)	(1,080)
Loss on modification/extinguishment of debt	4,228	1,771
Gain on involuntary conversion	(85)	-
Gain on termination of lease	(838)	-
Deferred rent	601	1,000
Stock-based compensation	1,249	1,185
Bad debt expense	1,558	-
<i>Changes in operating assets and liabilities:</i>		
Tenant and other receivables	(5,429)	(1,399)
Prepaid expenses, other assets and deferred costs	2,341	1,839
Accounts payable and accrued liabilities	(1,299)	(1,369)
Security deposits	(491)	932
Other liabilities	(125)	1,292
Net cash provided by operating activities	10,246	18,390
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to land, buildings and improvements	(24,885)	(34,962)
Insurance proceeds from involuntary conversion	111	-
Sale and purchase of interest rate caps, net	(14)	-
Acquisition deposit	-	(1,550)
Net cash used in investing activities	(24,788)	(36,512)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of common stock	(240)	-
Payments of mortgage notes	(248,706)	(77,127)
Proceeds from mortgage notes	329,671	125,000
Dividends and distributions	(12,922)	(12,813)
Loan issuance and extinguishment costs	(5,220)	(2,166)
Net cash provided by financing activities	62,583	32,894
Net increase in cash and cash equivalents and restricted cash	48,041	14,772
Cash and cash equivalents and restricted cash - beginning of period	56,932	45,864
Cash and cash equivalents and restricted cash - end of period	\$ 104,973	\$ 60,636
Cash and cash equivalents and restricted cash - beginning of period:		
Cash and cash equivalents	\$ 42,500	\$ 37,028
Restricted cash	14,432	8,836
Total cash and cash equivalents and restricted cash - beginning of period	\$ 56,932	\$ 45,864
Cash and cash equivalents and restricted cash - end of period:		
Cash and cash equivalents	\$ 82,856	\$ 43,552
Restricted cash	22,117	17,084
Total cash and cash equivalents and restricted cash - end of period	\$ 104,973	\$ 60,636
Supplemental cash flow information:		
Cash paid for interest, net of capitalized interest of \$1,065 and \$5,261 in 2020 and 2019, respectively	\$ 29,576	\$ 26,214
Non-cash interest capitalized to real estate under development	813	937
Additions to investment in real estate included in accounts payable and accrued liabilities	3,887	7,069

Clipper Realty Inc.
Reconciliation of Non-GAAP Measures
(In thousands, except per share data)
(Unaudited)

Non-GAAP Financial Measures

We disclose and discuss funds from operations (“FFO”), adjusted funds from operations (“AFFO”), adjusted earnings before interest, income taxes, depreciation and amortization (“Adjusted EBITDA”) and net operating income (“NOI”), all of which meet the definition of “non-GAAP financial measures” set forth in Item 10(e) of Regulation S-K promulgated by the SEC.

While management and the investment community in general believe that presentation of these measures provides useful information to investors, neither FFO, AFFO, Adjusted EBITDA, nor NOI should be considered as an alternative to net income (loss) or income from operations as an indication of our performance. We believe that to understand our performance further, FFO, AFFO, Adjusted EBITDA, and NOI should be compared with our reported net income or income from operations and considered in addition to cash flows computed in accordance with GAAP, as presented in our consolidated financial statements.

Funds From Operations and Adjusted Funds From Operations

FFO is defined by the National Association of Real Estate Investment Trusts (“NAREIT”) as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property and impairment adjustments, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Our calculation of FFO is consistent with FFO as defined by NAREIT.

AFFO is defined by us as FFO excluding amortization of identifiable intangibles incurred in property acquisitions, straight-line rent adjustments to revenue from long-term leases, amortization costs incurred in originating debt, interest rate cap mark-to-market adjustments, amortization of non-cash equity compensation, acquisition and other costs, loss on modification/extinguishment of debt, gain on involuntary conversion, gain on termination of lease and non-recurring litigation-related expenses, less recurring capital spending.

Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. In fact, real estate values have historically risen or fallen with market conditions. FFO is intended to be a standard supplemental measure of operating performance that excludes historical cost depreciation and valuation adjustments from net income. We consider FFO useful in evaluating potential property acquisitions and measuring operating performance. We further consider AFFO useful in determining funds available for payment of distributions. Neither FFO nor AFFO represent net income or cash flows from operations computed in accordance with GAAP. You should not consider FFO and AFFO to be alternatives to net income (loss) as reliable measures of our operating performance; nor should you consider FFO and AFFO to be alternatives to cash flows from operating, investing or financing activities (computed in accordance with GAAP) as measures of liquidity.

Neither FFO nor AFFO measure whether cash flow is sufficient to fund all of our cash needs, including principal amortization, capital improvements and distributions to stockholders. FFO and AFFO do not represent cash flows from operating, investing or financing activities computed in accordance with GAAP. Further, FFO and AFFO as disclosed by other REITs might not be comparable to our calculations of FFO and AFFO.

The following table sets forth a reconciliation of FFO and AFFO for the periods presented to net loss, computed in accordance with GAAP (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
FFO				
Net loss	\$ (3,429)	\$ (182)	\$ (9,740)	\$ (1,473)
Real estate depreciation and amortization	5,934	4,929	17,364	14,068
FFO	\$ 2,505	\$ 4,747	\$ 7,624	\$ 12,595
AFFO				
FFO	\$ 2,505	\$ 4,747	\$ 7,624	\$ 12,595
Amortization of real estate tax intangible	120	122	360	361
Amortization of above- and below-market leases	(130)	(250)	(358)	(1,080)
Straight-line rent adjustments	208	184	601	1,000
Amortization of debt origination costs	302	334	910	1,263
Amortization of LTIP awards	556	325	1,249	1,185
Loss on modification/extinguishment of debt	-	-	4,228	1,771
Gain on involuntary conversion	-	-	(85)	-
Gain on termination of lease	(838)	-	(838)	-
Non-recurring litigation-related expenses	186	87	610	87
Recurring capital spending	(59)	(126)	(442)	(405)
AFFO	\$ 2,850	\$ 5,423	\$ 13,859	\$ 16,777
<i>AFFO Per Share/Unit</i>	<i>\$ 0.06</i>	<i>\$ 0.12</i>	<i>\$ 0.31</i>	<i>\$ 0.38</i>

Adjusted Earnings Before Interest, Income Taxes, Depreciation and Amortization

We believe that Adjusted EBITDA is a useful measure of our operating performance. We define Adjusted EBITDA as net income (loss) before allocation to non-controlling interests, plus real estate depreciation and amortization, amortization of identifiable intangibles, straight-line rent adjustments to revenue from long-term leases, amortization of non-cash equity compensation, interest expense (net), acquisition and other costs, loss on modification/extinguishment of debt and non-recurring litigation-related expenses, less gain on involuntary conversion and gain on termination of lease.

We believe that this measure provides an operating perspective not immediately apparent from GAAP income from operations or net income (loss). We consider Adjusted EBITDA to be a meaningful financial measure of our core operating performance.

However, Adjusted EBITDA should only be used as an alternative measure of our financial performance. Further, other REITs may use different methodologies for calculating Adjusted EBITDA, and accordingly, our Adjusted EBITDA may not be comparable to that of other REITs.

The following table sets forth a reconciliation of Adjusted EBITDA for the periods presented to net loss, computed in accordance with GAAP (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Adjusted EBITDA				
Net loss	\$ (3,429)	\$ (182)	\$ (9,740)	\$ (1,473)
Real estate depreciation and amortization	5,934	4,929	17,364	14,068
Amortization of real estate tax intangible	120	122	360	361
Amortization of above- and below-market leases	(130)	(250)	(358)	(1,080)
Straight-line rent adjustments	208	184	601	1,000
Amortization of LTIP awards	556	325	1,249	1,185
Interest expense, net	10,207	8,692	29,974	25,176
Loss on modification/extinguishment of debt	-	-	4,228	1,771
Gain on involuntary conversion	-	-	(85)	-
Gain on termination of lease	(838)	-	(838)	-
Non-recurring litigation-related expenses	186	87	610	87
Adjusted EBITDA	\$ 12,814	\$ 13,907	\$ 43,365	\$ 41,095

Net Operating Income

We believe that NOI is a useful measure of our operating performance. We define NOI as income from operations plus real estate depreciation and amortization, general and administrative expenses, acquisition and other costs, amortization of identifiable intangibles and straight-line rent adjustments to revenue from long-term leases, less gain on termination of lease. We believe that this measure is widely recognized and provides an operating perspective not immediately apparent from GAAP income from operations or net income (loss). We use NOI to evaluate our performance because NOI allows us to evaluate the operating performance of our company by measuring the core operations of property performance and capturing trends in rental housing and property operating expenses. NOI is also a widely used metric in valuation of properties.

However, NOI should only be used as an alternative measure of our financial performance. Further, other REITs may use different methodologies for calculating NOI, and accordingly, our NOI may not be comparable to that of other REITs.

The following table sets forth a reconciliation of NOI for the periods presented to income from operations, computed in accordance with GAAP (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
NOI				
Income from operations	\$ 6,778	\$ 8,510	\$ 24,377	\$ 25,474
Real estate depreciation and amortization	5,934	4,929	17,364	14,068
General and administrative expenses	2,407	1,904	7,324	6,151
Amortization of real estate tax intangible	120	122	360	361
Amortization of above- and below-market leases	(130)	(250)	(358)	(1,080)
Straight-line rent adjustments	208	184	601	1,000
Gain on termination of lease	(838)	-	(838)	-
NOI	\$ 14,479	\$ 15,399	\$ 48,830	\$ 45,974

Clipper Realty Inc.
Consolidated Balance Sheets
(In thousands, except for share and per share data)

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	(unaudited)	(unaudited)	(unaudited)		(unaudited)	(unaudited)	(unaudited)	
ASSETS								
Investment in real estate								
Land and improvements	\$ 540,859	\$ 540,859	\$ 540,859	\$ 540,859	\$ 540,859	\$ 497,343	\$ 497,343	\$ 497,343
Building and improvements	624,379	613,983	607,353	602,547	597,600	489,383	483,786	479,360
Tenant improvements	2,998	3,051	3,051	3,051	3,051	3,051	3,051	3,051
Furniture, fixtures and equipment	12,090	12,001	11,865	11,707	11,659	11,364	11,052	10,978
Real estate under development	35,176	34,331	32,894	31,787	-	139,061	132,181	125,467
Total investment in real estate	<u>1,215,502</u>	<u>1,204,225</u>	<u>1,196,022</u>	<u>1,189,951</u>	<u>1,153,169</u>	<u>1,140,202</u>	<u>1,127,413</u>	<u>1,116,199</u>
Accumulated depreciation	(126,270)	(120,474)	(114,903)	(109,418)	(103,958)	(99,217)	(94,823)	(90,462)
Investment in real estate, net	<u>1,089,232</u>	<u>1,083,751</u>	<u>1,081,119</u>	<u>1,080,533</u>	<u>1,049,211</u>	<u>1,040,985</u>	<u>1,032,590</u>	<u>1,025,737</u>
Cash and cash equivalents	82,856	88,253	36,298	42,500	43,552	56,349	29,379	37,028
Restricted cash	22,117	28,047	17,572	14,432	17,084	16,455	13,255	8,836
Tenant and other receivables, net of allowance for doubtful accounts	8,058	7,847	4,750	4,187	4,979	3,358	2,908	3,580
Deferred rent	673	881	1,073	1,274	1,485	1,669	1,851	2,485
Deferred costs and intangible assets, net	7,898	8,199	8,560	8,782	9,053	9,373	9,665	9,964
Prepaid expenses and other assets	12,047	13,471	8,581	14,499	12,954	13,193	7,506	13,378
TOTAL ASSETS	<u>\$ 1,222,881</u>	<u>\$ 1,230,449</u>	<u>\$ 1,157,953</u>	<u>\$ 1,166,207</u>	<u>\$ 1,138,318</u>	<u>\$ 1,141,382</u>	<u>\$ 1,097,154</u>	<u>\$ 1,101,008</u>
LIABILITIES AND EQUITY								
Liabilities:								
Notes payable, net of unamortized loan costs	\$ 1,079,585	\$ 1,079,677	\$ 997,752	\$ 997,903	\$ 963,218	\$ 963,335	\$ 913,683	\$ 913,564
Accounts payable and accrued liabilities	11,757	10,699	9,793	13,029	12,252	12,711	12,562	12,550
Security deposits	7,079	7,576	7,637	7,570	7,569	7,035	6,704	6,637
Below-market leases, net	189	1,367	1,496	1,625	1,754	2,034	2,469	2,923
Other liabilities	4,172	3,560	4,416	4,297	5,141	3,751	4,489	3,849
TOTAL LIABILITIES	<u>1,102,782</u>	<u>1,102,879</u>	<u>1,021,094</u>	<u>1,024,424</u>	<u>989,934</u>	<u>988,866</u>	<u>939,907</u>	<u>939,523</u>
Equity:								
Preferred stock, \$0.01 par value; 100,000 shares authorized (including 140 shares of 12.5% Series A cumulative non-voting preferred stock)	-	-	-	-	-	-	-	-
Common stock, \$0.01 par value; 500,000,000 shares authorized	178	178	178	178	178	178	178	178
Additional paid-in-capital	93,612	93,626	93,461	93,431	93,332	93,235	92,980	92,945
Accumulated deficit	(45,384)	(42,307)	(38,393)	(36,375)	(33,612)	(31,847)	(29,687)	(27,941)
Total stockholders' equity	<u>48,406</u>	<u>51,497</u>	<u>55,246</u>	<u>57,234</u>	<u>59,898</u>	<u>61,566</u>	<u>63,471</u>	<u>65,182</u>
Non-controlling interests	71,693	76,073	81,613	84,549	88,486	90,950	93,776	96,303
TOTAL EQUITY	<u>120,099</u>	<u>127,570</u>	<u>136,859</u>	<u>141,783</u>	<u>148,384</u>	<u>152,516</u>	<u>157,247</u>	<u>161,485</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 1,222,881</u>	<u>\$ 1,230,449</u>	<u>\$ 1,157,953</u>	<u>\$ 1,166,207</u>	<u>\$ 1,138,318</u>	<u>\$ 1,141,382</u>	<u>\$ 1,097,154</u>	<u>\$ 1,101,008</u>

Clipper Realty Inc.
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
REVENUES				
Residential rental income	\$ 21,948	\$ 22,117	\$ 69,345	\$ 64,035
Commercial rental income	7,663	7,323	21,881	21,503
TOTAL REVENUES	<u>29,611</u>	<u>29,440</u>	<u>91,226</u>	<u>85,538</u>
OPERATING EXPENSES				
Property operating expenses	7,867	7,357	21,894	21,667
Real estate taxes and insurance	7,463	6,740	21,105	18,178
General and administrative	2,407	1,904	7,324	6,151
Depreciation and amortization	5,934	4,929	17,364	14,068
TOTAL OPERATING EXPENSES	<u>23,671</u>	<u>20,930</u>	<u>67,687</u>	<u>60,064</u>
Gain on termination of lease	838	-	838	-
INCOME FROM OPERATIONS	<u>6,778</u>	<u>8,510</u>	<u>24,377</u>	<u>25,474</u>
Interest expense, net	(10,207)	(8,692)	(29,974)	(25,176)
Loss on modification/extinguishment of debt	-	-	(4,228)	(1,771)
Gain on involuntary conversion	-	-	85	-
Net loss	<u>(3,429)</u>	<u>(182)</u>	<u>(9,740)</u>	<u>(1,473)</u>
Net loss attributable to non-controlling interests	2,045	109	5,808	879
Net loss attributable to common stockholders	<u>\$ (1,384)</u>	<u>\$ (73)</u>	<u>\$ (3,932)</u>	<u>\$ (594)</u>
Basic and diluted net loss per share	\$ (0.09)	\$ (0.01)	\$ (0.24)	\$ (0.05)
Weighted average common shares / OP units				
Common shares outstanding	17,811	17,815	17,814	17,814
OP units outstanding	26,317	26,317	26,317	26,317
Diluted shares outstanding	<u>44,128</u>	<u>44,132</u>	<u>44,131</u>	<u>44,131</u>

Clipper Realty Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,		Three Months Ended			
	2020	2019	9/30/2020	6/30/2020	3/31/2020	12/31/2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Net loss	\$ (9,740)	\$ (1,473)	\$ (3,429)	\$ (5,505)	\$ (806)	\$ (2,650)
<i>Adjustments to reconcile net loss to net cash provided by operating activities.</i>						
Depreciation	16,939	13,496	5,861	5,593	5,485	5,460
Amortization of deferred financing costs	910	1,263	302	304	304	424
Amortization of deferred costs and intangible assets	785	933	193	400	192	242
Amortization of above- and below-market leases	(358)	(1,080)	(130)	(129)	(99)	(100)
Loss on modification/extinguishment of debt	4,228	1,771	-	4,228	-	661
Gain on involuntary conversion	(85)	-	-	(85)	-	-
Gain on termination of lease	(838)	-	(838)	-	-	-
Deferred rent	601	1,000	208	192	201	211
Stock-based compensation	1,249	1,185	556	535	158	325
Bad debt expense	1,558	-	659	599	300	-
<i>Changes in operating assets and liabilities:</i>						
Tenant and other receivables	(5,429)	(1,399)	(870)	(3,696)	(863)	792
Prepaid expenses, other assets and deferred costs	2,341	1,839	1,352	(4,929)	5,918	(3,095)
Accounts payable and accrued liabilities	(1,299)	(1,369)	1,185	(558)	(1,926)	3,955
Security deposits	(491)	932	(497)	(61)	67	1
Other liabilities	(125)	1,292	612	(856)	119	(844)
Net cash provided by (used in) operating activities	10,246	18,390	5,164	(3,968)	9,050	5,382
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to land, buildings and improvements	(24,885)	(34,962)	(11,263)	(6,521)	(7,101)	(8,812)
Insurance proceeds from involuntary conversion	111	-	-	111	-	-
Sale and purchase of interest rate caps, net	(14)	-	-	-	(14)	-
Acquisition deposit	-	(1,550)	-	-	-	1,550
Cash paid in connection with acquisition of real estate	-	-	-	-	-	(31,129)
Net cash used in investing activities	(24,788)	(36,512)	(11,263)	(6,410)	(7,115)	(38,391)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repurchase of common stock	(240)	-	(240)	-	-	-
Payments of mortgage notes	(248,706)	(77,127)	(908)	(246,901)	(897)	(65,511)
Proceeds from mortgage notes	329,671	125,000	247	329,248	176	101,457
Dividends and distributions	(12,922)	(12,813)	(4,327)	(4,319)	(4,276)	(4,276)
Loan issuance and extinguishment costs	(5,220)	(2,166)	-	(5,220)	-	(2,365)
Net cash provided by (used in) financing activities	62,583	32,894	(5,228)	72,808	(4,997)	29,305
Net increase (decrease) in cash and cash equivalents and restricted cash	48,041	14,772	(11,327)	62,430	(3,062)	(3,704)
Cash and cash equivalents and restricted cash - beginning of period	56,932	45,864	116,300	53,870	56,932	60,636
Cash and cash equivalents and restricted cash - end of period	\$ 104,973	\$ 60,636	\$ 104,973	\$ 116,300	\$ 53,870	\$ 56,932
Cash and cash equivalents and restricted cash - beginning of period:						
Cash and cash equivalents	\$ 42,500	\$ 37,028	\$ 88,253	\$ 36,298	\$ 42,500	\$ 43,552
Restricted cash	14,432	8,836	28,047	17,572	14,432	17,084
Total cash and cash equivalents and restricted cash - beginning of period	<u>\$ 56,932</u>	<u>\$ 45,864</u>	<u>\$ 116,300</u>	<u>\$ 53,870</u>	<u>\$ 56,932</u>	<u>\$ 60,636</u>
Cash and cash equivalents and restricted cash - end of period:						
Cash and cash equivalents	\$ 82,856	\$ 43,552	\$ 82,856	\$ 88,253	\$ 36,298	\$ 42,500
Restricted cash	22,117	17,084	22,117	28,047	17,572	14,432
Total cash and cash equivalents and restricted cash - end of period	<u>\$ 104,973</u>	<u>\$ 60,636</u>	<u>\$ 104,973</u>	<u>\$ 116,300</u>	<u>\$ 53,870</u>	<u>\$ 56,932</u>
Supplemental cash flow information:						
Cash paid for interest, net of capitalized interest of \$1,065 and \$5,261 in 2020 and 2019, respectively	\$ 29,576	\$ 26,214				
Non-cash interest capitalized to real estate under development	813	937				
Additions to investment in real estate included in accounts payable and accrued liabilities	3,887	7,069				

CLIPPER REALTY INC.
SUPPLEMENTAL DATA (UNAUDITED)
September 2020
(In thousands)

	Three months ended							
	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18
Revenue								
141 Livingston	\$ 3,245	\$ 3,077	\$ 3,063	\$ 3,126	\$ 2,998	\$ 2,901	\$ 2,952	\$ 2,823
250 Livingston	3,395	2,736	2,739	2,718	2,883	2,950	2,875	2,882
Flatbush Gardens	10,805	10,849	10,891	10,871	10,819	10,726	10,541	10,380
Tribeca	8,151	9,551	9,711	9,826	9,751	9,635	9,017	9,236
Aspen	1,669	1,894	1,892	1,833	1,858	1,824	1,801	1,826
10 West 65th Street	651	770	863	870	753	410	466	735
Clover House	1,695	1,852	1,727	1,383	378	-	-	-
Total Revenue	29,611	30,729	30,886	30,627	29,440	28,446	27,652	27,881
Operating Expenses								
141 Livingston	(1,332)	(899)	(1,048)	(1,004)	(1,066)	(884)	(898)	(812)
250 Livingston	(955)	(847)	(991)	(917)	(967)	(852)	(930)	(850)
Flatbush Gardens	(6,571)	(6,002)	(6,090)	(6,075)	(6,122)	(5,943)	(6,514)	(5,953)
Tribeca	(4,723)	(4,168)	(4,177)	(4,262)	(4,452)	(3,872)	(3,961)	(3,784)
Aspen	(646)	(743)	(749)	(683)	(658)	(564)	(627)	(606)
10 West 65th Street	(392)	(388)	(360)	(347)	(436)	(340)	(365)	(377)
Clover House	(711)	(599)	(608)	(720)	(396)	-	-	-
Total Operating Expenses	(15,330)	(13,646)	(14,023)	(14,008)	(14,097)	(12,454)	(13,294)	(12,383)
Net Operating Income GAAP ("NOI (GAAP)") (1)								
141 Livingston	1,913	2,178	2,015	2,122	1,932	2,017	2,055	2,011
250 Livingston	2,440	1,889	1,748	1,801	1,916	2,098	1,946	2,032
Flatbush Gardens	4,234	4,847	4,801	4,796	4,697	4,783	4,027	4,427
Tribeca	3,428	5,383	5,534	5,564	5,299	5,763	5,056	5,452
Aspen	1,023	1,151	1,143	1,150	1,200	1,260	1,174	1,219
10 West 65th Street	259	382	503	523	317	70	101	358
Clover House	984	1,253	1,119	663	(18)	-	-	-
Total NOI (GAAP)	14,281	17,083	16,863	16,619	15,343	15,992	14,358	15,498
General and administrative expenses	(2,407)	(2,594)	(2,323)	(3,016)	(1,904)	(2,579)	(1,668)	(2,271)
Acquisition and other costs	-	-	-	-	-	-	-	(101)
Depreciation and amortization	(5,934)	(5,872)	(5,558)	(5,581)	(4,929)	(4,590)	(4,549)	(4,623)
Gain on termination of lease	838	-	-	-	-	-	-	-
Interest expense, net	(10,207)	(9,979)	(9,788)	(10,011)	(8,692)	(8,210)	(8,274)	(8,178)
Loss on modification/extinguishment of debt	-	(4,228)	-	(661)	-	(1,771)	-	(1,891)
Gain on involuntary conversion	-	85	-	-	-	-	-	-
Net loss	\$ (3,429)	\$ (5,505)	\$ (806)	\$ (2,650)	\$ (182)	\$ (1,158)	\$ (133)	\$ (1,566)

(1) Equals revenue less operating expenses

CLIPPER REALTY INC.
SUPPLEMENTAL DATA (UNAUDITED)
September 2020
(In thousands)

	Three months ended							
	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18
Funds from Operations ("FFO")								
Net loss	\$ (3,429)	\$ (5,505)	\$ (806)	\$ (2,650)	\$ (182)	\$ (1,158)	\$ (133)	\$ (1,566)
Real estate depreciation and amortization	5,934	5,872	5,558	5,581	4,929	4,590	4,549	4,623
FFO	\$ 2,505	\$ 367	\$ 4,752	\$ 2,931	\$ 4,747	\$ 3,432	\$ 4,416	\$ 3,057
Adjusted Funds from Operations ("AFFO")								
FFO	\$ 2,505	\$ 367	\$ 4,752	\$ 2,931	\$ 4,747	\$ 3,432	\$ 4,416	\$ 3,057
Amortization of real estate tax intangible	120	121	119	121	122	120	119	120
Amortization of above- and below-market leases	(130)	(129)	(99)	(100)	(250)	(406)	(424)	(479)
Straight-line rent adjustments	208	192	201	211	184	182	634	258
Amortization of debt origination costs	302	304	304	424	334	424	504	305
Interest rate cap mark-to-market adjustments	-	-	-	0	0	-	-	29
Amortization of LTIP awards	556	536	158	325	325	704	156	270
Acquisition and other	-	-	-	-	-	-	-	101
Loss on modification/extinguishment of debt	-	4,228	-	661	-	1,771	-	1,891
Gain on involuntary conversion	-	(85)	-	-	-	-	-	-
Gain on termination of lease	(838)	-	-	-	-	-	-	-
Non-recurring litigation-related expenses	186	160	264	879	87	-	-	-
Recurring capital spending	(59)	(238)	(145)	(188)	(126)	(127)	(153)	(147)
AFFO	\$ 2,850	\$ 5,456	\$ 5,554	\$ 5,264	\$ 5,423	\$ 6,100	\$ 5,252	\$ 5,405
Adjusted Earnings Before Interest, Taxes and Depreciation and Amortization ("Adjusted EBITDA")								
Net loss	\$ (3,429)	\$ (5,505)	\$ (806)	\$ (2,650)	\$ (182)	\$ (1,158)	\$ (133)	\$ (1,566)
Real estate depreciation and amortization	5,934	5,872	5,558	5,581	4,929	4,590	4,549	4,623
Amortization of real estate tax intangible	120	121	119	121	122	120	119	120
Amortization of above- and below-market leases	(130)	(129)	(99)	(100)	(250)	(406)	(424)	(479)
Straight-line rent adjustments	208	192	201	211	184	182	634	258
Amortization of LTIP awards	556	536	158	325	325	704	156	270
Interest expense, net	10,207	9,979	9,788	10,011	8,692	8,210	8,274	8,178
Acquisition and other	-	-	-	-	-	-	-	101
Loss on modification/extinguishment of debt	-	4,228	-	661	-	1,771	-	1,891
Gain on involuntary conversion	-	(85)	-	-	-	-	-	-
Gain on termination of lease	(838)	-	-	-	-	-	-	-
Non-recurring litigation-related expenses	186	160	264	879	87	-	-	-
Adjusted EBITDA	\$ 12,814	\$ 15,369	\$ 15,183	\$ 15,039	\$ 13,907	\$ 14,013	\$ 13,175	\$ 13,396
Net Operating Income ("NOI")								
Income from operations	\$ 6,778	\$ 8,617	\$ 8,982	\$ 8,022	\$ 8,510	\$ 8,823	\$ 8,141	\$ 8,503
Real estate depreciation and amortization	5,934	5,872	5,558	5,581	4,929	4,590	4,549	4,623
General and administrative expenses	2,407	2,594	2,323	3,016	1,904	2,579	1,668	2,271
Acquisition and other	-	-	-	-	-	-	-	101
Amortization of real estate tax intangible	120	121	119	121	122	120	119	120
Amortization of above- and below-market leases	(130)	(129)	(99)	(100)	(250)	(406)	(424)	(479)
Straight-line rent adjustments	208	192	201	211	184	182	634	258
Gain on termination of lease	(838)	-	-	-	-	-	-	-
NOI	\$ 14,479	\$ 17,267	\$ 17,084	\$ 16,851	\$ 15,399	\$ 15,888	\$ 14,687	\$ 15,397

CLIPPER REALTY INC.
SUPPLEMENTAL DATA (UNAUDITED)
September 2020
(In thousands)

	Three months ended							
	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18
Dividends Paid								
Stockholders	\$ 1,692	\$ 1,692	\$ 1,692	\$ 1,692	\$ 1,692	\$ 1,692	\$ 1,692	\$ 1,692
Class B unitholders	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
LTIP holders	134	127	84	84	84	83	69	69
Total Dividends Paid	\$ 4,327	\$ 4,319	\$ 4,276	\$ 4,276	\$ 4,276	\$ 4,276	\$ 4,261	\$ 4,261
Share Data								
Common shares	17,769	17,815	17,815	17,815	17,815	17,815	17,813	17,813
Class B LLC units	26,317	26,317	26,317	26,317	26,317	26,317	26,317	26,317
Diluted shares outstanding	44,086	44,132	44,132	44,132	44,132	44,132	44,130	44,130
LTIP units	1,410	1,410	881	881	881	881	877	724
	<u>45,497</u>	<u>45,542</u>	<u>45,013</u>	<u>45,013</u>	<u>45,013</u>	<u>45,013</u>	<u>45,007</u>	<u>44,855</u>
Cash Flow Data								
Operating activities	\$ 5,164	\$ (3,968)	\$ 9,050	\$ 5,382	\$ 7,947	\$ (1,507)	\$ 11,950	\$ (1,445)
Investing activities	(11,263)	(6,410)	(7,115)	(38,391)	(15,129)	(11,175)	(10,208)	(11,451)
Financing activities	(5,228)	72,808	(4,997)	29,305	(4,986)	42,852	(4,972)	33,675
Balance Sheet Data								
Investment in real estate, net	\$ 1,089,232	\$ 1,083,751	\$ 1,081,119	\$ 1,080,533	\$ 1,049,211	\$ 1,040,985	\$ 1,032,590	\$ 1,025,737
Cash and cash equivalents	82,856	88,253	36,298	42,500	43,552	56,349	29,379	37,028
Restricted cash	22,117	28,047	17,572	14,432	17,084	16,455	13,255	8,836
Total assets	1,222,881	1,230,449	1,157,953	1,166,207	1,138,318	1,141,382	1,097,154	1,101,008
Notes payable	1,079,585	1,079,677	997,752	997,903	963,218	963,335	913,683	913,564
Total liabilities	1,102,782	1,102,879	1,021,094	1,024,424	989,934	988,866	939,907	939,523
Equity	120,099	127,570	136,859	141,783	148,384	152,516	157,247	161,485
Notes Payable								
Flatbush Gardens (3.50%; Due 3/1/28)	-	-	\$ 246,000	\$ 246,000	\$ 246,000	\$ 246,000	\$ 246,000	\$ 246,000
Flatbush Gardens (3.125%; Due 6/1/32)	\$ 329,000	\$ 329,000	-	-	-	-	-	-
250 Livingston (Libor + 2.15%; Due 12/9/20)	-	-	-	-	-	-	75,000	75,000
250 Livingston (3.63%; Due 6/6/29)	125,000	125,000	125,000	125,000	125,000	125,000	-	-
141 Livingston (3.875%; Due 6/1/28)	74,641	75,036	75,429	75,817	76,201	76,582	76,959	77,333
Tribeca House (4.506%; Due 3/6/28)	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000
Aspen (3.68%; Due 7/1/28)	65,837	66,180	66,520	66,862	67,204	67,534	67,861	68,199
Clover House (Libor + 3.85%; Due 5/9/20)	-	-	-	-	64,731	64,731	64,731	64,731
Clover House (3.53%; Due 12/1/29)	82,000	82,000	82,000	82,000	-	-	-	-
10 West 65th Street (3.375%; Due 11/1/27)	33,790	33,960	34,128	34,295	34,350	34,350	34,350	34,350
1010 Pacific Street (Libor + 3.60%; Due 12/24/20)	20,128	19,880	19,633	19,457	-	-	-	-
Principal amount outstanding	1,090,396	1,091,057	1,008,710	1,009,431	973,486	974,197	924,901	925,613
Unamortized loan costs	(10,811)	(11,380)	(10,958)	(11,528)	(10,268)	(10,862)	(11,218)	(12,049)
Notes Payable, net of unamortized loan costs	\$ 1,079,585	\$ 1,079,677	\$ 997,752	\$ 997,903	\$ 963,218	\$ 963,335	\$ 913,683	\$ 913,564

CLIPPER REALTY INC.
SUPPLEMENTAL DATA (UNAUDITED)
September 2020
(In thousands)

	Three months ended							
	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18
% Leased - Residential (end of period)								
250 Livingston	88.9%	94.4%	97.2%	100.0%	100.0%	100.0%	100.0%	94.4%
Flatbush Gardens	96.3%	97.2%	97.2%	97.6%	99.5%	98.9%	99.5%	98.4%
Tribeca	80.1%	91.3%	99.6%	98.2%	98.2%	99.6%	99.0%	95.5%
Aspen	89.7%	95.3%	100.0%	98.7%	97.8%	97.8%	97.8%	99.6%
10 West 65th Street	89.0%	95.1%	92.7%	98.8%	100.0%	96.3%	72.0%	86.6%
Clover House	89.9%	97.5%	98.7%	94.3%	84.8%	-	-	-
Rent PSF (end of period)								
141 Livingston - Office	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00
250 Livingston - Residential	\$ 48.44	\$ 46.27	\$ 50.98	\$ 47.69	\$ 50.55	\$ 50.53	\$ 48.71	\$ 44.98
250 Livingston - Office	\$ 43.62	\$ 27.71	\$ 27.71	\$ 27.71	\$ 27.71	\$ 27.71	\$ 27.71	\$ 27.71
Flatbush Gardens - Residential	\$ 25.10	\$ 25.05	\$ 24.95	\$ 24.61	\$ 24.49	\$ 24.30	\$ 24.04	\$ 23.77
Tribeca - Residential	\$ 65.74	\$ 70.43	\$ 70.75	\$ 70.52	\$ 70.85	\$ 68.77	\$ 69.14	\$ 69.58
Tribeca - Retail	\$ 42.15	\$ 44.48	\$ 51.69	\$ 52.23	\$ 52.23	\$ 52.23	\$ 51.56	\$ 50.87
Aspen - Residential	\$ 35.94	\$ 37.73	\$ 37.55	\$ 36.60	\$ 37.05	\$ 35.95	\$ 35.77	\$ 36.26
Aspen - Retail	\$ 39.44	\$ 39.39	\$ 46.87	\$ 48.39	\$ 44.27	\$ 44.22	\$ 44.22	\$ 44.22
10 West 65th Street - Residential	\$ 42.37	\$ 41.74	\$ 46.74	\$ 45.97	\$ 45.50	\$ 41.57	\$ 28.18	\$ 43.01
Clover House - Residential	\$ 67.56	\$ 72.05	\$ 70.76	\$ 69.09	\$ 69.52	-	-	-
Capital Spending								
Major capital improvements	11,182	7,876	\$ 5,768	\$ 5,417	\$ 12,547	\$ 12,349	\$ 10,988	\$ 12,650
Maintenance capex	59	238	145	188	126	127	153	147
Resident turnover	88	136	158	48	295	313	73	271
Commercial tenant improvements	42	-	-	-	-	-	-	11
Total Capital Spending	\$ 11,372	\$ 8,251	\$ 6,071	\$ 5,653	\$ 12,968	\$ 12,788	\$ 11,214	\$ 13,078