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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2025  
or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-15663

**AMERICAN REALTY INVESTORS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Nevada**

(State or Other Jurisdiction of  
Incorporation or Organization)

**75-2847135**

(I.R.S. Employer  
Identification No.)

**1603 Lyndon B. Johnson Freeway, Suite 800, Dallas, Texas 75234**

(Address of principal executive offices) (Zip Code)

**(469) 522-4200**

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	ARL	NYSE

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 (§232.405 of this chapter) 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, a smaller reporting company, or an 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 ☐

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

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

As of November 6, 2025, there were 16,152,043 shares of common stock outstanding.

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**AMERICAN REALTY INVESTORS, INC.  
FORM 10-Q**

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**AMERICAN REALTY INVESTORS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(dollars in thousands, except share and par value amounts)  
(Unaudited)

	<b>September 30, 2025</b>	<b>December 31, 2024</b>
<b>Assets</b>		
Real estate	\$ 612,109	\$ 557,388
Cash and cash equivalents	11,962	19,918
Restricted cash	17,743	20,557
Short-term investments	70,797	79,800
Notes receivable (including \$67,349 and \$71,365 at September 30, 2025 and December 31, 2024, respectively, from related parties)	133,559	138,349
Investment in unconsolidated joint ventures	10,223	10,246
Receivable from related party	98,654	97,544
Other assets (including \$755 and \$1,855 at September 30, 2025 and December 31, 2024, respectively, from related parties)	140,975	109,000
Total assets	<u>\$ 1,096,022</u>	<u>\$ 1,032,802</u>
<b>Liabilities and Equity</b>		
Liabilities:		
Mortgages and other notes payable	\$ 227,028	\$ 185,398
Accounts payable and other liabilities (including \$29 and \$601 at September 30, 2025 and December 31, 2024, respectively, from related parties)	47,328	32,105
Accrued interest	3,495	3,238
Deferred revenue	9,791	9,791
Total liabilities	<u>287,642</u>	<u>230,532</u>
Equity		
Shareholders' Equity:		
Preferred stock, Series A, \$2.00 par value, 15,000,000 shares authorized, 900,614 shares issued and outstanding	1,801	1,801
Common stock, \$0.01 par value, 100,000,000 shares authorized; 16,152,043 shares issued and outstanding	162	162
Additional paid-in capital	61,191	61,161
Retained earnings	544,620	538,699
Total shareholders' equity	607,774	601,823
Noncontrolling interests	200,606	200,447
Total equity	808,380	802,270
Total liabilities and equity	<u>\$ 1,096,022</u>	<u>\$ 1,032,802</u>

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

**AMERICAN REALTY INVESTORS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(dollars in thousands, except per share amounts)  
(Unaudited)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
<b>Revenues:</b>				
Rental revenues (including \$146 and \$159 for the three months ended September 30, 2025 and 2024, respectively, and \$435 and \$495 for the nine months ended September 30, 2025 and 2024, respectively, from related parties)	\$ 11,919	\$ 11,074	\$ 34,856	\$ 33,541
Other income	916	533	2,147	1,738
Total revenue	12,835	11,607	37,003	35,279
<b>Expenses:</b>				
Property operating expenses (including \$90 and \$87 for the three months ended September 30, 2025 and 2024, respectively, and \$264 and \$253 for the nine months ended September 30, 2025 and 2024, respectively, from related parties)	7,550	6,989	20,062	20,247
Depreciation and amortization	2,936	3,120	8,881	9,429
General and administrative (including \$997 and \$899 for the three months ended September 30, 2025 and 2024, respectively, and \$3,056 and \$2,748 for the nine months ended September 30, 2025 and 2024, respectively, from related parties)	1,719	1,590	4,745	4,550
Advisory fee to related party	2,203	1,971	6,714	5,910
Total operating expenses	14,408	13,670	40,402	40,136
Net operating loss	(1,573)	(2,063)	(3,399)	(4,857)
Interest income (including \$1,891 and \$2,299 for the three months ended September 30, 2025 and 2024, respectively, and \$5,682 and \$6,872 for the nine months ended September 30, 2025 and 2024, respectively, from related parties)	4,099	5,506	11,462	16,033
Interest expense	(1,691)	(2,123)	(5,288)	(5,958)
Equity in income (loss) from unconsolidated joint ventures	116	423	(24)	1,407
Gain (loss) on real estate transactions	755	(23,400)	5,593	(23,400)
Income tax provision	(1,386)	4,641	(1,197)	3,552
Net income (loss)	320	(17,016)	7,147	(13,223)
Net income attributable to noncontrolling interests	(191)	(444)	(1,226)	(1,319)
Net income (loss) attributable to common shares	\$ 129	\$ (17,460)	\$ 5,921	\$ (14,542)
Earnings per share - basic and diluted	\$ 0.01	\$ (1.08)	\$ 0.37	\$ (0.90)
Weighted average common shares used in computing earnings per share	16,152,043	16,152,043	16,152,043	16,152,043

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

**AMERICAN REALTY INVESTORS, INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
(dollars in thousands)  
(Unaudited)

	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Total Shareholders' Equity	Noncontrolling Interest	Total Equity
<b>Three Months Ended September 30, 2025</b>							
Balance, July 1, 2025	\$ 1,801	\$ 162	\$ 61,317	\$ 544,491	\$ 607,771	\$ 200,301	\$ 808,072
Net income	—	—	—	129	129	191	320
Purchase of IOR shares	—	—	—	—	—	(12)	(12)
Adjustment to noncontrolling interest	—	—	(126)	—	(126)	126	—
Balance, September 30, 2025	<u>\$ 1,801</u>	<u>\$ 162</u>	<u>\$ 61,191</u>	<u>\$ 544,620</u>	<u>\$ 607,774</u>	<u>\$ 200,606</u>	<u>\$ 808,380</u>
<b>Three Months Ended September 30, 2024</b>							
Balance, July 1, 2024	\$ 1,801	\$ 162	\$ 61,664	\$ 556,320	\$ 619,947	\$ 199,770	\$ 819,717
Net (loss) income	—	—	—	(17,460)	(17,460)	444	(17,016)
Repurchase of treasury shares by IOR	—	—	—	—	—	(215)	(215)
Adjustment to noncontrolling interest	—	—	(315)	—	(315)	315	—
Balance, September 30, 2024	<u>\$ 1,801</u>	<u>\$ 162</u>	<u>\$ 61,349</u>	<u>\$ 538,860</u>	<u>\$ 602,172</u>	<u>\$ 200,314</u>	<u>\$ 802,486</u>
<b>Nine Months Ended September 30, 2025</b>							
Balance, January 1, 2025	\$ 1,801	\$ 162	\$ 61,161	\$ 538,699	\$ 601,823	\$ 200,447	\$ 802,270
Net income	—	—	—	5,921	5,921	1,226	7,147
Purchase of IOR shares	—	—	—	—	—	(1,037)	(1,037)
Adjustment to noncontrolling interest	—	—	30	—	30	(30)	—
Balance, September 30, 2025	<u>\$ 1,801</u>	<u>\$ 162</u>	<u>\$ 61,191</u>	<u>\$ 544,620</u>	<u>\$ 607,774</u>	<u>\$ 200,606</u>	<u>\$ 808,380</u>
<b>Nine Months Ended September 30, 2024</b>							
Balance, January 1, 2024	\$ 1,801	\$ 162	\$ 61,638	\$ 553,402	\$ 617,003	\$ 199,508	\$ 816,511
Net (loss) income	—	—	—	(14,542)	(14,542)	1,319	(13,223)
Repurchase of treasury shares by IOR	—	—	—	—	—	(802)	(802)
Adjustment to noncontrolling interest	—	—	(289)	—	(289)	289	—
Balance, September 30, 2024	<u>\$ 1,801</u>	<u>\$ 162</u>	<u>\$ 61,349</u>	<u>\$ 538,860</u>	<u>\$ 602,172</u>	<u>\$ 200,314</u>	<u>\$ 802,486</u>

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

**AMERICAN REALTY INVESTORS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(dollars in thousands)  
(Unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>
<b>Cash Flow From Operating Activities:</b>		
Net income (loss)	\$ 7,147	\$ (13,223)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
(Gain) loss on real estate transactions	(5,593)	23,400
Depreciation and amortization	8,928	9,668
Provision of bad debts	121	112
Equity in income from unconsolidated joint ventures	24	(1,407)
Distribution of income from unconsolidated joint ventures	—	841
Changes in assets and liabilities:		
Other assets	(7,714)	(6,398)
Related party receivable	(1,110)	(1,176)
Accrued interest	257	449
Accounts payable and other liabilities	(4,411)	4,593
Net cash (used in) provided by operating activities	(2,351)	16,859
<b>Cash Flow From Investing Activities:</b>		
Collection of notes receivable	4,789	5,792
Purchase of short-term investments	(55,957)	(58,019)
Redemption and/or maturity of short-term investments	64,960	56,415
Development and renovation of real estate	(68,151)	(30,956)
Deferred leasing costs	(444)	(130)
Proceeds from sale of assets	5,838	—
Net cash used in investing activities	(48,965)	(26,898)
<b>Cash Flow From Financing Activities:</b>		
Proceeds from mortgages and other notes payable	54,881	10,708
Payments on mortgages and other notes payable	(13,298)	(9,614)
Purchase of IOR shares	(1,037)	(802)
Deferred financing costs	—	(199)
Net cash provided by financing activities	40,546	93
Net decrease in cash, cash equivalents and restricted cash	(10,770)	(9,946)
Cash, cash equivalents and restricted cash, beginning of period	40,475	79,067
Cash, cash equivalents and restricted cash, end of period	\$ 29,705	\$ 69,121

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

**AMERICAN REALTY INVESTORS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(dollars in thousands, except per share amounts)**  
**(Unaudited)**

## **1. Organization**

As used herein, the terms “the Company”, “we”, “our” or “us” refer to American Realty Investors, Inc., a Nevada corporation, which was formed in 1999. Our common stock is listed on the New York Stock Exchange (“NYSE”) under the symbol (“ARL”) and over 90% of our stock is owned by related party entities.

Our primary business is the acquisition, development and ownership of income-producing multifamily and commercial properties. In addition, we opportunistically acquire land for future development in in-fill or high-growth suburban markets. From time to time and when we believe it appropriate to do so, we will sell land and income-producing properties. We generate revenues by leasing apartment units to residents, and leasing office, industrial and retail space to various for-profit businesses as well as certain local, state and federal agencies. We also generate income from the sale of land.

We own approximately 78.4% of Transcontinental Realty Investors, Inc. (“TCI”) and substantially all of our operations are conducted through TCI, whose common stock is listed on the NYSE under the symbol “TCI”. Accordingly, we include TCI’s financial results in our consolidated financial statements.

At September 30, 2025, our portfolio of properties consisted of:

- Four office buildings comprising in aggregate of approximately 1,060,236 square feet;
- Fourteen multifamily properties, owned directly by us, comprising of 2,328 units;
- Four multifamily properties in development comprising in 906 units; and
- Approximately 1,792 acres of developed and undeveloped land.

Our day to day operations are managed by Pillar Income Asset Management, Inc. (“Pillar”). Pillar’s duties include, but are not limited to, locating, evaluating and recommending real estate and real estate-related investment opportunities, asset management, property development, construction management and arranging debt and equity financing with third party lenders and investors. We have no employees; all of our services are performed by Pillar employees. Three of our commercial properties are managed by Regis Realty Prime, LLC (“Regis”). Regis provides leasing and brokerage services. Our multifamily properties and one of our commercial properties are managed by outside management companies. Pillar and Regis are considered to be related parties (See Note 13 – Related Party Transactions).

## **2. Summary of Significant Accounting Policies**

### *Basis of Presentation*

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted in accordance with such rules and regulations, although management believes the disclosures are adequate to prevent the information presented from being misleading. In the opinion of management, all adjustments (consisting of normal recurring matters) considered necessary for a fair presentation have been included.

Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on the reported results of operation.

The consolidated balance sheet at December 31, 2024 was derived from the audited consolidated financial statements at that date, but does not include all of the information and disclosures required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2024.

**AMERICAN REALTY INVESTORS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(dollars in thousands, except per share amounts)  
(Unaudited)

We consolidate entities in which we are considered to be the primary beneficiary of a variable interest entity (“VIE”) or have a majority of the voting interest of the entity. We have determined that we are a primary beneficiary of the VIE when we have (i) the power to direct the activities of a VIE that most significantly impacts its economic performance, and (ii) the obligations to absorb losses or the right to receive benefits that could potentially be significant to the VIE. In determining whether we are the primary beneficiary, we consider qualitative and quantitative factors, including ownership interest, management representation, ability to control decision and other contractual rights. We account for entities in which we have less than a controlling financial interest or entities where we are not deemed to be the primary beneficiary under the equity method of accounting. Accordingly, we include our share of the net earnings or losses of these entities in our results of operations.

*Recent Accounting Pronouncements*

In December 2023, the Financial Accounting Standards Board (“FASB”) issued ASU 2023-09 Improvements to Income Tax Disclosures (“ASU 2023-09”). ASU 2023-09 requires entities to disclose additional information with respect to the effective tax rate reconciliation and to disclose the disaggregation by jurisdiction of income tax expense and income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact of ASU 2023-09 on our consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures. ASU 2024-03 requires additional disclosure of the nature of expenses included in the income statement as well as disclosures about specific types of expenses included in the expense captions presented in the income statement. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. We are currently evaluating the impact of these standards on our consolidated financial statements.

### 3. Earnings Per Share

Earnings Per Share (“EPS”) is computed by dividing net income available to common shares by the weighted-average number of common shares outstanding during the period. Shares issued during the period are weighted for the portion of the period that they were outstanding.

The following table details our basic and diluted earnings per common share calculation:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Net income (loss)	\$ 320	\$ (17,016)	\$ 7,147	\$ (13,223)
Net income attributable to noncontrolling interests	(191)	(444)	(1,226)	(1,319)
Net income (loss) attributable to common shares	<u>\$ 129</u>	<u>\$ (17,460)</u>	<u>\$ 5,921</u>	<u>\$ (14,542)</u>
Weighted-average common shares outstanding — basic and diluted	<u>16,152,043</u>	<u>16,152,043</u>	<u>16,152,043</u>	<u>16,152,043</u>
EPS - attributable to common shares — basic and diluted	<u>\$ 0.01</u>	<u>\$ (1.08)</u>	<u>\$ 0.37</u>	<u>\$ (0.90)</u>



**AMERICAN REALTY INVESTORS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(dollars in thousands, except per share amounts)  
(Unaudited)

**4. Supplemental Cash Flow Information**

The following presents the schedule of interest paid and other supplemental cash flow information:

	<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>
Cash paid for interest	\$ 4,496	\$ 4,808
Cash paid for taxes	2,176	3,398
Cash - beginning of period		
Cash and cash equivalents	\$ 19,918	\$ 36,740
Restricted cash	20,557	42,327
	<u>\$ 40,475</u>	<u>\$ 79,067</u>
Cash - end of period		
Cash and cash equivalents	\$ 11,962	\$ 39,533
Restricted cash	17,743	29,588
	<u>\$ 29,705</u>	<u>\$ 69,121</u>

The following is a schedule of noncash investing and financing activities:

	<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>
Accrued development costs	\$ 7,803	\$ 5,360

**AMERICAN REALTY INVESTORS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(dollars in thousands, except per share amounts)  
(Unaudited)

## 5. Operating Segments

Segment information is prepared on the same basis that our chief operating decision maker ("CODM") reviews information to assess performance and make resource allocation decisions. Our CODM is our President and Chief Executive Officer. We operate in two reportable segments: (i) the acquisition, development, ownership and management of multifamily properties ("Residential Segment") and (ii) the acquisition, ownership and management of commercial real estate properties ("Commercial Segment"). The services for our segments include rental of property and other tenant services, including parking and storage space rental. The key operating metric that the CODM utilizes to evaluate the segments is net operating income ("NOI"), which we defined as property revenue less direct property operating expenses. NOI excludes depreciation, interest income and expenses, general and administrative expenses, advisory fees and income taxes.

The following table presents our reportable segments for the three and nine months ended September 30, 2025 and 2024:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
<b>Multifamily Segment</b>				
Revenues	\$ 8,528	\$ 8,266	\$ 25,785	\$ 25,451
Segment expenses				
Property tax and insurance	(2,679)	(2,424)	(7,736)	(7,830)
Repairs and maintenance	(1,248)	(1,230)	(2,874)	(2,865)
Other property expenses	(1,182)	(988)	(3,070)	(2,663)
NOI from multifamily segment	3,419	3,624	12,105	12,093
<b>Commercial Segment</b>				
Revenues	4,307	3,341	11,218	9,828
Segment expenses				
Property tax and insurance	(803)	(827)	(2,035)	(2,769)
Repairs and maintenance	(625)	(341)	(1,267)	(941)
Other property expenses	(1,013)	(1,179)	(3,080)	(3,179)
NOI from commercial segment	1,866	994	4,836	2,939
<b>Total NOI from segments</b>	<b>\$ 5,285</b>	<b>\$ 4,618</b>	<b>\$ 16,941</b>	<b>\$ 15,032</b>

The table below reflects the reconciliation of NOI to net income for the three and nine months ended September 30, 2025 and 2024:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Total NOI from segments	\$ 5,285	\$ 4,618	\$ 16,941	\$ 15,032
Other non-segment items of income (expense)				
Depreciation and amortization	(2,936)	(3,120)	(8,881)	(9,429)
General and administrative	(1,719)	(1,590)	(4,745)	(4,550)
Advisory fee to related party	(2,203)	(1,971)	(6,714)	(5,910)
Interest income	4,099	5,506	11,462	16,033
Interest expense	(1,691)	(2,123)	(5,288)	(5,958)
Income from unconsolidated joint ventures	116	423	(24)	1,407
Gain (loss) on real estate transactions	755	(23,400)	5,593	(23,400)
Income tax provision	(1,386)	4,641	(1,197)	3,552
<b>Net income (loss)</b>	<b>\$ 320</b>	<b>\$ (17,016)</b>	<b>\$ 7,147</b>	<b>\$ (13,223)</b>

**AMERICAN REALTY INVESTORS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(dollars in thousands, except per share amounts)  
(Unaudited)

## 6. Lease Revenue

We lease our multifamily properties and commercial properties under agreements that are classified as operating leases. Our multifamily property leases generally include minimum rents and charges for ancillary services. Our commercial property leases generally include minimum rents and recoveries for property taxes and common area maintenance. Minimum rental revenues are recognized on a straight-line basis over the terms of the related leases.

The following table summarizes the components of our rental revenue for the three and nine months ended September 30, 2025 and 2024:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Fixed component	\$ 11,329	\$ 10,841	\$ 33,723	\$ 32,667
Variable component	590	233	1,133	874
	<u>\$ 11,919</u>	<u>\$ 11,074</u>	<u>\$ 34,856</u>	<u>\$ 33,541</u>

The following table summarizes the future rental payments that are payable to us from non-cancelable leases. The table excludes multifamily leases, which typically have a term of one-year or less:

2025	\$ 14,143
2026	14,017
2027	13,237
2028	11,134
2029	8,629
Thereafter	18,928
	<u>\$ 80,088</u>

## 7. Real Estate Activity

Below is a summary of our real estate as of September 30, 2025 and December 31, 2024:

	<b>September 30, 2025</b>	<b>December 31, 2024</b>
Land	\$ 104,316	\$ 104,076
Building and improvements	375,822	375,430
Tenant improvements	20,136	16,629
Construction in progress	198,985	140,046
Total cost	699,259	636,181
Less accumulated depreciation	(87,150)	(78,793)
Total real estate	<u>\$ 612,109</u>	<u>\$ 557,388</u>

We incurred depreciation expense of \$2,756 and \$2,966 for the three months ended September 30, 2025 and 2024, respectively, \$8,357 and \$8,970 for the nine months ended September 30, 2025 and 2024, respectively.

### *Construction Activities*

Construction in progress consists of the development of Windmill Farms and the costs associated with our ground-up development projects.

**AMERICAN REALTY INVESTORS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(dollars in thousands, except per share amounts)  
(Unaudited)

Windmill Farms is a collection of freshwater districts ("Districts") in Kaufman County Texas that is being developed into single family lots, multifamily properties and retail properties. In connection with the project, we develop the infrastructure in Windmill Farms in order for the land to appreciate and to sell land units ("lots") to home builders for construction of single family homes. We receive reimbursement of the infrastructure costs ("District Receivables") through the issuance of municipal bonds by the Districts. As of September 30, 2025, we have \$55,657 in District Receivables included in other assets (See Note 11 – Other Assets) and \$47,066 of land lot development costs included in construction in progress.

We have entered into several development agreements with Pillar (See Note 13 – Related Party Transactions) to develop multifamily properties. Each of these development projects is being funded in part by a construction loan (See Note 12 – Mortgages and Other Notes Payable).

The following is a summary of construction costs incurred as of September 30, 2025:

Project	Units	Location	Total Project Cost	Costs Incurred	Expected Completion Date
Alera	240	Lake Wales, FL	\$ 55,330	\$ 53,292	December 2025
Bandera Ridge	216	Temple, TX	49,603	45,232	November 2025
Merano	216	McKinney, TX	51,910	47,577	November 2025
Mountain Creek	234	Dallas, TX	49,971	5,818	June 2027
	<u>906</u>		<u>\$ 206,814</u>	<u>\$ 151,919</u>	

*Gain (loss) on real estate transactions*

Gain (loss) on real estate transactions for the three and nine months ended September 30, 2025 and 2024 consists of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Land (1)	\$ 755	\$ —	\$ 4,847	\$ —
Other (2)	—	(23,400)	746	(23,400)
Total	<u>\$ 755</u>	<u>\$ (23,400)</u>	<u>\$ 5,593</u>	<u>\$ (23,400)</u>

- (1) Includes the gain on dispositions of land from our investment in Windmill Farms and other land holdings.
- (2) On October 31, 2024, we paid \$23,400 to resolve all claims and disputes with David Clapper and entities related to Mr. Clapper (collectively, "Clapper"). These claims originally involved a transaction in 1998 in which we were to acquire eight multifamily properties from Clapper. We accrued the settlement during the three and nine months ended September 30, 2024.

**AMERICAN REALTY INVESTORS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(dollars in thousands, except per share amounts)**  
**(Unaudited)**

**8. Short-term Investments**

The following is a summary of our short term investment as of September 30, 2025 and December 31, 2024:

	<b>September 30, 2025</b>	<b>December 31, 2024</b>
Corporate bonds, at par value	\$ 58,035	\$ 80,000
Demand notes	12,965	325
	71,000	80,325
Less discount	(203)	(525)
	<u>\$ 70,797</u>	<u>\$ 79,800</u>

The average interest rate on the investments was 4.99% and 5.20% at September 30, 2025 and December 31, 2024, respectively.

**AMERICAN REALTY INVESTORS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(dollars in thousands, except per share amounts)  
(Unaudited)

## 9. Notes Receivable

The following table summarizes our notes receivable as of September 30, 2025 and December 31, 2024:

Property/Borrower	Carrying value		Interest Rate	Maturity Date
	September 30, 2025	December 31, 2024		
ABC Land and Development, Inc.	\$ 4,408	\$ 4,408	9.50 %	6/30/26
ABC Paradise, LLC	1,210	1,210	9.50 %	6/30/26
Autumn Breeze(1)	1,043	1,451	5.00 %	7/1/28
Bellwether Ridge(1)	3,798	3,798	5.00 %	11/1/26
Dominion at Mercer Crossing(2)	6,167	6,167	8.25 %	6/7/28
Echo Station(3)(4)	9,881	10,120	4.45 %	12/31/32
Forest Pines(1)	6,472	6,472	5.00 %	5/1/27
Inwood on the Park(3)(4)	19,985	20,208	4.45 %	6/30/28
Kensington Park(3)(4)	5,196	6,994	4.45 %	3/31/27
Lake Shore Villas(3)(4)	4,852	5,855	4.45 %	12/31/32
Prospectus Endeavors	496	496	6.00 %	10/23/29
McKinney Ranch	3,926	3,926	6.00 %	9/15/29
Ocean Estates II(3)(4)	3,591	3,615	4.45 %	5/31/28
One Realco Land Holding, Inc.	1,728	1,728	9.50 %	6/30/26
Parc at Ingleside(1)	3,759	3,759	5.00 %	11/1/26
Parc at Opelika Phase II(1)(5)	3,190	3,190	10.00 %	1/13/23
Parc at Windmill Farms(1)(5)	7,886	7,886	5.00 %	11/1/22
Phillips Foundation for Better Living, Inc.(3)	—	107		
Plaza at Chase Oaks(3)(4)	11,303	11,772	4.45 %	3/31/28
Plum Tree(1)	1,240	1,478	5.00 %	8/17/28
Polk County Land	3,000	3,000	9.50 %	6/30/26
Riverview on the Park Land, LLC	1,045	1,045	9.50 %	6/30/26
Spartan Land	5,907	5,907	6.00 %	1/16/27
Spyglass of Ennis(1)	4,705	4,705	5.00 %	11/1/28
Steeple Crest(1)	6,230	6,358	5.00 %	8/1/26
Timbers at The Park(3)(4)	11,072	11,146	4.45 %	12/31/32
Tuscany Villas(3)(4)	1,469	1,548	4.45 %	4/30/27
	<u>\$ 133,559</u>	<u>\$ 138,349</u>		

- (1) The note is convertible, at our option, into a 100% ownership interest in the underlying property, and is collateralized by the underlying property.
- (2) The note bears interest at prime plus 1.0%.
- (3) The borrower is determined to be a related party due to our significant investment in the performance of the collateral secured by the notes receivable.
- (4) Principal and interest payments on the notes from Unified Housing Foundation, Inc. ("UHF") are funded from surplus cash flow from operations, sale or refinancing of the underlying properties and are cross collateralized to the extent that any surplus cash available from any of the properties underlying the notes. The notes bear interest at the Secured Overnight Financing Rate ("SOFR") in effect on the last day of the preceding calendar quarter.
- (5) We are working with the borrower to extend the maturity and/or exercise our conversion option.

**AMERICAN REALTY INVESTORS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(dollars in thousands, except per share amounts)  
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# 10. Investment in Unconsolidated Joint Ventures

## *Victory Abode Apartments, LLC*

On November 16, 2018, we formed the Victory Abode Apartments, LLC ("VAA"), a joint venture with the Macquarie Group ("Macquarie"). VAA was formed as a result of our sale of a 50% ownership interest in a portfolio of multifamily properties to Macquarie in exchange for a 50% voting interest in VAA and a note payable.

On September 16, 2022, VAA sold 45 of its properties for \$1,810,700, resulting in a gain on sale of \$738,444 to the joint venture. In connection with the sale, we received an initial distribution of \$182,848 from VAA. On November 1, 2022, we received an additional distribution from VAA, which included the full operational control of the remaining seven properties of VAA ("VAA Holdback Portfolio") and a cash payment of \$204,036. On March 23, 2023, we received \$17,976 from VAA, which represented the remaining distribution of the proceeds from the sale of the VAA Sale Portfolio. On April 27, 2023, we received an additional \$2,940 liquidating distribution from the joint venture.

We used our share of the proceeds from the sale of the VAA Sale Portfolio to invest in short-term investments and real estate, pay down our debt and for general corporate purposes. The joint venture was dissolved in 2024.

## *Gruppa Fiorentina, LLC*

We own a 20% interest in Gruppa Fiorentina, LLC ("Milano"), which operates 34 pizza parlors and 2 grill restaurants. Milano also has 25 franchise locations. The restaurants are primarily located in Central and Northern California.

# 11. Other Assets

At September 30, 2025 and December 31, 2024, our other assets are comprised of the following:

	September 30, 2025	December 31, 2024
Acquisition deposits	\$ 15,229	\$ 15,824
District receivables (1)	55,657	54,518
Interest receivable (2)	17,252	16,652
Tenant and other receivables	4,686	3,989
Prepaid expenses and other assets	9,125	12,312
Income tax receivable	37,217	—
Deferred tax assets	1,809	5,705
	<u>\$ 140,975</u>	<u>\$ 109,000</u>

(1) Represents roads, sewer, and utility infrastructure costs in connection with our development of Windmill Farms. We receive reimbursement for these costs through the issuance of municipal bonds by the Districts (See Note 7 - Real Estate Activity).

(2) Includes \$755 and \$1,855 at September 30, 2025 and December 31, 2024, respectively, related to notes receivable from UHF (See Note 9 - Notes Receivable).

**AMERICAN REALTY INVESTORS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(dollars in thousands, except per share amounts)  
(Unaudited)

## 12. Mortgages and Other Notes Payable

The following table summarizes our mortgages and other notes payable as of September 30, 2025 and December 31, 2024:

Property/ Entity	Carrying Value		Interest Rate	Maturity Date
	September 30, 2025	December 31, 2024		
770 South Post Oak(1)	\$ —	\$ 10,939		
Alera(2)	27,489	8,554	7.24 %	3/15/2026
Bandera Ridge(3)	15,903	—	7.24 %	12/15/2028
Blue Lake Villas	9,192	9,327	3.15 %	11/1/2055
Blue Lake Villas Phase II	3,212	3,271	2.85 %	6/1/2052
Chelsea	7,734	7,878	3.36 %	12/1/2050
EQK Portage	3,350	3,350	5.00 %	11/13/2029
Forest Grove(4)	6,436	6,421	6.39 %	8/1/2031
Landing on Bayou Cane	13,946	14,162	3.52 %	9/1/2053
Legacy at Pleasant Grove	12,122	12,381	3.55 %	4/1/2048
Merano(5)	20,045	—	7.50 %	11/6/2028
New Concept Energy(7)	3,542	3,542	4.45 %	9/30/2027
Northside on Travis	10,919	11,125	2.50 %	2/1/2053
Parc at Denham Springs	15,776	16,048	3.75 %	4/1/2051
Parc at Denham Springs Phase II	15,273	15,419	4.05 %	2/1/2060
RCM HC Enterprises	5,086	5,086	5.00 %	12/31/2029
Residences at Holland Lake	10,060	10,219	3.60 %	3/1/2053
Villas at Bon Secour(6)	18,484	18,798	3.08 %	9/1/2031
Villas of Park West I	8,831	8,983	3.04 %	3/1/2053
Villas of Park West II	8,023	8,158	3.18 %	3/1/2053
Vista Ridge	9,211	9,342	4.00 %	8/1/2053
Windmill Farms	2,394	2,395	7.50 %	2/28/2026
	<u>\$ 227,028</u>	<u>\$ 185,398</u>		

(1) On May 30, 2025, we paid off the loan with cash on hand.

(2) The construction loan allows borrowings up to \$33,000 to finance the development of Alera (See Note 7 - Real Estate Activity), bears interest at SOFR plus 3% and matures on March 15, 2026, with two one-year extension options.

(3) The construction loan allows borrowings up to \$23,500 construction loan to finance the development of Bandera Ridge (See Note 7 - Real Estate Activity), bears interest at SOFR plus 3% and matures on December 15, 2028.

(4) The loan that bears interest at SOFR plus 2.15% and matures on August 1, 2031.

(5) The construction loan allows borrowings up to \$25,407 to finance the development of Merano (See Note 7 - Real Estate Activity), bears interest at prime plus 0.25% and matures on November 6, 2028.

(6) On October 10, 2025, the loan was paid off in connection with the sale of the underlying property (See Note 18 - Subsequent Events).

(7) The loan bears interest at SOFR.

We have a construction loan to build Mountain Creek (See Note 7 - Real Estate Activity) that allows for borrowings of up to \$27,500, bears interest at SOFR plus 3.45% and matures on March 15, 2029. As of September 30, 2025, we have not borrowed on the loan.

As of September 30, 2025, we were in compliance with all of our loans covenants.

All of the above mortgages and other notes payable are collateralized by the underlying property. In addition, we have guaranteed the loans on Alera, Bandera Ridge, Merano, Mountain Creek and Windmill Farms.



**AMERICAN REALTY INVESTORS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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### **13. Related Party Transactions**

We engage in certain services and business transactions with related parties, including but not limited to, the rent of office space, leasing services, asset management, administrative services, and the acquisition and dispositions of real estate. Transactions involving related parties cannot be presumed to be carried out on an arm's length basis due to the absence of free market forces that naturally exist in business dealings between two or more unrelated entities. Related party transactions may not always be favorable to our business and may include terms, conditions and agreements that are not necessarily beneficial to, or in our best interest.

Pillar and Regis are wholly owned by a subsidiary of May Realty Holdings, Inc. ("MRHI"), which owns approximately 90.8% of the Company. Pillar is compensated for advisory services in accordance with an advisory agreement and is compensated for development and construction services in accordance with project specific development agreements. Regis receives property management fees and leasing commissions in accordance with the terms of its property-level management agreements. In addition, Regis is entitled to receive real estate brokerage commissions in accordance with the terms of a non-exclusive brokerage agreement.

Rental income includes \$146 and \$159 for the three months ended September 30, 2025 and 2024, respectively, and \$435 and \$495 for the nine months ended September 30, 2025 and 2024, respectively, for office space leased to Pillar and Regis.

Property operating expense includes \$90 and \$87 for the three months ended September 30, 2025 and 2024, respectively, and \$264 and \$253 for the nine months ended September 30, 2025 and 2024, respectively, for management fees on commercial properties payable to Regis.

General and administrative expense includes \$997 and \$899 for the three months ended September 30, 2025 and 2024, respectively, and \$3,056 and \$2,748 for the nine months ended September 30, 2025 and 2024, respectively, for employee compensation and other reimbursable costs payable to Pillar.

Advisory fees paid to Pillar were \$2,203 and \$1,971 for the three months ended September 30, 2025 and 2024, respectively, and \$6,714 and \$5,910 for the nine months ended September 30, 2025 and 2024, respectively. Development fees paid to Pillar were \$47 and \$525 for the three months ended September 30, 2025 and 2024, respectively, and \$1,265 and \$1,501 for the nine months ended September 30, 2025 and 2024, respectively.

Notes receivable include amounts held by UHF (See Note 9 – Notes Receivable). UHF is deemed to be a related party due to our significant investment in the performance of the collateral secured by the notes receivable. In addition, we have a related party receivable from Pillar ("Pillar Receivable"), which represents amounts advanced to Pillar net of unreimbursed fees, expenses and costs as provided above. The Pillar Receivable bears interest at SOFR as of the last day of the preceding calendar quarter. Interest income on the UHF notes and the Pillar Receivable was \$1,891 and \$2,299 for the three months ended September 30, 2025 and 2024, respectively, and \$5,682 and \$6,872 for the nine months ended September 30, 2025 and 2024, respectively.

### **14. Noncontrolling Interests**

The noncontrolling interest represents the third party ownership interest in TCI and Income Opportunity Realty Investors, Inc. ("IOR").

On December 16, 2024, TCI announced an offer ("Tender Offer") to purchase up to 100,000 shares of the outstanding common shares of IOR at a price of \$18 per share, subject to certain conditions. Shares of IOR are listed on the NYSE American stock exchange under the symbol of IOR. The Tender Offer was completed on January 29, 2025, which resulted in the acquisition of 21,678 shares for a total cost of \$454. In addition, TCI purchased an additional 32,845 common share of IOR in the market during the nine months ended September 30, 2025 for a total cost of \$583.

We owned 78.4% of TCI at September 30, 2025 and December 31, 2024, which in turn owned 84.5% and 83.2% of IOR as of September 30, 2025 and December 31, 2024, respectively.

**AMERICAN REALTY INVESTORS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(dollars in thousands, except per share amounts)  
(Unaudited)

### 15. Deferred Income

In previous years, we sold properties to related parties at a gain and therefore the sales criteria for the full accrual method was not met, and as such we deferred the gain recognition and accounted for the sales by applying the finance, deposit, installment or cost recovery methods, as appropriate. The gain on these transactions is deferred until the properties are sold to a non-related third party.

As of September 30, 2025 and December 31, 2024, we had deferred gain of \$9,791.

### 16. Income Taxes

We are part of a tax sharing and compensating agreement with respect to federal income taxes with MRHI, TCI and IOR. In accordance with the agreement, our expense in each year is calculated based on the amount of losses absorbed by taxable income multiplied by the maximum statutory tax rate of 21%. The following table summarizes our income tax provision:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Current	\$ 1,128	\$ 48	\$ 1,512	\$ 1,137
Deferred	258	(4,689)	(315)	(4,689)
	<u>\$ 1,386</u>	<u>\$ (4,641)</u>	<u>\$ 1,197</u>	<u>\$ (3,552)</u>

### 17. Commitments and Contingencies

We believe that we will generate excess cash from property operations in the next twelve months; such excess, however, might not be sufficient to discharge all of our obligations as they become due. We intend to sell income-producing assets, refinance real estate and obtain additional borrowings primarily secured by real estate to meet our liquidity requirements.

We are defendants in litigation related to a property sale ("Nixdorf") that was completed in 2008, which was tried to a jury in March 2023. On March 18, 2023, the jury in the case returned a "Plaintiff take nothing" verdict in our favor. On January 7, 2025, the Fifth District Court of Appeals at Dallas reversed the trial court's judgment and remanded the case to the trial court. We filed a Petition for Writ of Mandamus on February 24, 2025 to challenge the entry of the new trial order and are awaiting the appellate court's ruling.

### 18. Subsequent Events

On October 10, 2025, we sold Villas at Bon Secour, a 200 unit multifamily property in Gulf Shores, Alabama, for \$28,000. We used the proceeds from the sale to pay off the \$18,767 loan on the property (See Note 12 - Mortgages and Other Notes Payable) and for general corporate purposes.

The date to which events occurring after September 30, 2025, the date of the most recent balance sheet, have been evaluated for possible adjustment to the consolidated financial statements or disclosure is November 6, 2025, which is the date on which the consolidated financial statements were available to be issued.

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

The following discussion and analysis by management should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and Notes included in this Quarterly Report on Form 10-Q (the "Quarterly Report") and in our Form 10-K for the year ended December 31, 2024 (the "Annual Report").

This Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, principally, but not only, under the captions "Business", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". We caution investors that any forward-looking statements in this report, or which management may make orally or in writing from time to time, are based on management's beliefs and on assumptions made by, and information currently available to, management. When used, the words "anticipate", "believe", "expect", "intend", "may", "might", "plan", "estimate", "project", "should", "will", "result" and similar expressions which do not relate solely to historical matters are intended to identify forward-looking statements. These statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. We caution you that, while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

- general risks affecting the real estate industry (including, without limitation, the inability to enter into or renew leases, dependence on tenants' financial condition, and competition from other developers, owners and operators of real estate);
- risks associated with the availability and terms of construction and mortgage financing and the use of debt to fund acquisitions and developments;
- demand for apartments and commercial properties in our markets and the effect on occupancy and rental rates;
- our ability to obtain financing, enter into joint venture arrangements in relation to or self-fund the development or acquisition of properties;
- risks associated with the timing and amount of property sales and the resulting gains/losses associated with such sales;
- failure to manage effectively our growth and expansion into new markets or to integrate acquisitions successfully;
- risks and uncertainties affecting property development and construction (including, without limitation, construction delays, cost overruns, inability to obtain necessary permits and public opposition to such activities);
- risks associated with downturns in the national and local economies, increases in interest rates, and volatility in the securities markets;
- costs of compliance with the Americans with Disabilities Act and other similar laws and regulations;
- potential liability for uninsured losses and environmental contamination; and
- risks associated with our dependence on key personnel whose continued service is not guaranteed.

The risks included here are not exhaustive. Some of the risks and uncertainties that may cause our actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements, include among others, the factors listed and described at Part I, Item 1A. "Risk Factors" Annual Report on Form 10-K, which investors should review.

## Management's Overview

We are an externally advised and managed real estate investment company that owns a diverse portfolio of income-producing properties and land held for development throughout the Southern United States. Our portfolio of income-producing properties includes residential apartment communities ("multifamily properties"), office buildings and retail properties ("commercial properties"). Our investment strategy includes acquiring existing income-producing properties as well as developing new properties on land already owned or acquired for a specific development project.

Our operations are managed by Pillar Income Asset Management, Inc. ("Pillar") in accordance with an Advisory Agreement. Pillar's duties include, but are not limited to, locating, evaluating and recommending real estate and real estate-related investment opportunities, asset management, and arranging debt and equity financing with third party lenders and investors. We have no employees; all of our services are performed by Pillar employees. Pillar is considered to be a related party due to its common ownership with May Realty Holdings, Inc. ("MRHI"), who is our controlling shareholder.

The following is a summary of our recent acquisition, disposition, financing and development activities:

### *Acquisitions and Dispositions*

- On December 13, 2024, we sold 30 single family lots from our holdings in Windmill Farms for \$1.4 million, resulting in a gain on sale of \$1.1 million.
- On March 25, 2025, we received \$3.5 million in proceeds from the condemnation settlement that provided for the conveyance of 11.2 acres from our holdings in Windmill Farms, resulting in a gain on sale of \$3.1 million.
- During the nine months ended September 30, 2025, we sold 51 lots from our holdings in Windmill Farms for \$2.3 million, resulting in a gain on sale of \$1.8 million.
- On October 10, 2025, we sold Villas at Bon Secour, a 200 unit multifamily property in Gulf Shores, Alabama, for \$28.0 million (See "Financing Activities").

### *Financing Activities*

- On January 1, 2024, we amended our cash management agreement with Pillar. As a result, the interest rate on the related party receivable changed from prime plus one to SOFR.
- On February 8, 2024, we extended the maturity of our loan on Windmill Farms to February 28, 2026 at an interest rate of 7.50%.
- On June 6, 2024, we extended the maturity of our New Concept Energy loan to September 30, 2027 with an interest rate at SOFR.
- On July 10, 2024, we replaced the existing loan on Forest Grove with a \$6.6 million loan that bears interest at SOFR plus 2.15% and matures on August 1, 2031.
- On October 21, 2024, we entered into a \$27.5 million construction loan to finance the development of Mountain Creek (See "Development Activities") that bears interest at SOFR plus 3.45% and matures on June 17, 2027.
- On May 30, 2025, we paid off the \$10.8 million loan on 770 South Post Oak with cash on hand.
- On October 10, 2025, we paid off the \$18.8 million loan on Villas at Bon Secour in connection with the sale of the underlying property (See "Acquisitions and Dispositions").

### *Development Activities*

Our development activities include the development of Windmill Farms and the construction of four multifamily properties.

Windmill Farms is a collection of freshwater districts ("Districts") in Kaufman County Texas that is being developed into single family lots, multifamily properties and retail properties. In connection with the project, we develop the infrastructure in Windmill Farms in order for the land to appreciate and to sell land units ("lots") to home builders for construction of single family homes. We receive reimbursement of the infrastructure costs ("District Receivables") through the issuance of municipal bonds by the Districts. As of September 30, 2025, we have \$55.7 million in District Receivables.

We have entered into development agreements with Pillar to develop multifamily properties. Each of these development projects is being funded in part by a construction loan.

The following is a summary of construction costs (dollars in thousands) incurred as of September 30, 2025:

Project	Units	Location	Total Projected Cost	Costs Incurred	Expected Completion Date
Alera	240	Lake Wales, FL	\$ 55,330	\$ 53,292	December 2025
Bandera Ridge	216	Temple, TX	49,603	45,232	November 2025
Merano	216	McKinney, TX	51,910	47,577	November 2025
Mountain Creek	234	Dallas, TX	49,971	5,818	June 2027
	<u>906</u>		<u>\$ 206,814</u>	<u>\$ 151,919</u>	

During the nine months ended September 30, 2025, we incurred \$59.2 million in development costs, which were funded in part by \$54.9 million in borrowing from our construction loans. All four of these development projects are garden style apartments, which allows for construction to be completed in phases. During the three months ended September 30, 2025, we received our initial tranche of completed units from Alera, Bandera Ridge and Merano, which allows us to start the lease-up process.

#### *Other Developments*

On October 31, 2024, we executed a Settlement Agreement and General Release (the “Settlement Agreement”) covering litigation that was instituted by David M. Clapper and related entities (collectively “Clapper”) in the U.S. District Court for the Northern District of Texas regarding a 1998 multifamily property transaction. In connection with the Settlement Agreement we paid Clapper \$23.4 million, which we accrued during the three and nine months ended September 30, 2024..

On December 16, 2024, TCI announced an offer ("Tender Offer") to purchase up to 100,000 shares of the outstanding common shares of IOR at a price of \$18 per share, subject to certain conditions. The Tender Offer was completed on January 29, 2025, which resulted in TCI's acquisition of 21,678 shares for a total cost of \$0.5 million.

As provided in amendment number 31 to the Schedule 13D that TCI filed with the SEC subsequent to the completion of the Tender Offer, if the appropriate opportunity exists at attractive prices, TCI may acquire additional shares of IOR. During the nine months ended September 30, 2025, TCI purchased an additional 32,845 common share of IOR in the market for a total cost of \$0.6 million.

#### **Critical Accounting Policies**

The preparation of our consolidated financial statements in conformity with United States generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Some of these estimates and assumptions include judgments on revenue recognition, estimates for common area maintenance and real estate tax accruals, provisions for uncollectible accounts, impairment of long-lived assets, the allocation of purchase price between tangible and intangible assets, capitalization of costs and fair value measurements. Our significant accounting policies are described in more detail in Note 2—Summary of Significant Accounting Policies in our notes to the consolidated financial statements in the Annual Report. However, the following policies are deemed to be critical.

#### *Fair Value of Financial Instruments*

We apply the guidance in ASC Topic 820, “Fair Value Measurements and Disclosures”, to the valuation of real estate assets. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity’s own data.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date and includes three levels defined as follows:

Level 1 – Unadjusted quoted prices for identical and unrestricted assets or liabilities in active markets.

Level 2 – Quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Unobservable inputs that are significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

#### *Related Parties*

We apply ASC Topic 805, "Business Combinations", to evaluate business relationships. Related parties are persons or entities who have one or more of the following characteristics, which include entities for which investments in their equity securities would be required, trust for the benefit of persons including principal owners of the entities and members of their immediate families, management personnel of the entity and members of their immediate families and other parties with which the entity may deal if one party controls or can significantly influence the decision making of the other to an extent that one of the transacting parties might be prevented from fully pursuing our own separate interests, or affiliates of the entity.

#### **Results of Operations**

Many of the variations in the results of operations, discussed below, occurred because of the transactions affecting our properties described above, including those related to the Development Properties, the Acquisition Properties and the Disposition Properties (each as defined below).

For purposes of the discussion below, we define "Same Properties" as all of our properties with the exception of those properties that have been recently constructed or leased-up ("Development Properties"), properties that have recently been acquired ("Acquisition Properties") and properties that have been disposed ("Disposition Properties"). A developed property is considered leased-up, when it achieves occupancy of 80% or more. We move a property in and out of Same Properties based on whether the property is substantially leased-up and in operation for the entirety of both periods of the comparison. The Development Activities for the comparison of the three and nine months ended September 30, 2025 to the three and nine months ended September 30, 2024 were Alera, Bandera Ridge and Merano (See "Development Activities" in Management's Overview). There were no Acquisition Properties or Disposition Properties for the comparison of the three and nine months ended September 30, 2025 to the three and nine months ended September 30, 2024.

The following table (dollars in thousands) summarizes our results of operations for the three and nine months ended September 30, 2025 and 2024:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2025	2024	Variance	2025	2024	Variance
<b>Multifamily Segment</b>						
Revenue	\$ 8,528	\$ 8,266	\$ 262	\$ 25,785	\$ 25,451	\$ 334
Operating expenses	(5,109)	(4,642)	(467)	(13,680)	(13,358)	(322)
	3,419	3,624	(205)	12,105	12,093	12
<b>Commercial Segment</b>						
Revenue	4,307	3,341	966	11,218	9,828	1,390
Operating expenses	(2,441)	(2,347)	(94)	(6,382)	(6,889)	507
	1,866	994	872	4,836	2,939	1,897
Segment operating income ("NOI")	5,285	4,618	667	16,941	15,032	1,909
<b>Other non-segment items of income (expense)</b>						
Depreciation and amortization	(2,936)	(3,120)	184	(8,881)	(9,429)	548
General, administrative and advisory	(3,922)	(3,561)	(361)	(11,459)	(10,460)	(999)
Interest income, net	2,408	3,383	(975)	6,174	10,075	(3,901)
Gain (loss) on real estate transactions	755	(23,400)	24,155	5,593	(23,400)	28,993
Income from joint ventures	116	423	(307)	(24)	1,407	(1,431)
Other income (expense)	(1,386)	4,641	(6,027)	(1,197)	3,552	(4,749)
Net income (loss)	<u>\$ 320</u>	<u>\$ (17,016)</u>	<u>\$ 17,336</u>	<u>\$ 7,147</u>	<u>\$ (13,223)</u>	<u>\$ 20,370</u>



*Comparison of the three months ended September 30, 2025 to the three months ended September 30, 2024:*

Our \$17.3 million increase in net income is primarily attributed to the following:

- The \$0.2 million decrease in multifamily NOI is due to a \$0.4 million decrease from the Development Properties offset in part by a \$0.2 million increase from the Same Properties.
- The \$0.9 million increase in NOI from our commercial segment is primarily due to an increase in occupancy at Stanford Center.
- The \$1.0 million decrease in interest income, net is due to a \$1.4 million decrease in interest income offset in part by a \$0.4 million decrease in interest expense. The decrease in interest income was primarily due to a decrease in funds available for investments and a decline in interest rates. Our decrease in interest expense is primarily due to the pay off of the loan on 770 South Post Oak in 2025 and refinancing Forest Grove in 2024.
- The \$24.2 million decrease in loss on real estate transaction is primarily due to the \$23.4 million settlement of the Clapper matter in 2024 (See "Other Developments" in Management's Overview).
- The increase in other income, net is primarily due to an increase in income tax benefit as a result of the sale of the VAA Portfolio in 2022.

*Comparison of the nine months ended September 30, 2025 to the nine months ended September 30, 2024:*

Our \$20.4 million increase in net income is primarily attributed to the following:

- Our multifamily segment had a \$0.4 million increase in NOI from Same Properties that was offset by a \$0.4 million decrease from our Development Properties.
- The \$1.4 million increase in NOI from our commercial segment is primarily due to an increase in occupancy at Stanford Center.
- The \$3.9 million decrease in interest income, net is due to a \$4.6 million decrease in interest income offset in part by a \$0.7 million decrease in interest expense. The decrease in interest income was primarily due to a decrease in funds available for investments and a decline in interest rates. Our decrease in interest expense is primarily due to the pay off of the loan on 770 South Post Oak in 2025 and refinancing Forest Grove in 2024.
- The \$29.0 million decrease in loss on real estate transaction is primarily due to the \$23.4 million settlement of the Clapper matter in 2024 (See "Other Developments" in Management's Overview).
- The increase in gain on sale of assets is primarily due to the \$3.1 million condemnation settlement and the sale of land parcels in 2025 (See "Acquisitions and Dispositions" in Management's Overview).

## **Liquidity and Capital Resources**

Our principal sources of cash have been, and will continue to be, property operations; proceeds from land and income-producing property sales; collection of notes receivable; refinancing of existing mortgage notes payable; and additional borrowings, including mortgage and other notes payable.

Our principal liquidity needs are to fund normal recurring expenses; meet debt service and principal repayment obligations including balloon payments on maturing debt; fund capital expenditures, including tenant improvements and leasing costs; fund development costs not covered under construction loans; and fund possible property acquisitions.

We anticipate that our cash and cash equivalents as of September 30, 2025, along with cash that will be generated from notes related party receivables and investment in cash equivalents and short-term investments, will be sufficient to meet all of our cash requirements. We may selectively sell land and income-producing assets, refinance or extend real estate debt and seek additional borrowings secured by real estate to meet our liquidity requirements. Although history cannot predict the future, historically, we have been successful at refinancing and extending a portion of our current maturity obligations.

The following summary discussion of our cash flows is based on the consolidated statements of cash flows in our consolidated financial statements, and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below (dollars in thousands):



	Nine Months Ended September 30,		Variance
	2025	2024	
Net cash (used in) provided by operating activities	\$ (2,351)	\$ 16,859	\$ (19,210)
Net cash used in investing activities	\$ (48,965)	\$ (26,898)	\$ (22,067)
Net cash provided by financing activities	\$ 40,546	\$ 93	\$ 40,453

The \$19.2 million increase in cash used in operating activities is primarily due to a \$1.3 million increase in other assets, a \$9.0 million decrease in accounts payable and other liabilities, a decrease in interest income and an increase in our tax provision.

The \$22.1 million increase in cash used in investing activities is primarily due to the \$37.2 million increase in development and renovation of real estate offset in part by the \$10.6 million increase in net redemption of short-term investments and a \$5.8 million increase in proceeds from the real estate transactions. The increase in development and renovation of real estate relates to the construction of development projects (See "Development Activities" in Management's Overview). The increase in net redemption of short-term investments was to provide additional funds for the development and renovation of real estate and the repayment of the mortgage on 770 South Post Oak in 2025.

The \$40.5 million increase in cash provided by financing activities was due to the \$44.2 million increase in borrowings on our construction loans in connection with our development projects (See "Development Activities" in Management's Overview) offset in part by a \$3.7 million increase in payments of mortgages and other notes payable (See "Financing Activities" in Management's Overview).

### **Funds From Operations ("FFO")**

We use FFO in addition to net income to report our operating and financial results and consider FFO and FFO-diluted as supplemental measures for the real estate industry and a supplement to GAAP measures. The National Association of Real Estate Investment Trusts ("Nareit") defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains or (losses) from sales of properties, plus real estate related depreciation and amortization, impairment write-downs of real estate and write-downs of investments in an affiliate where the write-downs have been driven by a decrease in the value of real estate held by the affiliate and after adjustments for unconsolidated joint ventures. Adjustments for unconsolidated joint ventures are calculated to reflect FFO on the same basis.

FFO and FFO on a diluted basis are useful to investors in comparing operating and financial results between periods. This is especially true since FFO excludes real estate depreciation and amortization, as we believe real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. We believe that such a presentation also provides investors with a meaningful measure of our operating results in comparison to the operating results of other real estate companies.

We believe that FFO does not represent cash flow from operations as defined by GAAP, should not be considered as an alternative to net income as defined by GAAP, and is not indicative of cash available to fund all cash flow needs. We also caution that FFO, as presented, may not be comparable to similarly titled measures reported by other real estate companies.

We compensate for the limitations of FFO by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of FFO and a reconciliation of net income to FFO and FFO-diluted. We believe that to further understand our performance, FFO should be compared with our reported net income and considered in addition to cash flows in accordance with GAAP, as presented in our consolidated financial statements.

The following table reconciles net income attributable to the Company to FFO and FFO adjusted for the three and nine months ended September 30, 2025 and 2024 (dollars and shares in thousands):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Net income (loss) attributable to common shares	\$ 129	\$ (17,460)	\$ 5,921	\$ (14,542)
Depreciation and amortization	2,936	3,120	8,881	9,429
(Gain) loss on real estate transactions	(755)	23,400	(5,593)	23,400
Gain on sale of land	755	—	4,847	—
Depreciation and amortization on unconsolidated joint ventures at our pro rata share	90	68	239	206
FFO-Basic and Diluted	<u>\$ 3,155</u>	<u>\$ 9,128</u>	<u>\$ 14,295</u>	<u>\$ 18,493</u>

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

Optional and not included.

**ITEM 4. CONTROLS AND PROCEDURES**

Based on an evaluation by our management (with the participation of our Principal Executive Officer and our Principal Financial Officer), as of the end of the period covered by this report, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), were effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Principal Executive Officer and our Financial Officer, to allow timely decisions regarding required disclosures.

There has been no change in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

None

**ITEM 1A. RISK FACTORS**

There have been no material changes from the risk factors previously disclosed in the 2024 10-K. For a discussion on these risk factors, please see “Item 1A. Risk Factors” contained in the 2024 10-K.

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

We have a program that allows for the repurchase of up to 1,250,000 shares. There were no shares purchased under this program during the nine months ended September 30, 2025. As of September 30, 2025, 986,750 shares have been purchased and 263,250 shares may be purchased under the program.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

**ITEM 4. MINE SAFETY DISCLOSURES**

None

**ITEM 5. OTHER INFORMATION**

None

## ITEM 6. EXHIBITS

The following exhibits are filed herewith or incorporated by reference as indicated below:

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
3.0	Certificate of Restatement of Articles of Incorporation of American Realty Investors, Inc. dated August 3, 2000 (incorporated by reference to Exhibit 3.0 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
3.1	Certificate of Correction of Restated Articles of Incorporation of American Realty Investors, Inc. dated August 29, 2000 (incorporated by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q dated September 30, 2000).
3.2	Articles of Amendment to the Restated Articles of Incorporation of American Realty Investors, Inc. decreasing the number of authorized shares of and eliminating Series B Cumulative Convertible Preferred Stock dated August 23, 2003 (incorporated by reference to Exhibit 3.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).
3.3	Articles of Amendment to the Restated Articles of Incorporation of American Realty Investors, Inc., decreasing the number of authorized shares of and eliminating Series I Cumulative Preferred Stock dated October 1, 2003 (incorporated by reference to Exhibit 3.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).
3.4	Bylaws of American Realty Investors, Inc. (incorporated by reference to Exhibit 3.2 to Registrant's Registration Statement on Form S-4 filed December 30, 1999).
4.1	Certificate of Designations, Preferences and Relative Participating or Optional or Other Special Rights, and Qualifications, Limitations or Restrictions Thereof of Series F Redeemable Preferred Stock of American Realty Investors, Inc., dated June 11, 2001 (incorporated by reference to Exhibit 4.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001).
4.2	Certificate of Withdrawal of Preferred Stock, Decreasing the Number of Authorized Shares of and Eliminating Series F Redeemable Preferred Stock, dated June 18, 2002 (incorporated by reference to Exhibit 3.0 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002).
4.3	Certificate of Designation, Preferences and Rights of the Series I Cumulative Preferred Stock of American Realty Investors, Inc., dated February 3, 2003 (incorporated by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002).
4.4	Certificate of Designation for Nevada Profit Corporations designating the Series J 8% Cumulative Convertible Preferred Stock as filed with the Secretary of State of Nevada on March 16, 2006 (incorporated by reference to Registrant's current report on Form 8-K for event of March 16, 2006).
4.5	Certificate of Designation for Nevada Profit Corporation designating the Series K Convertible Preferred Stock as filed with the Secretary of State of Nevada on May 6, 2013 (incorporated by reference to Registrant's current report on form 8-K for event of May 7, 2013).
<a href="#">31.1</a> *	Section 302 Certification of Erik L. Johnson, Chief Executive Officer.
<a href="#">31.2</a> *	Section 302 Certification of Alla Dzyuba, Chief Accounting Officer.
<a href="#">32.1</a> *	Section 906 Certifications of Erik L. Johnson and Alla Dzyuba.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

**SIGNATURE PAGE**

Pursuant to the requirements 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.

AMERICAN REALTY INVESTORS, INC.

Date: November 6, 2025

By: /s/ ERIK L. JOHNSON  
Erik L. Johnson  
President and Chief Executive Officer

**CERTIFICATION**

I, Erik L. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Realty Investors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;
4. The registrant's other certifying officers(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
  - (d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 6, 2025

By: /s/ ERIK L. JOHNSON

Erik L. Johnson

President and Chief Executive Officer

**CERTIFICATION**

I, Alla Dzyuba, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Realty Investors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;
4. The registrant's other certifying officers(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
  - (d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 6, 2025

By: /s/ ALLA DZYUBA

Alla Dzyuba

Senior Vice President and Chief Accounting Officer



**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officers of American Realty Investors, Inc., a Nevada corporation (the “Company”) hereby certifies that:

- (i) The Company’s Quarterly Report on Form 10-Q for the three months ended September 30, 2025 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Company’s Quarterly Report on Form 10-Q for the three months ended September 30, 2025 fairly presents in all material respects, the financial condition and results of operations of the Company, at and for the period indicated.

Dated: November 6, 2025

By: /s/ ERIK L. JOHNSON

Erik L. Johnson  
President and Chief Executive Officer

/s/ ALLA DZYUBA

Alla Dzyuba  
Senior Vice President and Chief Accounting Officer