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NexPoint Residential Trust, Inc.
Form 10-Q
October 31, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

OR

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

For the transition period from _____ to _____

Commission File Number 001-36663

NexPoint Residential Trust, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland 47-1881359
(State or other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

300 Crescent Court, Suite 700, Dallas, Texas 75201
(Address of Principal Executive Offices) (Zip Code)

(972) 628-4100

(Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

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

As of October 31, 2017, the registrant had 21,059,269 shares of common stock, \$0.01 par value, outstanding.

NEXPOINT RESIDENTIAL TRUST, INC.

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Cautionary Statement Regarding Forward-Looking Statements

This quarterly report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. In particular, statements relating to our liquidity and capital resources, the performance of our properties and results of operations contain forward-looking statements. Furthermore, all of the statements regarding future financial performance (including market conditions and demographics) are forward-looking statements. We caution investors that any forward-looking statements presented in this quarterly report are based on management's current beliefs and assumptions made by, and information currently available to, management. When used, the words "anticipate," "believe," "expect," "intend," "may," "might," "plan," "estimate," "project," "should," "will," "would," "result" and similar expressions that do not relate solely to historical matters are intended to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements are subject to risks, uncertainties and assumptions and 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 therefore against relying on any of these forward-looking statements.

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

- unfavorable changes in market and economic conditions in the United States and globally and in the specific markets where our properties are located;
- risks associated with ownership of real estate;
- limited ability to dispose of assets because of the relative illiquidity of real estate investments;
- intense competition in the real estate market that, combined with low residential mortgage rates that could encourage potential renters to purchase residences rather than lease them, may limit our ability to acquire or lease and re-lease property or increase or maintain rent;
- risks associated with increases in interest rates and our ability to issue additional debt or equity securities in the future;
- failure of acquisitions to yield anticipated results;
- risks associated with our strategy of acquiring value-enhancement multifamily properties, which involves greater risks than more conservative investment strategies;
- the lack of experience of NexPoint Real Estate Advisors, L.P. (our "Adviser") in operating under the constraints imposed by real estate investment trust ("REIT") requirements;
- the risk that we may not replicate the historical results achieved by other entities managed or sponsored by affiliates of our Adviser, members of our Adviser's management team or by Highland Capital Management, L.P. (our "Sponsor" or "Highland") or its affiliates;
- loss of key personnel of our Sponsor, our Adviser and our property manager;
- risks associated with our Adviser's ability to terminate the Advisory Agreement;
- our ability to change our major policies, operations and targeted investments without stockholder consent;
- the substantial fees and expenses we will pay to our Adviser and its affiliates;
- risks associated with the potential internalization of our management functions;
- the risk that we may compete with other entities affiliated with our Sponsor or property manager for tenants;
- conflicts of interest and competing demands for time faced by our Adviser, our Sponsor and their officers and employees;
- the risk that we may fail to consummate our pending property acquisitions;
- failure to maintain our status as a REIT;

• compliance with REIT requirements, which may limit our ability to hedge our liabilities effectively and cause us to forgo otherwise attractive opportunities, liquidate certain of our investments or incur tax liabilities;
• failure of our operating partnership to be taxable as a partnership for federal income tax purposes, possibly causing us to fail to qualify for or to maintain REIT status;

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risks associated with our ownership of interests in taxable REIT subsidiaries;

the recognition of taxable gains from the sale of properties as a result of the inability to complete certain like-kind exchanges in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended (the “Code”);

the risk that the Internal Revenue Service (the “IRS”) may consider certain sales of properties to be prohibited transactions, resulting in a 100% penalty tax on any taxable gain;

our dependence on information systems;

- lack of or insufficient amounts of insurance;
- contingent or unknown liabilities related to properties or businesses that we have acquired or may acquire;

high costs associated with the investigation or remediation of environmental contamination, including asbestos, lead-based paint, chemical vapor, subsurface contamination and mold growth;

the risk that our environmental assessments may not identify all potential environmental liabilities and our remediation actions may be insufficient;

high costs associated with the compliance with various accessibility, environmental, building and health and safety laws and regulations, such as the ADA and FHA;

risks associated with our high concentrations of investments in the Southeastern and Southwestern United States;

risks associated with limited warranties we may obtain when purchasing properties;

exposure to decreases in market rents due to our short-term leases;

risks associated with operating through joint ventures and funds;

potential reforms to Freddie Mac and Fannie Mae;

risks associated with our reduced public company reporting requirements as an “emerging growth company”;

costs associated with being a public company, including compliance with securities laws;

risks associated with breaches of our data security;

the risk that our business could be adversely impacted if there are deficiencies in our disclosure controls and procedures or internal control over financial reporting;

risks associated with our substantial current indebtedness and indebtedness we may incur in the future;

risks associated with derivatives or hedging activity;

the risk that we may be unable to achieve some or all of the benefits that we expect to achieve from the Spin-Off (as defined below);

the ineligibility of dividends payable by REITs for the reduced tax rates available for some dividends;

risks associated with the stock ownership restrictions of the Code for REITs and the stock ownership limit imposed by our charter;

the ability of our board of directors (the “Board”) to revoke our REIT qualification without stockholder approval;

potential legislative or regulatory tax changes or other actions affecting REITs;

risks associated with the market for our common stock and the general volatility of the capital and credit markets;

failure to generate sufficient cash flows to service our outstanding indebtedness or pay distributions at expected levels;

risks associated with limitations of liability for and our indemnification of our directors and officers; or

any other risks included under Part I, Item 1A, “Risk Factors” of our annual report on Form 10-K, filed with the Securities and Exchange Commission on March 15, 2017.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. They are based on estimates and assumptions only as of the date of this quarterly report. We undertake no obligation to update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes, except as required by law.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	September 30, 2017	December 31, 2016
	(Unaudited)	
ASSETS		
Operating Real Estate Investments		
Land	\$ 167,245	\$ 165,863
Buildings and improvements	768,499	733,374
Intangible lease assets	3,021	5,140
Construction in progress	1,850	2,828
Furniture, fixtures, and equipment	41,190	36,616
Total Gross Operating Real Estate Investments	981,805	943,821
Accumulated depreciation and amortization	(78,387)	(60,214)
Total Net Operating Real Estate Investments	903,418	883,607
Real estate held for sale, net of accumulated depreciation of \$3,397 and \$6,099, respectively	32,915	79,430
Total Net Real Estate Investments	936,333	963,037
Cash and cash equivalents	92,695	22,705
Restricted cash	29,417	32,556
Accounts receivable	3,298	3,008
Prepaid and other assets	3,923	1,678
Fair market value of interest rate swaps	11,759	12,413
TOTAL ASSETS	\$ 1,077,425	\$ 1,035,397
LIABILITIES AND EQUITY		
Liabilities:		
Mortgages payable, net	\$ 694,968	\$ 367,453
Mortgages payable held for sale, net	30,327	55,685
Credit facilities, net	29,803	310,492
Bridge facility, net	54,531	29,874
Accounts payable and other accrued liabilities	5,229	5,551
Accrued real estate taxes payable	11,443	6,534
Accrued interest payable	1,820	1,067
Security deposit liability	1,451	1,364
Prepaid rents	1,627	1,275
Total Liabilities	831,199	779,295
Redeemable noncontrolling interests in the Operating Partnership (see Note 10)	2,110	—

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Equity:		
Preferred stock, \$0.01 par value: 100,000,000 shares authorized; 0 shares issued	—	—
Common stock, \$0.01 par value: 500,000,000 shares authorized; 21,095,769 and 21,043,669 shares issued and outstanding, respectively	211	213
Additional paid-in capital	206,613	241,450
Accumulated earnings less dividends	28,960	(14,584)
Accumulated other comprehensive income	8,332	9,052
Common stock held in treasury at cost; 0 and 250,156 shares, respectively	—	(4,587)
Total Stockholders' Equity	244,116	231,544
Noncontrolling interests	—	24,558
Total Equity	244,116	256,102
TOTAL LIABILITIES AND EQUITY	\$1,077,425	\$1,035,397

See Notes to Consolidated Financial Statements

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NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE INCOME

(in thousands, except per share amounts)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues				
Rental income	\$ 32,148	\$ 28,632	\$ 94,564	\$ 87,406
Other income	4,949	4,447	14,758	12,841
Total revenues	37,097	33,079	109,322	100,247
Expenses				
Property operating expenses	10,075	9,874	29,611	28,947
Acquisition costs	—	386	—	386
Real estate taxes and insurance	4,853	3,973	14,911	12,326
Property management fees (1)	1,110	989	3,280	3,007
Advisory and administrative fees (2)	1,870	1,698	5,544	4,944
Corporate general and administrative expenses	1,623	1,023	4,842	2,649
Property general and administrative expenses	1,594	1,527	4,756	4,473
Depreciation and amortization	11,215	8,667	35,866	26,363
Total expenses	32,340	28,137	98,810	83,095
Operating income	4,757	4,942	10,512	17,152
Interest expense	(8,257)	(4,791)	(22,479)	(15,650)
Loss on extinguishment of debt and modification costs	(914)	(888)	(5,717)	(1,722)
Gain on sales of real estate	58,490	9,562	78,386	25,932
Net income	54,076	8,825	60,702	25,712
Net income attributable to noncontrolling interests	—	1,735	2,836	4,047
Net income attributable to redeemable noncontrolling interests in the Operating Partnership	162	—	162	—
Net income attributable to common stockholders	\$ 53,914	\$ 7,090	\$ 57,704	\$ 21,665
Other comprehensive income (loss)				
Unrealized gains (losses) on interest rate derivatives	214	(1,084)	(835)	(1,128)
Total comprehensive income	54,290	7,741	59,867	24,584
Comprehensive income attributable to noncontrolling interests	—	1,627	2,720	3,935
Comprehensive income attributable to redeemable noncontrolling interests in the	163	—	163	—

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Operating Partnership				
Comprehensive income attributable to common stockholders	\$ 54,127	\$ 6,114	\$ 56,984	\$ 20,649
Weighted average common shares outstanding - basic	21,085	21,260	21,057	21,282
Weighted average common shares outstanding - diluted	21,453	21,376	21,407	21,322
Earnings per share - basic	\$ 2.56	\$ 0.33	\$ 2.74	\$ 1.02
Earnings per share - diluted	\$ 2.51	\$ 0.33	\$ 2.70	\$ 1.02
Dividends declared per common share	\$ 0.220	\$ 0.206	\$ 0.660	\$ 0.618

(1) Fees incurred to an unaffiliated third party that is an affiliate of the noncontrolling limited partner of the Company's operating partnership (see Notes 10 and 11).

(2) Fees incurred to the Company's adviser (see Note 11).

See Notes to Consolidated Financial Statements

NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY

(dollars in thousands)

(Unaudited)

	Preferred Stock	Common Stock Number of Shares	Common Stock Number of Shares Par Value	Additional Paid-in Capital	Accumulated Earnings Less Dividends	Accumulated Other Comprehensive Income (Loss)	Common Stock Held in Treasury at Cost	Noncontrolling Interests	Total
Balances, December 31, 2016	—	21,293,825	\$ 213	\$ 241,450	\$(14,584)	\$ 9,052	\$(4,587)	\$ 24,558	\$ 256,102
Net income attributable to common stockholders				—	57,704	—	—	—	57,704
Net income attributable to noncontrolling interests				—	—	—	—	2,836	2,836
Contributions by noncontrolling interests				—	—	—	—	38	38
Distributions to noncontrolling interests				—	—	—	—	(4,789)	(4,789)
Purchase of noncontrolling interests				(31,313)	—	—	—	(22,527)	(53,840)
Repurchase of common stock				—	—	—	(1,354)	—	(1,354)
Retirement of common stock held in treasury		(308,313)	(3)	(5,938)	—	—	5,941	—	—
Vesting of stock-based compensation		110,257	1	2,414	—	—	—	—	2,415
Common stock dividends declared				—	(14,160)	—	—	—	(14,160)

Other comprehensive loss										
		—	—	(720)	—	(116)	(836)			
Balances, September 30, 2017	— \$	—	21,095,769	\$ 211	\$206,613	\$28,960	\$ 8,332	\$—	\$—	\$244,116

See Notes to Consolidated Financial Statements

NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	For the Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities		
Net income	\$60,702	\$25,712
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sales of real estate	(78,386)	(25,932)
Depreciation and amortization	35,866	26,363
Amortization/write-off of deferred financing costs	2,551	1,782
Change in fair value on derivative instruments included in interest expense	1,235	331
Net cash paid for derivative settlements	(777)	(430)
Amortization of fair market value adjustment of assumed debt	(155)	(98)
Vesting of stock-based compensation	2,415	296
Changes in operating assets and liabilities, net of effects of acquisitions:		
Operating assets	(413)	(2,273)
Operating liabilities	4,461	530
Net cash provided by operating activities	27,499	26,281
Cash flows from investing activities		
Net proceeds from sales of real estate	224,416	131,786
Prepaid acquisition deposits	(1,500)	(1,425)
Additions to real estate investments	(17,192)	(18,022)
Acquisitions of real estate investments	(138,106)	(6,474)
Net cash provided by investing activities	67,618	105,865
Cash flows from financing activities		
Mortgage proceeds received	583,713	—
Mortgage payments	(275,840)	(271,274)
Credit facilities proceeds received	25,000	200,000
Credit facilities payments	(310,000)	—
Bridge facility proceeds received	65,875	—
Bridge facility payments	(41,278)	(29,000)
Deferred financing costs paid	(3,742)	(2,538)
Repurchase of common stock	(1,354)	(1,524)
Dividends paid to common stockholders	(13,996)	(13,154)
Distributions to redeemable noncontrolling interests in the Operating Partnership	(53)	—
Contributions from noncontrolling interests	38	710
Distributions to noncontrolling interests	(4,789)	(8,884)
Purchase of noncontrolling interests	(51,840)	(1,381)

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Net cash used in financing activities	(28,266)	(127,045)
Net increase in cash and restricted cash	66,851	5,101
Cash and restricted cash, beginning of period	55,261	63,095
Cash and restricted cash, end of period	\$122,112	\$68,196

See Notes to Consolidated Financial Statements

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NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

Supplemental Disclosure of Cash Flow Information

Interest paid	\$19,098	\$15,255
Prepayment penalties paid	2,701	827
Supplemental Disclosure of Noncash Activities		
Issuance of operating partnership units for purchase of noncontrolling interests	2,000	—
Capitalized construction costs included in accounts payable and other accrued liabilities	1,245	935
Change in fair value on derivative instruments designated as hedges	835	1,128
Liabilities assumed from acquisitions	690	232
Other assets acquired from acquisitions	84	63
Assumed debt on acquisition of real estate investment	—	15,812
Increase in dividends payable on restricted stock units	164	43

See Notes to Consolidated Financial Statements

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NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Description of Business

NexPoint Residential Trust, Inc. (the “Company”, “we”, “our”) was incorporated in Maryland on September 19, 2014, and has elected to be taxed as a real estate investment trust (“REIT”). The Company is focused on “value-add” multifamily investments primarily located in the Southeastern and Southwestern United States. Substantially all of the Company’s business is conducted through NexPoint Residential Trust Operating Partnership, L.P. (the “OP”), the Company’s operating partnership. The Company owns its properties (the “Portfolio”) through the OP and its wholly owned taxable REIT subsidiary (“TRS”). The OP owns approximately 99.9% of the Portfolio; the TRS owns approximately 0.1% of the Portfolio. The Company’s wholly owned subsidiary, NexPoint Residential Trust Operating Partnership GP, LLC (the “OP GP”), is the sole general partner of the OP. As of September 30, 2017, there were 21,116,902 common units in the OP (“OP Units”) outstanding, of which 21,043,669, or 99.7%, were owned by the Company and 73,233, or 0.3%, were owned by an unaffiliated limited partner (see Note 10).

The Company began operations on March 31, 2015 as a result of the transfer and contribution by NexPoint Credit Strategies Fund (“NHF”) of all but one of the multifamily properties owned by NHF through its wholly owned subsidiary NexPoint Real Estate Opportunities, LLC (fka Freedom REIT, LLC) (“NREO”). We use the term “predecessor” to mean the carve-out business of NREO. On March 31, 2015, NHF distributed all of the outstanding shares of the Company’s common stock held by NHF to holders of NHF common shares. We refer to the distribution of our common stock by NHF as the “Spin-Off.”

The Company is externally managed by NexPoint Real Estate Advisors, L.P. (the “Adviser”) through an agreement dated March 16, 2015, as amended, and renewed on March 13, 2017 for a one-year term set to expire on March 16, 2018 (the “Advisory Agreement”), by and among the Company, the OP and the Adviser. The Adviser conducts substantially all of the Company’s operations and provides asset management services for its real estate investments. The Company expects it will only have accounting employees while the Advisory Agreement is in effect. All of the Company’s investment decisions are made by the Adviser, subject to general oversight by the Adviser’s investment committee and the Company’s board of directors (the “Board”). The Adviser is wholly owned by NexPoint Advisors, L.P., which is an affiliate of Highland Capital Management, L.P. (the “Sponsor” or “Highland”).

The Company’s investment objectives are to maximize the cash flow and value of properties owned, acquire properties with cash flow growth potential, provide quarterly cash distributions and achieve long-term capital appreciation for its stockholders through targeted management and a value-add program. Consistent with the Company’s policy to acquire assets for both income and capital gain, the Company intends to hold at least majority interests in its properties for long-term appreciation and to engage in the business of directly or indirectly acquiring, owning, and operating well-located multifamily properties with a value-add component in large cities and suburban submarkets of large cities primarily in the Southeastern and Southwestern United States consistent with its investment objectives. Economic and market conditions may influence the Company to hold properties for different periods of time. From time to time, the Company may sell a property if, among other deciding factors, the sale would be in the best interest of its stockholders.

The Company may also participate with third parties in property ownership through limited liability companies (“LLCs”), funds or other types of co-ownership or acquire real estate or interests in real estate in exchange for the issuance of common stock, OP Units, preferred stock or options to purchase stock. These types of investments may

permit the Company to own interests in larger assets without unduly restricting diversification, which provides flexibility in structuring the Company's portfolio.

The Company may allocate up to thirty percent of the portfolio to investments in real estate-related debt and securities with the potential for high current income or total returns. These allocations may include first and second mortgages and subordinated, bridge, mezzanine, construction and other loans, as well as debt securities related to or secured by multifamily real estate and common and preferred equity securities, which may include securities of other REITs or real estate companies.

2. Summary of Significant Accounting Policies

Predecessor

With the exception of a nominal amount of initial cash funded at inception, the Company did not own any assets prior to March 31, 2015. The business and operations of the Company prior to March 31, 2015 occurred under the predecessor. The predecessor included all of the properties in the Portfolio that were held directly or indirectly by NREO prior to the Spin-Off that occurred on March 31, 2015. However, the Company's consolidated financial statements reflect operations of the predecessor through March 31, 2015 as if they were incurred by the Company. The predecessor was determined in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). References throughout these consolidated financial statements to the "Company", "we", or "our", include the activity of the predecessor defined above.

Basis of Accounting

The accompanying unaudited consolidated financial statements have been prepared according to the rules and regulations of the SEC. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) have been condensed or omitted according to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading.

In the opinion of management, all adjustments and eliminations necessary for the fair presentation of the Company’s financial position as of September 30, 2017, and results of operations for the three and nine months ended September 30, 2017 and 2016 have been included. Such adjustments are normal and recurring in nature. The interim results presented are not necessarily indicative of future financial results. The unaudited information included in this quarterly report on Form 10-Q should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2016 and notes thereto included in its annual report on Form 10-K filed with the SEC on March 15, 2017.

The accompanying unaudited consolidated financial statements are presented in accordance with GAAP. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the dates of the unaudited consolidated financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates. All significant intercompany accounts and transactions have been eliminated in consolidation. There have been no significant changes to the Company’s significant accounting policies during the nine months ended September 30, 2017.

Principles of Consolidation

The Company accounts for subsidiary partnerships, joint ventures and other similar entities in which it holds an ownership interest in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 810, Consolidation. The Company first evaluates whether each entity is a variable interest entity (“VIE”). Under the VIE model, the Company consolidates an entity when it has control to direct the activities of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Under the voting model, the Company consolidates an entity when it controls the entity through ownership of a majority voting interest. The consolidated financial statements include the accounts of the Company and its subsidiaries, including the OP.

Revenue Recognition

The Company’s primary operations consist of rental income earned from its residents under lease agreements typically with terms of one year or less. Rental income is recognized when earned. This policy effectively results in income recognition on the straight-line method over the related terms of the leases. Resident reimbursements and other income consist of charges billed to residents for utilities, carport and garage rental, and pets, administrative, application and other fees and are recognized when earned.

Real Estate Investments

Upon acquisition of a property, the purchase price and related acquisition costs (“total consideration”) are allocated to land, buildings, improvements, furniture, fixtures, and equipment, and intangible lease assets in accordance with FASB ASC 805, Business Combinations, and Accounting Standards Update (“ASU”) 2017-01, Clarifying the Definition of a Business (Topic 805) (“ASU 2017-01”), which the Company early adopted on October 1, 2016 (see “Recent

Accounting Pronouncements” below). The Company believes most future acquisition costs will be capitalized in accordance with ASU 2017-01. Prior to the Company’s adoption of ASU 2017-01, acquisition costs were expensed as incurred.

The allocation of total consideration, which is determined using inputs that are classified within Level 3 of the fair value hierarchy established by FASB ASC 820, Fair Value Measurement and Disclosures (see Note 7), is based on management’s estimate of the property’s “as-if” vacant fair value and is calculated by using all available information such as the replacement cost of such asset, appraisals, property condition reports, market data and other related information. The allocation of the total consideration to intangible lease assets represents the value associated with the in-place leases, which may include lost rent, leasing commissions, legal and other related costs, which the Company, as buyer of the property, did not have to incur to obtain the residents. If any debt is assumed in an acquisition, the difference between the fair value, which is estimated using inputs that are classified within Level 2 of the fair value hierarchy, and the face value of debt is recorded as a premium or discount and amortized as interest expense over the life of the debt assumed.

Real estate assets, including land, buildings, improvements, furniture, fixtures and equipment, and intangible lease assets are stated at historical cost less accumulated depreciation and amortization. Costs incurred in making repairs and maintaining real estate assets are expensed as incurred. Expenditures for improvements, renovations, and replacements are capitalized at cost. Real estate-related depreciation and amortization are computed on a straight-line basis over the estimated useful lives as described in the following table:

Land	Not depreciated
Buildings	30 years
Improvements	15 years
Furniture, fixtures, and equipment	3 years
Intangible lease assets	6 months

Construction in progress includes the cost of renovation projects being performed at the various properties. Once a project is complete, the historical cost of the renovation is placed into service in one of the categories above depending on the type of renovation project and is depreciated over the estimated useful lives as described in the table above.

Real estate assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In such cases, the Company will evaluate the recoverability of such real estate assets based on estimated future cash flows and the estimated liquidation value of such real estate assets, and provide for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the real estate asset. If impaired, the real estate asset will be written down to its estimated fair value.

The Company periodically classifies real estate assets as held for sale when certain criteria are met, in accordance with GAAP. At that time, the Company presents the net real estate assets and the net debt associated with the real estate held for sale separately in its consolidated balance sheet, and the Company ceases recording depreciation and amortization expense related to that property. Real estate held for sale is reported at the lower of its carrying amount or its estimated fair value less estimated costs to sell.

Reclassifications

Certain reclassifications have been made to amounts in the prior year consolidated statements of operations and comprehensive income to conform to current year presentations as a result of an accounting policy election to classify certain expenses incurred in connection with the extinguishment or modification of debt separately from interest expense. These expenses are recorded in loss on extinguishment of debt and modification costs on the consolidated statements of operations and comprehensive income. As a result, for the three and nine months ended September 30, 2016, interest expense decreased by approximately \$0.9 million and \$1.7 million, respectively. See Note 6 for additional information.

Reportable Segment

Substantially all of the Company's net income (loss) is from investments in real estate properties within the multifamily sector that the Company owns through LLCs. The Company evaluates operating performance on an individual property level and views its real estate assets as one industry segment and, accordingly, its properties are aggregated into one reportable segment.

Income Taxes

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Code and expects to continue to qualify as a REIT. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement to distribute annually at least 90% of its "REIT taxable income," as defined by the Code, to its stockholders. As a REIT, the Company will be subject to federal income tax on its undistributed REIT taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions it pays with respect to any calendar year are less than the sum of (1) 85% of its ordinary income, (2) 95% of its capital gain net income and (3) 100% of its undistributed income from prior years. The Company intends to operate in such a manner so as to qualify as a REIT, but no assurance can be given that the Company will operate in a manner so as to qualify as a REIT. Taxable income from certain non-REIT activities is managed through a TRS and is subject to applicable federal, state, and local income and margin taxes. The Company has no significant taxes associated with its TRS for the nine months ended September 30, 2017 and 2016.

If the Company fails to meet these requirements, it could be subject to federal income tax on all of the Company's taxable income at regular corporate rates for that year. The Company would not be able to deduct distributions paid to stockholders in any year in which it fails to qualify as a REIT. Additionally, the Company will also be disqualified from electing to be taxed as a REIT for the four taxable years following the year during which qualification was lost unless the Company is entitled to relief under specific statutory provisions. As of September 30, 2017, the Company believes it is in compliance with all applicable REIT requirements.

The Company evaluates the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" (greater than 50 percent probability) of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. The Company's management is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which include federal and certain states. The Company has no examinations in progress and none are expected at this time.

The Company recognizes its tax positions and evaluates them using a two-step process. First, the Company determines whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Second, the Company will determine the amount of benefit to recognize and record the amount that is more likely than not to be realized upon ultimate settlement.

The Company had no material unrecognized tax benefit or expense, accrued interest or penalties as of September 30, 2017. The Company and its subsidiaries are subject to federal income tax as well as income tax of various state and local jurisdictions. The 2016 and 2015 tax years remain open to examination by tax jurisdictions to which the Company and its subsidiaries are subject. When applicable, the Company recognizes interest and/or penalties related to uncertain tax positions on its consolidated statements of operations and comprehensive income.

Recent Accounting Pronouncements

Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 13(a) of the Exchange Act, for complying with new or revised accounting standards applicable to public companies. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company has elected to take advantage of this extended transition period. As a result of this election, the Company's financial statements may not be comparable to companies that comply with public company effective dates for such new or revised standards. The Company may elect to comply with public company effective dates at any time, and such election would be irrevocable pursuant to Section 107(b) of the JOBS Act. The following recent accounting pronouncements reflect effective dates that delay the adoption until those standards would otherwise apply to private companies.

In January 2017, the FASB issued ASU 2017-01, Clarifying the Definition of a Business (Topic 805), which clarifies the definition of a business and provides further guidance for evaluating whether a transaction will be accounted for as an acquisition of an asset or a business. The ASU provides a test to determine whether a set of assets and activities acquired is a business. When substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not a business. Under the updated guidance, an acquisition of a single property will likely be treated as an asset acquisition as opposed to a business combination and associated transaction costs will be capitalized rather than expensed as incurred. Additionally, assets acquired, liabilities assumed, and any noncontrolling interest will be measured at their relative fair values. The Company early adopted ASU 2017-01 on October 1, 2016, on a prospective basis, and there was no material impact on its consolidated financial statements or disclosures. The Company believes most of its future acquisitions of properties will qualify as asset acquisitions and most future transaction costs associated with these acquisitions will be capitalized.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which clarifies the presentation of restricted cash and restricted cash equivalents in the statements of cash flows. Under ASU 2016-18, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling

the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The Company adopted ASU 2016-18 during the three months ended December 31, 2016 on a retrospective basis. As a result, net cash provided by operating activities decreased by \$2.2 million in the nine months ended September 30, 2016. Net cash provided by investing activities increased by \$10.6 million in the nine months ended September 30, 2016. Beginning-of-period cash and restricted cash total increased by \$46.9 million in 2016. The following is a summary of the Company's cash and restricted cash total as presented in the consolidated statements of cash flows for the nine months ended September 30, 2017 and 2016 (in thousands):

	September 30, 2017	September 30, 2016
Cash and cash equivalents	\$ 92,695	\$ 34,086
Restricted cash	29,417	34,110
Total cash and restricted cash	\$ 122,112	\$ 68,196

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis, which changes the way reporting enterprises evaluate whether (1) they should consolidate limited partnerships and similar entities, (2) fees paid to a decision maker or service provider are variable interests in a VIE, and (3) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. The ASU also significantly changes how to evaluate voting rights for entities

that are not similar to limited partnerships when determining whether the entity is a VIE, which may affect entities for which the decision making rights are conveyed through a contractual arrangement. The Company implemented the provisions of ASU 2015-02 as of January 1, 2017 and there was no material impact on its consolidated financial statements. Upon issuing OP Units to an unaffiliated limited partner on August 1, 2017, the OP became a VIE as such limited partner of the OP lacks substantive kick-out rights and substantive participating rights. The Company is the primary beneficiary of, and continues to consolidate, the OP.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which amends several aspects of the accounting for share-based payment transactions, including the income tax consequences, accrual of compensation cost, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this standard must be applied prospectively, retrospectively, or as of the beginning of the earliest comparative period presented in the year of adoption, depending on the type of amendment. The Company implemented the provisions of ASU 2016-09 as of January 1, 2017 and there was no material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should also disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers – Deferral of the Effective Date, which amends ASU 2014-09 to defer the effective date by one year. The new standard is effective for annual and interim periods in fiscal years beginning after December 15, 2018. Entities are allowed to use either the full or modified retrospective approach when transitioning to the ASU. The Company expects to implement the provisions of ASU 2014-09 as of January 1, 2019 and has not yet selected a transition method. The Company is continuing to evaluate ASU 2014-09 (and related clarifying guidance issued by the FASB); however, the Company does not expect its adoption to have a material impact on its consolidated financial statements, as a substantial portion of its revenue consists of rental income from leasing arrangements, which is specifically excluded from ASU 2014-09.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which changes certain recognition, measurement, presentation, and disclosure requirements for financial instruments. The ASU requires all equity investments, except those accounted for under the equity method of accounting or resulting in consolidation, to be measured at fair value with changes in fair value recognized in net income. The ASU also simplifies the impairment assessment for equity investments without readily determinable fair values, amends the presentation requirements for changes in the fair value of financial liabilities, requires presentation of financial instruments by measurement category and form of financial asset, and eliminates the requirement to disclose the methods and significant assumptions used in estimating the fair value of financial instruments. The ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2018. The Company expects to implement the provisions of ASU 2016-01 as of January 1, 2019, and does not expect the new standard to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which supersedes the current accounting for leases and while retaining two distinct types of leases, finance and operating, (1) requires lessees to record a right of use asset and a related liability for the rights and obligations associated with a lease, regardless of lease classification, and recognize lease expense in a manner similar to current accounting, (2) eliminates most real estate specific lease provisions, and, (3) aligns many of the underlying lessor model principles with those in the new revenue standard. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2018. Entities are required to use a modified retrospective approach when transitioning to the ASU for leases that exist as of or are

entered into after the beginning of the earliest comparative period presented in the financial statements. The Company expects to implement the provisions of ASU 2016-02 as of January 1, 2019 in conjunction with the adoption of ASU 2014-09 discussed above. As lessors, substantially all of the Company's agreements have a term of 12 months or less. Based on a preliminary assessment, the Company expects most of its operating leases will be subject to the new guidance and recognized as operating lease liabilities and right-of-use assets upon adoption, resulting in an immaterial increase in the assets and liabilities on its consolidated balance sheets. The Company is continuing its evaluation, which may identify additional impacts this standard will have on its consolidated financial statements and related disclosures.

3. Investments in Subsidiaries

The Company has in the past and may in the future invest in joint ventures. The Company consolidates the entities that it controls as well as any VIEs where it is the primary beneficiary. In connection with its indirect equity investments in the properties acquired, the Company, through the OP and the TRS, directly or indirectly holds 100% of the membership interests in single-asset LLCs that directly own the properties. All of the properties the Company has acquired are consolidated in the Company's financial statements. The assets of each entity can only be used to settle obligations of that particular entity, and the creditors of each entity have no recourse to the assets of other entities or the Company.

Additionally, the Company has in the past and may in the future enter into purchase and sale transactions structured as reverse like-kind exchanges (“1031 Exchanges”) under Section 1031 of the Internal Revenue Code of 1986, as amended (the “Code”). For a reverse 1031 Exchange in which the Company purchases a new property prior to selling the property to be matched in the like-kind exchange (the Company refers to a new property being acquired in the 1031 Exchange prior to the sale of the related property as a “Parked Asset”), legal title to the Parked Asset is held by an Exchange Accommodation Titleholder (“EAT”) engaged to execute the 1031 Exchange until the sale transaction and the 1031 Exchange are completed. The Company, through a wholly owned subsidiary, enters into a master lease agreement with the EAT whereby the EAT leases the acquired property and all other rights acquired in connection with the acquisition to the Company. The term of the master lease agreement is until the earlier of the completion of the reverse 1031 Exchange or 180 days from the date that the property was acquired. The EAT is classified as a VIE as it does not have sufficient equity investment at risk to finance its activities without additional subordinated financial support. The Company consolidates the EAT as its primary beneficiary because it has the ability to control the activities that most significantly impact the EAT's economic performance and the Company retains all of the legal and economic benefits and obligations related to the Parked Assets prior to completion of the 1031 Exchange. As such, the Parked Assets are included in the Company’s consolidated financial statements as VIEs until legal title is transferred to the Company upon either completion of the 1031 Exchange or termination of the master lease agreements, at which time they will be consolidated as wholly owned subsidiaries.

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As of September 30, 2017, the Company was invested in 32 properties. The following table represents the Company's investments as of September 30, 2017 and December 31, 2016:

Property Name	Location	Year Acquired	Effective Ownership Percentage at		Effective Ownership Percentage at	
			September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
The Miramar Apartments	Dallas, Texas	2013	—	(1)	100	%
Arbors on Forest Ridge	Bedford, Texas	2014	100	%(2)	90	%
Cutter's Point	Richardson, Texas	2014	100	%(2)	90	%
Eagle Crest	Irving, Texas	2014	100	%(2)	90	%
Silverbrook	Grand Prairie, Texas	2014	100	%(2)	90	%
Timberglen	(3) Dallas, Texas	2014	100	%(2)	90	%
Toscana	Dallas, Texas	2014	—	(1)	90	%
The Grove at Alban	Frederick, Maryland	2014	—	(1)	76	%(4)
Edgewater at Sandy Springs	Atlanta, Georgia	2014	100	%(2)	90	%
Beechwood Terrace	Nashville, Tennessee	2014	100	%(2)	90	%
Willow Grove	Nashville, Tennessee	2014	100	%(2)	90	%
Woodbridge	Nashville, Tennessee	2014	100	%(2)	90	%
Abbingtion Heights	Antioch, Tennessee	2014	100	%(2)	90	%(4)
The Summit at Sabal Park	Tampa, Florida	2014	100	%(2)	90	%(4)
Courtney Cove	Tampa, Florida	2014	100	%(2)	90	%(4)
Radbourne Lake	Charlotte, North Carolina	2014	100	%(2)	90	%(4)
Timber Creek	Charlotte, North Carolina	2014	100	%(2)	90	%(4)
Belmont at Duck Creek	Garland, Texas	2014	100	%(2)	90	%(4)
The Arbors	Tucker, Georgia	2014	—	(1)	90	%(4)
The Crossings	Marietta, Georgia	2014	—	(1)	90	%(4)
The Crossings at Holcomb Bridge	Roswell, Georgia	2014	—	(1)	90	%(4)
The Knolls	Marietta, Georgia	2014	—	(1)	90	%(4)
Regatta Bay	Seabrook, Texas	2014	—	(1)	90	%(4)
Sabal Palm at Lake Buena Vista	Orlando, Florida	2014	100	%(2)	90	%(4)
Southpoint Reserve at Stoney Creek	(3) Fredericksburg, Virginia	2014	100	%(2)	85	%(4)
Cornerstone	Orlando, Florida	2015	100	%(2)	90	%(4)
Twelve 6 Ten at the Park	Dallas, Texas	2015	—	(1)	90	%(4)
The Preserve at Terrell Mill	Marietta, Georgia	2015	100	%(2)	90	%(4)
The Ashlar	Dallas, Texas	2015	100	%(2)	90	%(4)
Heatherstone	Dallas, Texas	2015	100	%(2)	90	%(4)
Versailles	Dallas, Texas	2015	100	%(2)	90	%(4)
Seasons 704 Apartments	West Palm Beach, Florida	2015	100	%(2)	90	%(4)
Madera Point	Mesa, Arizona	2015	100	%(2)	95	%
The Pointe at the Foothills	Mesa, Arizona	2015	100	%(2)	95	%
Venue at 8651	Fort Worth, Texas	2015	100	%(2)	95	%
Parc500	West Palm Beach, Florida	2016	100	%(2)	91	%
The Colonnade	Phoenix, Arizona	2016	100	%(2)	97	%

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Old Farm	Houston, Texas	2016	100	% (2)	100	% (5)
Stone Creek at Old Farm	Houston, Texas	2016	100	% (2)	100	% (5)
Hollister Place	Houston, Texas	2017	100	%	—	(6)
Rockledge Apartments	Marietta, Georgia	2017	100	%	—	(6)

(1) Properties were sold during the nine months ended September 30, 2017.

(2) The Company purchased 100% of the ownership interest in the property held by the noncontrolling interest holders on June 30, 2017 (see Note 10).

(3) Properties were classified as held for sale as of September 30, 2017.

(4) Properties were considered VIEs at December 31, 2016.

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(5) Properties were Parked Assets and considered VIEs at December 31, 2016. The Company completed the reverse 1031 Exchanges of these properties during the nine months ended September 30, 2017 with the sales of the replacement properties, at which time legal title to the properties transferred to the Company. Upon the transfer of title, the properties were no longer considered Parked Assets or VIEs (see Note 5).

(6) Properties were acquired in 2017; therefore, no ownership as of December 31, 2016.

4. Real Estate Investments Statistics

As of September 30, 2017, the Company is invested in a total of 32 multifamily properties, as listed below:

Property Name	Rentable Square Footage (in thousands)	Number of Units	Date Acquired	Average Effective Monthly Rent Per Unit (1)	% Occupied	
					as of September 30, 2017 (2)	as of December 31, 2016 (2)
Arbors on Forest Ridge	155	210	1/31/2014	859	95.2 %	92.9 %
Cutter's Point	198	196	1/31/2014	1,052	94.4 %	93.9 %
Eagle Crest	396	447	1/31/2014	876	95.3 %	94.4 %
Silverbrook	526	642	1/31/2014	781	95.6 %	93.5 %
Timberglen (3)	221	304	1/31/2014	846	95.1 %	92.8 %
Edgewater at Sandy Springs	727	760	7/18/2014	929	94.5 %	94.5 %
Beechwood Terrace	272	300	7/21/2014	921	96.0 %	95.3 %
Willow Grove	229	244	7/21/2014	912	93.4 %	96.7 %
Woodbridge	247	220	7/21/2014	945	95.5 %	87.7 %
Abbingtion Heights	239	274	8/1/2014	879	93.8 %	95.3 %
The Summit at Sabal Park	205	252	8/20/2014	907	95.2 %	90.9 %
Courtney Cove	225	324	8/20/2014	817	93.8 %	94.4 %
Radbourne Lake	247	225	9/30/2014	1,059	93.3 %	96.9 %
Timber Creek	248	352	9/30/2014	819	95.2 %	95.5 %
Belmont at Duck Creek	198	240	9/30/2014	990	95.4 %	95.0 %
Sabal Palm at Lake Buena Vista	371	400	11/5/2014	1,158	93.5 %	95.0 %
Southpoint Reserve at Stoney Creek (3)	116	156	12/18/2014	1,069	96.8 %	92.9 %
Cornerstone	318	430	1/15/2015	910	94.9 %	95.8 %
The Preserve at Terrell Mill	692	752	2/6/2015	850	93.1 %	92.0 %
The Ashlar	206	264	2/26/2015	819	92.4 %	91.3 %
Heatherstone	116	152	2/26/2015	838	94.1 %	92.8 %
Versailles	301	388	2/26/2015	860	95.1 %	93.0 %
Seasons 704 Apartments	217	222	4/15/2015	1,056	95.9 %	95.0 %
Madera Point	193	256	8/5/2015	797	93.8 %	93.8 %
The Pointe at the Foothills	473	528	8/5/2015	817	92.2 %	92.2 %
Venue at 8651	289	333	10/30/2015	800	94.3 %	90.4 %
Parc500	266	217	7/27/2016	1,167	93.5 %	93.5 %
The Colonnade	256	415	10/11/2016	695	92.0 %	88.0 %
Old Farm	697	734	12/29/2016	1,177	92.8 %	93.6 %

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Stone Creek at Old Farm	186	190	12/29/2016	1,186	93.7	%	93.2	%
Hollister Place	246	260	2/1/2017	969	93.5	%	—	(4)
Rockledge Apartments	802	708	6/30/2017	1,153	91.9	%	—	(4)
	10,078	11,395						

(1) Average effective monthly rent per unit is equal to the average of the contractual rent for commenced leases as of September 30, 2017 minus any tenant concessions over the term of the lease, divided by the number of units under commenced leases as of September 30, 2017.

(2) Percent occupied is calculated as the number of units occupied as of September 30, 2017 and December 31, 2016, divided by the total number of units, expressed as a percentage.

(3) Properties were classified as held for sale as of September 30, 2017.

(4) Properties were acquired in 2017.

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5. Real Estate Investments

As of September 30, 2017, the major components of the Company's investments in multifamily properties were as follows (in thousands):

	Land	Buildings and Improvements	Intangible Assets	Construction in Progress	Furniture, Fixtures and Equipment	Totals
Operating Properties						
Arbors on Forest Ridge	\$2,330	\$ 11,073	\$ —	\$ —	\$ 794	\$14,197
Cutter's Point	3,330	12,995	—	—	946	17,271
Eagle Crest	5,450	22,227	—	—	1,231	28,908
Silverbrook	4,860	25,643	—	—	2,363	32,866
Edgewater at Sandy Springs	14,290	43,959	—	9	4,057	62,315
Beechwood Terrace	1,390	20,662	—	78	1,229	23,359
Willow Grove	3,940	10,739	—	—	882	15,561
Woodbridge	3,651	12,995	—	1	1,029	17,676
Abbingtion Heights	1,770	16,602	—	112	1,101	19,585
The Summit at Sabal Park	5,770	13,355	—	—	1,107	20,232
Courtney Cove	5,880	12,913	—	—	1,055	19,848
Radbourne Lake	2,440	21,801	—	5	1,255	25,501
Timber Creek	11,260	13,429	—	—	1,086	25,775
Belmont at Duck Creek	1,910	17,157	—	—	1,170	20,237
Sabal Palm at Lake Buena Vista	7,580	41,173	—	—	1,024	49,777
Cornerstone	1,500	30,357	—	—	1,395	33,252
The Preserve at Terrell Mill	10,170	48,609	—	—	3,895	62,674
The Ashlar	4,090	12,631	—	—	1,459	18,180
Heatherstone	2,320	7,862	—	—	909	11,091
Versailles	6,720	19,735	—	6	2,155	28,616
Seasons 704 Apartments	7,480	14,071	—	2	867	22,420
Madera Point	4,920	17,369	—	43	1,130	23,462
The Pointe at the Foothills	4,840	46,402	—	108	1,669	53,019
Venue at 8651	2,350	16,910	—	813	1,744	21,817
Parc500	3,860	19,297	—	589	1,217	24,963
The Colonnade	8,340	36,677	—	55	805	45,877
Old Farm	11,078	69,718	—	29	1,304	82,129
Stone Creek at Old Farm	3,493	19,123	—	—	350	22,966
Hollister Place	2,782	20,719	—	—	593	24,094
Rockledge Apartments	17,451	92,296	3,021	—	1,369	114,137
	167,245	768,499	3,021	1,850	41,190	981,805
Accumulated depreciation and amortization	—	(57,876)	(1,007)	—	(19,504)	(78,387)
Total Operating Properties	\$167,245	\$ 710,623	\$ 2,014	\$ 1,850	\$ 21,686	\$903,418
Held For Sale Properties						
Timberglen	2,510	14,718	—	—	1,049	18,277
Southpoint Reserve at Stoney Creek	6,120	11,252	—	—	663	18,035

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	8,630	25,970	—	—	1,712	36,312
Accumulated depreciation and amortization	—	(2,630)	—	—	(767)	(3,397)
Total Held For Sale Properties	\$8,630	\$ 23,340	\$—	\$ —	\$ 945	