

BERKSHIRE INCOME REALTY ANNOUNCES FIRST QUARTER OPERATING RESULTS

BOSTON, MASSACHUSETTS - - May 20, 2009 - - Berkshire Income Realty, Inc. (AMEX: "BIR_pa", "BIRPRA", "BIR-A" "BIR.PR.A") ("Berkshire" or the "Company") reported its results for the quarter ended March 31, 2009. Financial highlights for the quarter ended March 31, 2009 include:

The Company saw growth in its Net Operating Income ("NOI"), a non-GAAP financial measure of the properties. For the quarter ended March 31, 2009 NOI was \$7,573,159 as compared to \$7,485,128 for the quarter ended March 31, 2008. The increase of approximately 1% was due to continued growth in rental revenue during the period, which was partially offset by increases in operating, general and administrative expenses and real estate taxes. The increase in general and administrative expenses was due mainly to the adoption of Statement of Financial Accounting Standards Nol. 141R ("FAS 141R") which changes the way the Company accounts for acquisition transaction costs. During the quarter the Company incurred \$979,094 in acquisition related costs which are required to be expensed under FAS 141R. Historically these costs would have been capitalized. There were no comparable transaction expenses in the three month period ended March 31, 2008. Adjusted NOI, which excludes these acquisition costs, for the quarter ended March 31, 2009 was \$8,552,253 as compared to \$7,485,128 for the quarter ended March 31, 2008, an increase of \$1,067,125 or approximately 14%.

The Company's Funds From Operations ("FFO") declined for the quarter ended March 31, 2009 to \$131,823 as compared to \$1,775,535 for the quarter ended March 31, 2008. The decrease of \$1,643,712 relates primarily to changes in the accounting for \$979,094 in acquisition transaction costs under FAS 141R, as discussed above. Additionally, interest expense has increased due to the addition of new mortgage debt on certain properties to take advantage of maximum debt capacity on those properties while locking in favorable interest rates for extended maturity terms.

For the three month period ended March 31, 2009, Berkshire reported net loss, before depreciation (including depreciation reported as part of discontinued operations) ("Adjusted Net Income (Loss)"), a non-GAAP financial measure, of \$(431,782) as compared to Adjusted Net Income (Loss) of \$2,178,653 for the same period ended March 31, 2008. The decrease in Adjusted Net Income (Loss) was primarily due to changes in the accounting for acquisition transaction costs, increased losses from equity investments, increases in interest expense due to increased debt levels and increased depreciation expense due to new acquisitions in the comparative periods.

A presentation and reconciliation of GAAP net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP, to NOI and Adjusted NOI, FFO, and Adjusted Net Income (Loss) before depreciation (including depreciation reported as part of discontinued operations), and is set forth on page 2 and 3 of this press release.

The Company is executing several strategies in this economic downturn. First, we are completing several rehabilitation projects that on the whole are proving successful. However, economic conditions have made it difficult for the Company to realize sufficient returns to begin new rehabilitation projects until rent levels support the investment of additional capital. Second, initiatives driven by our management company continue to enhance revenue and control expenses. Revenue enhancement initiatives include the negotiation of new national contracts with major cable and phone service carriers, with significant upfront cash payments as well as ongoing residual income, and the implementation of a revenue management system to maximize revenue, by balancing rental rates versus occupancy considerations. Renegotiation of contracts with vendors have allowed us to capture significant rebates from some of our major vendors as well as lower the recurring costs of many services, including costs associated with landscaping and unit turnover. These initiatives are expected to result in several million dollars in improved operating results over the next few years.

David Quade, President and Chief Financial Officer of the Company, comments, "*The effects of the ongoing recession continued to impact the national economy, businesses and consumers, including the multifamily apartment industry during the current quarter ended March 31, 2009. We have adjusted to the economic and*

liquidity shifts occurring in the marketplace by modifying portfolio strategies when necessary. In that regard, we have deferred or slowed several rehabilitation projects until the markets strengthen and we continue to be highly selective in our approach to new acquisitions. A bright note has been the success of the ground up development of a 143 unit apartment community, *The Reserves at Arboretum*, in Newport News, Virginia, which is already 78% leased, tracking well ahead of plan. Additionally, as previously reported, the Company acquired *Glo Apartments*, a newly constructed 201 unit mid-rise apartment building in downtown Los Angeles, a new sub-market for the Company.”

Funds From Operations

The Company follows the revised definition of FFO adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (“NAREIT”). FFO falls within the definition of a “non-GAAP financial measure” as stated in Item 10(e) of Regulation S-K promulgated by the SEC. Management considers FFO to be an appropriate measure of performance of an equity REIT. We calculate FFO by adjusting net income (loss) (computed in accordance with GAAP, including non-recurring items), for gains (or losses) from sales of properties, real estate related depreciation and amortization, and adjustment for unconsolidated partnerships and ventures. Management believes that in order to facilitate a clear understanding of the historical operating results of the Company, FFO should be considered in conjunction with net income as presented in the consolidated financial statements included elsewhere herein. Management considers FFO to be a useful measure for reviewing the comparative operating and financial performance of the Company because, by excluding gains and losses related to sales of previously depreciated operating real estate assets and excluding real estate asset depreciation and amortization (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO can help one compare the operating performance of a company’s real estate between periods or as compared to different companies.

The Company’s calculation of FFO may not be directly comparable to FFO reported by other REITs or similar real estate companies that have not adopted the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently. FFO is not a GAAP financial measure and should not be considered as an alternative to net income (loss), the most directly comparable financial measure of our performance calculated and presented in accordance with GAAP, as an indication of our performance. FFO does not represent cash generated from operating activities determined in accordance with GAAP and is not a measure of liquidity or an indicator of our ability to make cash distributions. 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 presents a reconciliation of net loss to FFO for the three months ended March 31, 2009 and 2008:

	Three months ended March 31,	
	2009	2008
Net loss	\$ (8,217,218)	\$ (6,278,547)
Add:		
Depreciation of real property	6,801,477	5,587,439
Depreciation of real property included in results of discontinued operations	-	1,576,223
Amortization of acquired in-place leases and tenant relationships	272,189	65,983
Equity in loss of Multifamily Limited Partnership	1,154,256	529,563
Funds from operations of Multifamily Venture and Limited Venture	202,176	495,409
Less:		
Noncontrolling interest in properties share of funds from operations	(81,057)	(200,535)
Funds from Operations	<u>\$ 131,823</u>	<u>\$ 1,775,535</u>

FFO for the three months ended March 31, 2009 decreased as compared to FFO for the three months ended March 31, 2008. The decrease in FFO is due primarily to changes in the accounting for transaction costs under FAS 141R, which requires that costs associated with acquisition transactions be expensed in the period incurred. Prior to the implementation of FAS 141R, transaction costs were capitalized and included in the depreciable basis of acquired properties. Transaction costs for the acquisition of Glo Apartments total approximately \$979,094, which were included in General and Administrative expense on the Consolidated Statement of Operations. Additionally, interest expense has increased due to the addition of new mortgage debt on certain properties. Due to the variable nature of acquisition transactions and the material nature of costs associated with those transactions that are prospectively required to be expensed, past FFO results should not be considered indicative of future FFO results.

Other Non-GAAP Measures

The Company believes that the use of certain other non-GAAP measures for comparative presentation between reporting periods allows for more meaningful comparisons of the periods presented. Net loss, prior to charges for depreciation (including depreciation reported as part of discontinued operations), allows for comparison of operating results absent the significant non-cash charge included in net income determined in accordance with GAAP, and NOI and Adjusted NOI provide direct measures of the operating results of the Company's multifamily apartment communities.

The following table represents the reconciliation of net loss determined in accordance with GAAP to the Non-GAAP measure presented for the three months ended March 31:

	2009	2008
Net loss	\$ (8,217,218)	\$ (6,278,547)
Add:		
Depreciation	7,785,436	6,880,977
Depreciation— Included in discontinued operations	-	1,576,223
Adjusted Net income (loss), before depreciation (including depreciation reported as part of discontinued operations)	<u>\$ (431,782)</u>	<u>\$ 2,178,653</u>

The following table represents the reconciliation of net income (loss) attributable to the Company's parent company determined in accordance with GAAP to the Net Operating Income for the three months ended March 31:

	2009	2008
Net loss	\$ (8,217,218)	\$ (6,278,547)
Add:		
Depreciation	7,785,436	6,880,977
Interest	6,247,309	5,758,686
Discontinued operations	157,969	528,466
Amortization of acquired in-place leases and tenant relationships	272,189	65,983
Equity in loss of Multifamily Limited Partnership	1,154,256	529,563
Equity in loss of Mezzanine Loan Limited Liability Company	173,218	-
Net operating income	<u>7,573,159</u>	<u>7,485,128</u>
Add:		
Acquisition transaction costs expensed pursuant to FAS 141R	979,094	-
Adjusted net operating income	<u>\$ 8,552,253</u>	<u>\$ 7,485,128</u>

The Company

The Company is a REIT whose objective is to acquire, operate, and rehabilitate multifamily apartment communities. The Company owns interests in twenty-six such multifamily apartment communities, of which six are located in the Baltimore/Washington, D.C. metropolitan area, five are located in Virginia, four are located in Houston, Texas, two are located in Dallas, Texas, two are located in the Chicago, Illinois area and one is located in each of Austin, Texas, Charlotte, North Carolina, Atlanta, Georgia, Sherwood, Oregon, Tampa, Florida, Philadelphia, Pennsylvania and Los Angeles, California.

Forward Looking Statements

With the exception of the historical information contained in this release, the matters described herein may contain forward-looking statements that are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve a number of risks, uncertainties or other factors beyond the Company's control, which may cause material differences in actual results, performance or other expectations. These factors include, but are not limited to, changes in economic conditions generally and the real estate and bond markets specifically, legislative/regulatory changes (including changes to laws governing the taxation of REITs), possible sales of assets, the acquisition restrictions placed on the Company by its investment in Berkshire Multifamily Value Fund II, LP, availability of capital, interest rates and interest rate spreads, changes in accounting principles generally accepted in the United States of America and policies and guidelines applicable to REITs, those set forth in Part I, Item 1A 'Risk Factors' of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and other risks and uncertainties as may be detailed from time to time in the Company's public announcements and SEC filings. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company assumes no obligation to update such information.

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BERKSHIRE INCOME REALTY, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2009	December 31, 2008
ASSETS		
Multifamily apartment communities, net of accumulated depreciation of \$144,368,315 and \$136,678,464, respectively	\$ 457,612,854	\$ 419,002,572
Cash and cash equivalents	12,199,500	24,227,615
Cash restricted for tenant security deposits	1,837,063	1,851,400
Cash restricted other	13,438,743	-
Replacement reserve escrow	6,189,648	5,952,952
Prepaid expenses and other assets	8,785,799	9,314,446
Investment in Multifamily Venture and Limited Partnership	14,271,153	15,425,410
Investment in Mezzanine Loan Limited Liability Company	774,075	947,293
Acquired in place leases and tenant relationships, net of accumulated amortization of \$1,160,348 and \$888,254, respectively	724,734	388,935
Deferred expenses, net of accumulated amortization of \$1,393,657 and \$1,244,326, respectively	3,905,671	3,306,807
Total assets	\$ 519,739,240	\$ 480,417,430
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable	\$ 480,439,892	\$ 432,013,999
Due to affiliates, net	2,648,161	2,291,250
Dividend and distributions payable	837,607	837,607
Accrued expenses and other liabilities	10,975,514	11,724,250
Tenant security deposits	1,918,146	1,800,105
Total liabilities	496,819,320	448,667,211
Commitments and contingencies (Note 9)	-	-
Equity:		
Noncontrolling interest in properties	1,152,895	293,650
Noncontrolling interest in Operating Partnership	(9,457,963)	-
Series A 9% Cumulative Redeemable Preferred Stock, no par value, \$25 stated value, 5,000,000 shares authorized, 2,978,110 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	70,210,830	70,210,830
Class A common stock, \$.01 par value, 5,000,000 shares authorized, 0 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	-	-
Class B common stock, \$.01 par value, 5,000,000 shares authorized, 1,406,196 issued and outstanding at March 31, 2009 and December 31, 2008, respectively	14,062	14,062
Excess stock, \$.01 par value, 15,000,000 shares authorized, 0 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	-	-
Accumulated deficit	(38,999,904)	(38,768,323)
Total equity	22,919,920	31,750,219
Total liabilities and equity	\$ 519,739,240	\$ 480,417,430

BERKSHIRE INCOME REALTY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended March 31,	
	2009	2008
Revenue:		
Rental	\$ 17,574,204	\$ 15,670,578
Interest	47,594	188,218
Utility reimbursement	383,735	323,228
Other	761,448	647,032
Total revenue	<u>18,766,981</u>	<u>16,829,056</u>
Expenses:		
Operating	5,244,283	4,662,545
Maintenance	984,748	1,049,828
Real estate taxes	2,081,668	1,750,881
General and administrative	1,717,923	813,062
Management fees	1,165,200	1,067,632
Depreciation	7,785,436	6,880,977
Interest	6,247,309	5,758,686
Amortization of acquired in-place leases and tenant relationships	272,189	65,983
Total expenses	<u>25,498,756</u>	<u>22,049,594</u>
Loss before equity in loss of Multifamily Limited Partnership and Mezzanine Loan Limited Liability Company and loss from discontinued operations	(6,731,775)	(5,220,538)
Equity in loss of Multifamily Limited Partnership	(1,154,256)	(529,563)
Equity in loss of Mezzanine Loan Limited Liability Company	<u>(173,218)</u>	<u>-</u>
Net loss from continuing operations	(8,059,249)	(5,750,101)
Discontinued operations:		
Loss from discontinued operations	<u>(157,969)</u>	<u>(528,446)</u>
Loss from discontinued operations	<u>(157,969)</u>	<u>(528,446)</u>
Net loss	(8,217,218)	(6,278,547)
Net (income) loss attributable to noncontrolling interest in properties	202,870	(187,344)
Net (income) loss attributable to noncontrolling interest in Operating Partnership	<u>9,457,963</u>	<u>(976,100)</u>
Net income (loss) attributable to Parent Company	1,443,615	(7,441,991)
Preferred Dividend	<u>(1,675,196)</u>	<u>(1,675,196)</u>
Net loss available to common shareholders	<u>\$ (231,581)</u>	<u>\$ (9,117,187)</u>
Net loss from continuing operations attributable to Parent Company per common share, basic and diluted	<u>\$ (0.05)</u>	<u>\$ (6.10)</u>
Net loss from discontinued operations attributable to Parent Company per common share, basic and diluted	<u>\$ (0.11)</u>	<u>\$ (0.38)</u>
Net loss attributable to Parent Company, per common share, basic and diluted	<u>\$ (0.16)</u>	<u>\$ (6.48)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>1,406,196</u>	<u>1,406,196</u>
Dividend declared per common share	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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