
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 June 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 001-09240

TRANSCONTINENTAL REALTY INVESTORS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

94-6565852
(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	TCI	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 August 7, 2025, there were 8,639,316 shares of common stock outstanding.

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

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

	June 30, 2025	December 31, 2024
Assets		
Real estate	\$ 605,862	\$ 557,388
Cash and cash equivalents	15,446	19,915
Restricted cash	18,749	20,557
Short-term investments	58,048	79,800
Notes receivable (including \$59,846 and \$61,245 at June 30, 2025 and December 31, 2024, respectively, from related parties)	126,564	128,229
Receivables from related party	169,961	163,518
Other assets (including \$1,509 and \$1,595 at June 30, 2025 and December 31, 2024, respectively, from related parties)	131,896	101,138
Total assets	<u>\$ 1,126,526</u>	<u>\$ 1,070,545</u>
Liabilities and Equity		
Liabilities:		
Mortgages and other notes payable	\$ 212,409	\$ 181,856
Accounts payable and other liabilities (including \$29 and \$601 at June 30, 2025 and December 31, 2024, respectively, to related parties)	53,295	32,103
Accrued interest	3,350	3,194
Deferred revenue	581	581
Total liabilities	<u>269,635</u>	<u>217,734</u>
Equity		
Shareholders' Equity:		
Common stock, \$0.01 par value, 10,000,000 shares authorized; 8,639,316 shares issued and outstanding	86	86
Additional paid-in capital	262,007	261,399
Retained earnings	575,580	570,793
Total shareholders' equity	837,673	832,278
Noncontrolling interest	19,218	20,533
Total equity	856,891	852,811
Total liabilities and equity	<u>\$ 1,126,526</u>	<u>\$ 1,070,545</u>

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenues:				
Rental revenues (including \$144 and \$158 for the three months ended June 30, 2025 and 2024, respectively, and \$289 and \$336 for the six months ended June 30, 2025 and 2024, respectively, from related parties)	\$ 11,510	\$ 11,188	\$ 22,937	\$ 22,467
Other income	650	585	1,231	1,205
Total revenue	12,160	11,773	24,168	23,672
Expenses:				
Property operating expenses (including \$88 and \$86 for the three months ended June 30, 2025 and 2024, respectively, and \$174 and \$166 for the six months ended June 30, 2025 and 2024, respectively, from related parties)	6,535	6,624	12,512	13,258
Depreciation and amortization	3,062	3,137	5,945	6,309
General and administrative (including \$1,025 and \$895 for the three months ended June 30, 2025 and 2024, respectively, and \$1,996 and \$1,809 for the six months ended June 30, 2025 and 2024, respectively, from related parties)	1,383	1,414	2,735	2,675
Advisory fee to related party	2,005	1,680	4,436	3,845
Total operating expenses	12,985	12,855	25,628	26,087
Net operating loss	(825)	(1,082)	(1,460)	(2,415)
Interest income (including \$2,521 and \$2,681 for the three months ended June 30, 2025 and 2024, respectively, and \$5,038 and \$5,373 for the six months ended June 30, 2025 and 2024, respectively, from related parties)	3,982	5,200	8,610	11,327
Interest expense	(1,738)	(1,862)	(3,519)	(3,731)
Equity in income from unconsolidated joint venture	—	109	—	544
Gain on sale or write-down of assets, net	947	—	4,838	—
Income tax provision	(2,042)	(669)	(3,364)	(1,272)
Net income	324	1,696	5,105	4,453
Net income attributable to noncontrolling interest	(155)	(198)	(318)	(406)
Net income attributable to the Company	\$ 169	\$ 1,498	\$ 4,787	\$ 4,047
Earnings per share - basic and diluted	\$ 0.02	\$ 0.17	\$ 0.55	\$ 0.47
Weighted average common shares used in computing earnings per share - basic and diluted	8,639,316	8,639,316	8,639,316	8,639,316

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

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

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity	Noncontrolling Interest	Total Equity
Three Months Ended June 30, 2025						
Balance, April 1, 2025	\$ 86	\$ 261,762	\$ 575,411	\$ 837,259	\$ 19,654	\$ 856,913
Net income	—	—	169	169	155	324
Purchase of IOR shares	—	—	—	—	(346)	(346)
Adjustment to noncontrolling interest	—	245	—	245	(245)	—
Balance, June 30, 2025	<u>\$ 86</u>	<u>\$ 262,007</u>	<u>\$ 575,580</u>	<u>\$ 837,673</u>	<u>\$ 19,218</u>	<u>\$ 856,891</u>
Three Months Ended June 30, 2024						
Balance, April 1, 2024	\$ 86	\$ 261,289	\$ 567,480	\$ 828,855	\$ 20,269	\$ 849,124
Net income	—	—	1,498	1,498	198	1,696
Balance, June 30, 2024	<u>\$ 86</u>	<u>\$ 261,289</u>	<u>\$ 568,978</u>	<u>\$ 830,353</u>	<u>\$ 20,467</u>	<u>\$ 850,820</u>
Six Months Ended June 30, 2025						
Balance, January 1, 2025	\$ 86	\$ 261,399	\$ 570,793	\$ 832,278	\$ 20,533	\$ 852,811
Net income	—	—	4,787	4,787	318	5,105
Purchase of IOR shares	—	—	—	—	(1,025)	(1,025)
Adjustment to noncontrolling interest	—	608	—	608	(608)	—
Balance, June 30, 2025	<u>\$ 86</u>	<u>\$ 262,007</u>	<u>\$ 575,580</u>	<u>\$ 837,673</u>	<u>\$ 19,218</u>	<u>\$ 856,891</u>
Six Months Ended June 30, 2024						
Balance, January 1, 2024	\$ 86	\$ 260,990	\$ 564,931	\$ 826,007	\$ 20,947	\$ 846,954
Net income	—	—	4,047	4,047	406	4,453
Repurchase of treasury shares by IOR	—	—	—	—	(587)	(587)
Adjustment to noncontrolling interest	—	299	—	299	(299)	—
Balance, June 30, 2024	<u>\$ 86</u>	<u>\$ 261,289</u>	<u>\$ 568,978</u>	<u>\$ 830,353</u>	<u>\$ 20,467</u>	<u>\$ 850,820</u>

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

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

	Six Months Ended June 30,	
	2025	2024
Cash Flow From Operating Activities:		
Net income	\$ 5,105	\$ 4,453
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Gain on sale or write down of assets	(4,838)	—
Depreciation and amortization	5,979	6,351
(Recovery) provision for bad debts	(47)	69
Equity in income from unconsolidated joint venture	—	(544)
Distribution of income from unconsolidated joint venture	—	841
Changes in assets and liabilities:		
Other assets	(5,885)	191
Related party receivable	(6,443)	(6,017)
Interest payable	156	283
Accounts payable and other liabilities	(4,367)	(2,269)
Net cash (used in) provided by operating activities	(10,340)	3,358
Cash Flow From Investing Activities:		
Collection of notes receivable	1,664	3,005
Purchase of short-term investments	(17,308)	(40,169)
Redemption and/or maturity of short-term investments	39,060	49,196
Development and renovation of real estate	(53,376)	(15,022)
Deferred leasing costs	(339)	(27)
Proceeds from sale of assets	4,868	—
Net cash used in investing activities	(25,431)	(3,017)
Cash Flow From Financing Activities:		
Proceeds from mortgages and other notes payable	43,027	—
Payments on mortgages and other notes payable	(12,508)	(1,715)
Repurchase of IOR shares	(1,025)	(587)
Deferred financing costs	—	(52)
Net cash provided by (used in) financing activities	29,494	(2,354)
Net decrease in cash, cash equivalents and restricted cash	(6,277)	(2,013)
Cash, cash equivalents and restricted cash, beginning of period	40,472	79,027
Cash, cash equivalents and restricted cash, end of period	\$ 34,195	\$ 77,014

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

TRANSCONTINENTAL 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 Transcontinental Realty Investors, Inc., a Nevada corporation, which was formed in 1984. Our common stock is listed on the New York Stock Exchange (“NYSE”) under the symbol “TCI”. We are owned approximately 78% by American Realty Investors, Inc. (“ARL”), whose common stock is listed on the NYSE under the symbol “ARL”, and 8% by the controlling shareholder of ARL.

Our primary business is the acquisition, development and ownership of income-producing residential and commercial real estate 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 also 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 sales of income-producing properties and land.

At June 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 12 – 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.

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

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

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 attributable to the Company by the weighted-average number of common shares outstanding during the period.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net income	\$ 324	\$ 1,696	\$ 5,105	\$ 4,453
Net income attributable to noncontrolling interest	(155)	(198)	(318)	(406)
Net income attributable to the Company	<u>\$ 169</u>	<u>\$ 1,498</u>	<u>\$ 4,787</u>	<u>\$ 4,047</u>
Weighted-average common shares outstanding — basic and diluted	<u>8,639,316</u>	<u>8,639,316</u>	<u>8,639,316</u>	<u>8,639,316</u>
EPS - attributable to common shares — basic and diluted	<u>\$ 0.02</u>	<u>\$ 0.17</u>	<u>\$ 0.55</u>	<u>\$ 0.47</u>

TRANSCONTINENTAL 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:

	Six Months Ended June 30,	
	2025	2024
Cash paid for interest	\$ 3,000	\$ 3,066
Cash paid for taxes	\$ 166	\$ 2,200
Cash - beginning of period		
Cash and cash equivalents	\$ 19,915	\$ 36,700
Restricted cash	20,557	42,327
	<u>\$ 40,472</u>	<u>\$ 79,027</u>
Cash - end of period		
Cash and cash equivalents	\$ 15,446	\$ 46,031
Restricted cash	18,749	30,983
	<u>\$ 34,195</u>	<u>\$ 77,014</u>

The following is a schedule of noncash investing activity:

	Six Months Ended June 30,	
	2025	2024
Accrued development costs	\$ 13,738	\$ 1,664

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.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Multifamily Segment				
Revenues	\$ 8,493	\$ 8,675	\$ 17,257	\$ 17,185
Segment expenses				
Property tax and insurance	(2,522)	(2,665)	(5,057)	(5,406)
Repairs and maintenance	(986)	(994)	(1,626)	(1,635)
Other property expenses	(1,023)	(839)	(1,888)	(1,675)
Profit from segment	3,962	4,177	8,686	8,469
Commercial Segment				
Revenues	3,667	3,098	6,911	6,487
Segment expenses				
Property tax and insurance	(608)	(843)	(1,232)	(1,942)
Repairs and maintenance	(368)	(290)	(642)	(600)
Other property expenses	(1,028)	(993)	(2,067)	(2,000)
Profit from segment	1,663	972	2,970	1,945
Total profit from segments	<u>\$ 5,625</u>	<u>\$ 5,149</u>	<u>\$ 11,656</u>	<u>\$ 10,414</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Total profit from segments	\$ 5,625	\$ 5,149	\$ 11,656	\$ 10,414
Other non-segment items of income (expense)				
Depreciation and amortization	(3,062)	(3,137)	(5,945)	(6,309)
General and administrative	(1,383)	(1,414)	(2,735)	(2,675)
Advisory fee to related party	(2,005)	(1,680)	(4,436)	(3,845)
Interest income	3,982	5,200	8,610	11,327
Interest expense	(1,738)	(1,862)	(3,519)	(3,731)
Income from unconsolidated joint venture	—	109	—	544
Gain on sales or write-down of assets	947	—	4,838	—
Income tax provision	(2,042)	(669)	(3,364)	(1,272)
Net income	<u>\$ 324</u>	<u>\$ 1,696</u>	<u>\$ 5,105</u>	<u>\$ 4,453</u>

TRANSCONTINENTAL 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 six months ended June 30, 2025 and 2024:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Fixed component	\$ 11,232	\$ 10,827	\$ 22,394	\$ 21,826
Variable component	278	361	543	641
	<u>\$ 11,510</u>	<u>\$ 11,188</u>	<u>\$ 22,937</u>	<u>\$ 22,467</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	\$ 12,936
2026	12,944
2027	12,563
2028	11,622
2029	9,624
Thereafter	20,963
	<u>\$ 80,652</u>

7. Real Estate Activity

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

	June 30, 2025	December 31, 2024
Land	\$ 104,076	\$ 104,076
Building and improvements	375,689	375,430
Tenant improvements	18,677	16,629
Construction in progress	191,814	140,046
Total cost	<u>690,256</u>	<u>636,181</u>
Less accumulated depreciation	<u>(84,394)</u>	<u>(78,793)</u>
Total real estate	<u>\$ 605,862</u>	<u>\$ 557,388</u>

We incurred depreciation expense of \$2,880 and \$2,986 for the three months ended June 30, 2025 and 2024, respectively, \$5,601 and \$6,004 for the six months ended June 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.

TRANSCONTINENTAL 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 June 30, 2025, we have \$55,450 in District Receivables included in other assets (See Note 10 – Other Assets) and \$47,081 of land lot development costs included in construction in progress.

We have entered into several development agreements with Pillar (See Note 12 – Related Party Transactions) to develop multifamily properties. Each of these development projects is being funded in part by a construction loan (See Note 11 – Mortgages and Other Notes Payable).

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

Project	Units	Location	Total Project Cost	Costs Incurred	Expected Completion Date
Alera	240	Lake Wales, FL	\$ 55,330	\$ 51,047	December 2025
Bandera Ridge	216	Temple, TX	49,603	44,045	November 2025
Merano	216	McKinney, TX	51,910	44,470	November 2025
Mountain Creek	234	Dallas, TX	49,971	5,171	October 2026
	<u>906</u>		<u>\$ 206,814</u>	<u>\$ 144,733</u>	

Sale of assets

Gain on sale or write-down of assets, net for the three and six months ended June 30, 2025 and 2024 consists of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Land (1)	\$ 947	\$ —	\$ 4,092	\$ —
Other	—	—	746	—
Total	\$ 947	\$ —	\$ 4,838	\$ —

(1) Includes the gain on dispositions of land from our investment in Windmill Farms and other land holdings.

8. Short-term Investments

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

	June 30, 2025	December 31, 2024
Corporate bonds, at par value	\$ 58,000	\$ 80,000
Demand notes	332	325
	<u>58,332</u>	<u>80,325</u>
Less discount	(284)	(525)
	<u>\$ 58,048</u>	<u>\$ 79,800</u>

The average interest rate on the investments was 4.89% and 5.20% at June 30, 2025 and December 31, 2024, respectively.

TRANSCONTINENTAL 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 June 30, 2025 and December 31, 2024:

Property/Borrower	Carrying value		Interest Rate	Maturity Date
	June 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)	1,300	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	8.50 %	6/7/28
Forest Pines(1)	6,472	6,472	5.00 %	5/1/27
Inwood on the Park(3)(4)	20,208	20,208	4.41 %	6/30/28
Kensington Park(3)(4)	6,169	6,994	4.41 %	3/31/27
Lake Shore Villas(3)(4)	5,518	5,855	4.41 %	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)	3,615	3,615	4.41 %	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)	20	107	4.41 %	3/31/28
Plaza at Chase Oaks(3)(4)	11,622	11,772	4.41 %	3/31/28
Plum Tree(1)	1,390	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)	6,331	6,358	5.00 %	8/1/26
Timbers at The Park(3)(4)	11,146	11,146	4.41 %	12/31/32
Tuscany Villas(3)(4)	1,548	1,548	4.41 %	4/30/27
	<u>\$ 126,564</u>	<u>\$ 128,229</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.

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(Unaudited)

10. Other Assets

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

	June 30, 2025	December 31, 2024
Acquisition deposits	\$ 15,409	\$ 15,824
District receivables (1)	55,450	54,518
Interest receivable (2)	17,297	16,388
Tenant and other receivables	4,364	3,989
Prepaid expenses and other assets	10,000	7,964
Income tax receivable	29,376	—
Deferred tax assets	—	2,455
	<u>\$ 131,896</u>	<u>\$ 101,138</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 \$1,509 and \$1,595 at June 30, 2025 and December 31, 2024, respectively, related to notes receivable from UHF (See Note 9 - Notes Receivable).

TRANSCONTINENTAL REALTY INVESTORS, INC.
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11. Mortgages and Other Notes Payable

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

Property/ Entity	Carrying Value		Interest Rate	Maturity Date
	June 30, 2025	December 31, 2024		
770 South Post Oak(1)	\$ —	\$ 10,939		
Alera(2)	23,051	8,554	7.45 %	3/15/2026
Bandera Ridge(3)	12,477	—	7.45 %	12/15/2028
Blue Lake Villas	9,237	9,327	3.15 %	11/1/2055
Blue Lake Villas Phase II	3,232	3,271	2.85 %	6/1/2052
Chelsea	7,783	7,878	3.36 %	12/1/2050
EQK Portage	3,350	3,350	5.00 %	11/13/2029
Forest Grove(4)	6,431	6,421	6.56 %	8/1/2031
Landing on Bayou Cane	14,018	14,162	3.52 %	9/1/2053
Legacy at Pleasant Grove	12,209	12,381	3.55 %	4/1/2048
Merano(5)	16,054	—	7.75 %	11/6/2028
Northside on Travis	10,988	11,125	2.50 %	2/1/2053
Parc at Denham Springs	15,867	16,048	3.75 %	4/1/2051
Parc at Denham Springs Phase II	15,323	15,419	4.05 %	2/1/2060
RCM HC Enterprises	5,086	5,086	5.00 %	12/31/2029
Residences at Holland Lake	10,114	10,219	3.60 %	3/1/2053
Villas at Bon Secour	18,588	18,798	3.08 %	9/1/2031
Villas of Park West I	8,882	8,983	3.04 %	3/1/2053
Villas of Park West II	8,068	8,158	3.18 %	3/1/2053
Vista Ridge	9,255	9,342	4.00 %	8/1/2053
Windmill Farms(6)	2,396	2,395	7.50 %	2/28/2026
	<u>\$ 212,409</u>	<u>\$ 181,856</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 February 8, 2024, we extended the maturity to February 28, 2026 at an interest rate of 7.50%.

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 June 30, 2025, we have not borrowed on the loan.

As of June 30, 2025, we were in compliance with all of our loan 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, Villas at Bon Secour and Windmill Farms.

TRANSCONTINENTAL REALTY INVESTORS, INC.
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12. Related Party Transactions

We engage in certain business transactions with related parties, including but not limited to asset 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 ARL, which in turn owns approximately 78.4% of the Company. Pillar is compensated for advisory services in accordance with an advisory agreement and is compensated for development services in accordance with project specific agreements. Regis receives property management fees and leasing commissions in accordance with the terms of its property-level management agreement. 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 \$144 and \$158 for the three months ended June 30, 2025 and 2024, respectively, and \$289 and \$336 for the six months ended June 30, 2025 and 2024, respectively, for office space leased to Pillar and Regis.

Property operating expense includes \$88 and \$86 for the three months ended June 30, 2025 and 2024, respectively, and \$174 and \$166 for the six months ended June 30, 2025 and 2024, respectively, for management fees on commercial properties payable to Regis.

General and administrative expense includes \$1,025 and \$895 for the three months ended June 30, 2025 and 2024, respectively, and \$1,996 and \$1,809 for the six months ended June 30, 2025 and 2024, respectively, for employee compensation and other reimbursable costs payable to Pillar.

Advisory fees paid to Pillar were \$2,005 and \$1,680 for the three months ended June 30, 2025 and 2024, respectively, and \$4,436 and \$3,845 for the six months ended June 30, 2025 and 2024, respectively. Development fees paid to Pillar were \$488 and \$587 for the three months ended June 30, 2025 and 2024, respectively, and \$1,218 and \$1,625 for the six months ended June 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 in accordance with a cash management agreement. On January 1, 2024, an amendment to the cash management agreement changed the interest rate on the Pillar Receivable from prime plus one percent to SOFR. Interest income on the UHF notes and the Pillar Receivable was \$2,521 and \$2,681 for the three months ended June 30, 2025 and 2024, respectively, and \$5,038 and \$5,373 for the six months ended June 30, 2025 and 2024, respectively.

13. Noncontrolling Interests

The noncontrolling interest represents the third party ownership interest in Income Opportunity Realty Investors, Inc. ("IOR"). Shares of IOR are listed on the NYSE American stock exchange under the symbol of IOR.

On December 16, 2024, we 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 our acquisition of 21,678 shares for a total cost of \$454. In addition, we purchased an additional 32,161 common shares of IOR in the open market during the six months ended June 30, 2025 for a total cost of \$571.

We owned approximately 84.5% and 83.2% of IOR at June 30, 2025 and December 31, 2024, respectively.

TRANSCONTINENTAL REALTY INVESTORS, INC.
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14. 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 June 30, 2025 and December 31, 2024, we had deferred gain of \$581.

15. Income Taxes

We are part of a tax sharing and compensating agreement with respect to federal income taxes with MRHI, ARL 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Current	\$ (499)	\$ 669	\$ 1,954	\$ 1,272
Deferred	2,541	—	1,410	—
	<u>\$ 2,042</u>	<u>\$ 669</u>	<u>\$ 3,364</u>	<u>\$ 1,272</u>

16. 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 judgement 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.

17. Subsequent Events

The date to which events occurring after June 30, 2025, the date of the most recent balance sheet, have been evaluated for possible adjustment to the consolidated financial statements or disclosure is August 7, 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. Pillar also arranges our debt and equity financing with third party lenders and investors. We have no employees. Employees of Pillar render services to us in accordance with the terms of the Advisory Agreement. Pillar is considered to be a related party due to its common ownership with American Realty Investors, Inc. ("ARL"), who is our controlling shareholder.

The following is a summary of our recent 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 six months ended June 30, 2025, we sold 30 lots from our holdings in Windmill Farms for \$1.4 million, resulting in a gain on sale of \$1.1 million.

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 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 October 20, 2026.
- On May 30, 2025, we paid off the \$10.8 million loan on 770 South Post Oak with cash on hand.

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 June 30, 2025, we have \$55.5 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 June 30, 2025:

Project	Units	Location	Total Projected Cost	Costs Incurred	Expected Completion Date
Alera	240	Lake Wales, FL	\$ 55,330	\$ 51,047	December 2025
Bandera Ridge	216	Temple, TX	49,603	44,045	November 2025
Merano	216	McKinney, TX	51,910	44,470	November 2025
Mountain Creek	234	Dallas, TX	49,971	5,171	October 2026
	<u>906</u>		<u>\$ 206,814</u>	<u>\$ 144,733</u>	

During the six months ended June 30, 2025, we incurred \$52.0 million in development costs, which were funded in part by \$43.0 million in borrowing from our construction loans.

Other Developments

On December 16, 2024, we 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 our acquisition of 21,678 shares for a total cost of \$0.5 million.

As provided in amendment number 31 to the Schedule 13D we filed with the SEC subsequent to the completion of the Tender Offer, if the appropriate opportunity exists at attractive prices, we may acquire additional shares of IOR. During the six months ended June 30, 2025, we purchased an additional 32,161 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 Redevelopment Property, 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 ("Redevelopment Property"), 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. There were no Acquisition Properties, Development Activities or Disposition Properties for the comparison of the three and six months ended June 30, 2025 to the three and six months ended June 30, 2024.

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2025	2024	Variance	2025	2024	Variance
Multifamily Segment						
Revenue	\$ 8,493	\$ 8,675	\$ (182)	\$ 17,257	\$ 17,185	\$ 72
Operating expenses	(4,531)	(4,498)	(33)	(8,571)	(8,716)	145
	3,962	4,177	(215)	8,686	8,469	217
Commercial Segment						
Revenue	3,667	3,098	569	6,911	6,487	424
Operating expenses	(2,004)	(2,126)	122	(3,941)	(4,542)	601
	1,663	972	691	2,970	1,945	1,025
Segment operating income	5,625	5,149	476	11,656	10,414	1,242
Other non-segment items of income (expense)						
Depreciation and amortization	(3,062)	(3,137)	75	(5,945)	(6,309)	364
General, administrative and advisory	(3,388)	(3,094)	(294)	(7,171)	(6,520)	(651)
Interest income, net	2,244	3,338	(1,094)	5,091	7,596	(2,505)
Gain on sale or write down of assets	947	—	947	4,838	—	4,838
Income from joint venture	—	109	(109)	—	544	(544)
Other expense	(2,042)	(669)	(1,373)	(3,364)	(1,272)	(2,092)
Net income	<u>\$ 324</u>	<u>\$ 1,696</u>	<u>\$ (1,372)</u>	<u>\$ 5,105</u>	<u>\$ 4,453</u>	<u>\$ 652</u>

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

Our \$1.4 million decrease in net income is primarily attributed to the following:

- The decrease in profit from the multifamily segment is primarily due to a decrease in rent of \$0.2 million and the increase in profit from the commercial segment is due to an increase in occupancy at Stanford Center.

- The \$1.1 million decrease in interest income, net is due to a \$1.2 million decrease in interest income, which was primarily due to a decrease in the average balance of our short term investments and interest rates.
- The increase in other expense is primarily due to a \$1.4 million increase in income tax provision as a result of the sale of the VAA Portfolio in 2022.

Comparison of the six months ended June 30, 2025 to the six months ended June 30, 2024:

Our \$0.7 million increase in net income is primarily attributed to the following:

- The increase in profit from the multifamily segment is primarily due to a decrease in the cost of insurance and the increase in profit from the commercial segment is primarily due to an increase in rent and a decrease in the cost of insurance and property taxes.
- The \$2.5 million decrease in interest income, net is due to a \$2.7 million decrease in interest income offset in part by a \$0.1 million decrease in interest expense. The decrease in interest income is primarily due to a decrease in the average balance of our short term investments and interest rates.
- The increase in gain on sale of assets is primarily due to the \$3.1 million condemnation settlement and the sale of land 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 June 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):

	Six Months Ended June 30,		
	2025	2024	Variance
Net cash (used in) provided by operating activities	\$ (10,340)	\$ 3,358	\$ (13,698)
Net cash used in investing activities	\$ (25,431)	\$ (3,017)	\$ (22,414)
Net cash provided by (used in) financing activities	\$ 29,494	\$ (2,354)	\$ 31,848

The \$13.7 million increase in cash used in operating activities is primarily due to a \$6.1 million increase in other assets and a \$2.1 million decrease in accounts payable and other liabilities.

The \$22.4 million increase in cash used in investing activities is primarily due to the \$38.4 million increase in development and renovation of real estate offset in part by the \$12.7 million increase in net redemption of short-term investments. The increase in development and renovation of real estate relates to the construction of Alera, Bandera Ridge and Merano. 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 \$31.8 million increase in cash provided by financing activities was due to the \$43.0 million increase in borrowings on our construction loans in connection with the development of Alera, Bandera Ridge and Merano offset in part by the \$10.8 million repayment of the mortgage on 770 South Post Oak in 2025.

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 six months ended June 30, 2025 and 2024 (dollars and shares in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net income attributable to the Company	\$ 169	\$ 1,498	\$ 4,787	\$ 4,047
Depreciation and amortization	3,062	3,137	5,945	6,309
Gain on sale or write down of assets, net	(947)	—	(4,838)	—
Gain on sale of land	947	—	4,092	—
FFO-Basic and Diluted	<u>\$ 3,231</u>	<u>\$ 4,635</u>	<u>\$ 9,986</u>	<u>\$ 10,356</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 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 1,637,000 shares of our common stock. This repurchase program has no termination date. There were no shares purchased under this program during the six months ended June 30, 2025. As of June 30, 2025, 1,230,535 shares have been purchased and 406,465 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 with this report or incorporated by reference as indicated;

Exhibit Number	Description
3.0	Articles of Incorporation of Transcontinental Realty Investors, Inc., (incorporated by reference to Exhibit No. 3.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
3.1	Certificate of Amendment to the Articles of Incorporation of Transcontinental Realty Investors, Inc., (incorporated by reference to the Registrant's Current Report on Form 8-K, dated June 3, 1996).
3.2	Certificate of Amendment of Articles of Incorporation of Transcontinental Realty Investors, Inc., dated October 10, 2000 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
3.3	Certificate of Designation of Transcontinental Realty Investors, Inc., setting forth the Voting Powers, Designations, References, Limitations, Restriction and Relative Rights of Series B Cumulative Convertible Preferred Stock, dated October 23, 2000 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
3.4	Certificate of Designation of Transcontinental Realty Investors, Inc., setting forth the Voting Powers, Designating, Preferences, Limitations, Restrictions and Relative Rights of Series C Cumulative Convertible Preferred Stock, dated September 28, 2001 (incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).
3.5	Articles of Amendment to the Articles of Incorporation of Transcontinental Realty Investors, Inc., Decreasing the Number of Authorized Shares of and Eliminating Series B Preferred Stock dated December 14, 2001 (incorporated by reference to Exhibit 3.7 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001).
3.6	By-Laws of Transcontinental Realty Investors, Inc. (incorporated by reference to Exhibit No. 3.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
3.7	Certificate of Designation of Transcontinental Realty Investors, Inc., setting forth the Voting Powers, Designations, Preferences, Limitations, Restrictions and Relative Rights of Series D Cumulative Preferred Stock filed August 14, 2006 with the Secretary of State of Nevada (incorporated by reference to Registrant's Current Report on Form 8-K for event dated November 21, 2006 at Exhibit 3.8 thereof).
31.1 *	Section 302 Certification of the Erik L. Johnson, Chief Executive Officer.
31.2 *	Section 302 Certification of Alla Dzyuba, Chief Accounting Officer.
32.1 *	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.

TRANSCONTINENTAL REALTY INVESTORS, INC.

Date: August 7, 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 Transcontinental 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: August 7, 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 Transcontinental 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: August 7, 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 Transcontinental 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 June 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 June 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: August 7, 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