

**BERKSHIRE INCOME REALTY ANNOUNCES  
OPERATING RESULTS AND FFO  
FOR THE PERIOD ENDED JUNE 30, 2009**

BOSTON, MASSACHUSETTS - - August 18, 2009 - - Berkshire Income Realty, Inc. (AMEX: "BIR\_pa", "BIRPRA", "BIR-A", "BIR.PR.A") ("Berkshire" or the "Company") reported its results for the periods ended June 30, 2009. Financial highlights for the three and six-month periods include:

The Company's Funds from Operations ("FFO") for the three and six months ended June 30, 2009 were \$(159,574) and \$(27,751), respectively, as compared to \$1,564,031 and \$3,339,565, respectively, for the three and six months ended June 30, 2008. The decreases of \$1,723,605 and \$3,367,316, respectively, during the comparable three and six month periods, primarily relate to the Company's impairment adjustment on its investment in the Leggat McCall Hingham Mezzanine Loan LLC (the "Mezzanine Loan LLC") pursuant to Accounting Principles Board Opinion No. 18, the Company's adoption of Statement of Financial Accounting Standards No. 141R ("SFAS 141R"), which changes the way the Company accounts for transaction costs related to acquisition of properties and the recognition of a loss contingency for damages resulting from an unsuccessful appeal of a legal dispute. During the six months ended June 30, 2009, the Company recorded an impairment loss of \$1,032,091 on its investment in the Mezzanine Loan LLC, expensed \$1,183,299 in transaction costs related to the acquisition of Glo Apartments which are required to be expensed under SFAS 141R, when historically these type of costs would have been capitalized and recorded a loss contingency of \$747,990 related to the unsuccessful appeal of a legal dispute in which the lower court ruled against the Company. There were no comparable impairment adjustments, transaction cost expenses or loss contingencies recorded in the six-month period ended June 30, 2008. Adjusted Net Operating Income, which excludes these acquisition costs ("Adjusted NOI"), for the three months ended June 30, 2009 was \$8,548,789 as compared to \$8,338,964 for the same period ended June 30, 2008, an increase of \$209,825 or approximately 2.5%. Adjusted NOI for the six months ended June 30, 2009 was \$17,101,042 as compared to \$15,824,071 for the six months ended June 30, 2008, an increase of \$1,276,971 or approximately 8.1%.

- For the three and six months ended June 30, 2009, Berkshire reported net income (loss), before depreciation (including depreciation reported as part of discontinued operations) and gain on sale of real estate assets ("Adjusted Net Income (Loss)") of \$(567,490) and \$(999,272), respectively, as compared to Adjusted Net Income of \$1,666,957 and \$3,845,610, respectively, for the three and six months ended June 30, 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 net income (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP, to FFO, adjusted net income (loss) before depreciation (including depreciation reported as part of discontinued operations) and gain on sale of real estate assets, and Adjusted NOI is set forth on pages 2 and 3 of this press release.

- The Company continues to employ an investment strategy centered on the renovation and rehabilitation of properties in its portfolio as well as identifying properties for acquisition which the Company believes will realize increases in value from significant renovation activities. Two properties currently undergoing rehabilitation projects are realizing improved operating results in the form of increased rent levels from both new tenants as well as existing tenants that choose to move to a newly renovated unit on the same property. The Company has made a decision to slow or delay planned rehabilitation projects at various properties in an effort to maintain a high level of occupancy and maximize rental revenues. The Company's efforts have been successful as year to date occupancy averaged over 94% for the year to date period ended June 30, 2009. As improvement in economic conditions allow, the Company will consider restarting rehabilitation projects for existing properties and projects contemplated as part of the Company's acquisition strategy. Also, the Company recently completed development of a 143 unit multifamily apartment community which has been fully leased and is experiencing better than anticipated operating results.

David Quade, President and Chief Financial Officer of the Company, comments, “During the six months ended June 30, 2009, the Company gave special attention to property operations in an effort to stabilize property value and improve operating margins. This operational emphasis includes increased focus on servicing and retaining residents, maximizing occupancy and lowering expenses. Our goal is to outperform the national and submarket averages in maximizing short term cash flows and then draft off the recovery in U.S. employment and GNP to maximize rental growth. We believe we are beginning to see the results of these focused management initiatives. As previously reported, the Company has completed the very successful development of The Reserves at Arboretum, in Newport News, Virginia, which is now 100% leased, and acquired Glo Apartments, a new Class A mid-rise apartment building in downtown Los Angeles. The Company has worked hard to offset the challenging market conditions and emerge from the recession in a position of strength.”

## Non-GAAP Financial Measures

### Funds From Operations

The Company has adopted 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 Rule 101 of Regulation G and Item 10(e) of Regulation S-K promulgated by the Securities and Exchange Commission. Management considers FFO to be an appropriate measure of performance of an equity Real Estate Investment Trust (“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 (loss) 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 income (loss) determined in accordance with GAAP to FFO, a non-GAAP financial measure, for the three and six months ended June 30, 2009 and 2008:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Net income (loss)	\$ (8,784,413)	\$ 20,582,822	\$ (17,001,631)	\$ 14,304,275
Add:				
Depreciation of real property	7,210,482	6,113,243	14,011,959	13,276,905
Depreciation of real property included in results of discontinued operations	-	797,039	-	797,039
Amortization of acquired in-place leases and tenant relationships	372,127	50,498	644,316	116,481
Equity in loss of Multifamily Limited Partnership Venture	1,056,629	1,020,262	2,210,885	1,549,824
Funds from operations of Multifamily Venture and Limited Partnership Venture	250,499	272,200	452,675	767,609
Less:				
Noncontrolling interest in properties share of funds from operations	(264,898)	(240,135)	(345,955)	(440,670)
Gain on disposition of real estate assets	-	(27,031,898)	-	(27,031,898)
Funds from Operations	\$ (159,574)	\$ 1,564,031	\$ (27,751)	\$ 3,339,565

FFO for the three and six months ended June 30, 2009 declined as compared to the FFO for the three- and six-month periods ended June 30, 2008. The decreases in FFO were due primarily to changes in the accounting for acquisition transaction costs of \$1,183,299 under SFAS 141R, as discussed above, and the write-off of the Company's investment in the Mezzanine Loan LLC in the amount of \$1,032,091. Additionally, interest expense has increased due to the addition of new mortgage debt on certain properties.

### *Other Non-GAAP Financial 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 income (loss), prior to charges for depreciation and gain on the sale of real estate assets, allows for comparison of operating results absent the significant non-cash charge included in net income determined in accordance with GAAP, and Adjusted NOI provides a direct measure of the operating results of the Company's multifamily apartment communities.

The following table represents the reconciliation of net income (loss) determined in accordance with GAAP to net income (loss), before depreciation (including depreciation reported as part of discontinued operations) and gain on sale of real estate assets, a non-GAAP financial measure, presented for the three and six months ended June 30, 2009 and 2008:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net income (loss)	\$ (8,784,413)	\$ 20,582,822	\$ (17,001,631)	\$ 14,304,275
Add:				
Depreciation	8,216,923	6,972,237	16,002,359	13,853,214
Depreciation – Included in discontinued operations	-	1,143,796	-	2,720,019
Less:				
Gain on disposition of real estate assets	-	(27,031,898)	-	(27,031,898)
Adjusted net income (loss), before depreciation (including depreciation reported as part of discontinued operations) and gain on sale of real estate assets	<u>\$ (567,490)</u>	<u>\$ 1,666,957</u>	<u>\$ (999,272)</u>	<u>\$ 3,845,610</u>

The following table represents the reconciliation of net income (loss) determined in accordance with GAAP to Adjusted NOI, a non-GAAP financial measure, for the three and six months ended June 30, 2009 and 2008:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net income (loss)	\$ (8,784,413)	\$ 20,582,822	\$ (17,001,631)	\$ 14,304,275
Add:				
Depreciation	8,216,923	6,972,237	16,002,359	13,853,214
Interest	6,704,661	5,636,951	12,951,970	11,395,637
Discontinued operations	4,582	1,114,183	162,551	1,642,629
Amortization of acquired in-place leases and tenant relationships	372,127	50,498	644,316	116,481
Equity in loss of Multifamily Limited Partnership	1,056,629	1,020,262	2,210,885	1,549,824
Equity in (income) loss of Mezzanine Loan Limited Liability Company	774,075	(6,091)	947,293	(6,091)
Less:				
Gain on disposition of real estate assets	-	(27,031,898)	-	(27,031,898)
Net operating income	<u>8,344,584</u>	<u>8,338,964</u>	<u>15,917,743</u>	<u>15,824,071</u>
Add:				
Acquisition transaction costs expensed pursuant to SFAS 141R	204,205	-	1,183,299	-
Adjusted net operating income	<u>\$ 8,548,789</u>	<u>\$ 8,338,964</u>	<u>\$ 17,101,042</u>	<u>\$ 15,824,071</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.

## **Contact Information:**

Berkshire Income Realty, Inc.  
One Beacon Street, Suite 1500  
Boston, Massachusetts 02108

### Attention:

James Juliano  
Telephone: 1-617-574-8382  
E-mail: [james.juliano@berkshire-group.com](mailto:james.juliano@berkshire-group.com)  
Facsimile: 1-617-423-8919

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

	June 30, 2009	December 31, 2008
<b>ASSETS</b>		
Multifamily apartment communities, net of accumulated depreciation of \$152,585,238 and \$136,678,464, respectively	\$ 451,658,585	\$ 419,002,572
Cash and cash equivalents	14,157,039	24,227,615
Cash restricted for tenant security deposits	1,858,572	1,851,400
Cash restricted other	13,440,018	-
Replacement reserve escrow	4,307,583	5,952,952
Prepaid expenses and other assets	8,999,686	9,314,446
Investment in Multifamily Venture and Limited Partnership	13,214,525	15,425,410
Investment in Mezzanine Loan Limited Liability Company	-	947,293
Acquired in place leases and tenant relationships, net of accumulated amortization of \$1,532,563 and \$888,254, respectively	352,519	388,935
Deferred expenses, net of accumulated amortization of \$1,623,276 and \$1,244,326, respectively	3,671,908	3,306,807
Total assets	\$ 511,660,435	\$ 480,417,430
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Mortgage notes payable	\$ 483,138,631	\$ 432,013,999
Due to affiliates, net	2,660,326	2,291,250
Dividend and distributions payable	837,607	837,607
Accrued expenses and other liabilities	10,801,005	11,724,250
Tenant security deposits	1,949,966	1,800,105
Total liabilities	499,387,535	448,667,211
Commitments and contingencies	-	-
Equity:		
Noncontrolling interest in properties	921,788	293,650
Noncontrolling interest in Operating Partnership	(19,624,936)	-
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 June 30, 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 June 30, 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 June 30, 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 June 30, 2009 and December 31, 2008, respectively	-	-
Accumulated deficit	(39,248,844)	(38,768,323)
Total equity	12,272,900	31,750,219
Total liabilities and equity	\$ 511,660,435	\$ 480,417,430

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

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Revenue:				
Rental	\$ 18,600,158	\$ 15,991,617	\$ 36,174,362	\$ 31,662,195
Interest	34,077	174,863	81,671	363,082
Utility reimbursement	401,362	360,035	785,097	683,262
Other	869,237	723,344	1,630,685	1,370,376
Total revenue	<u>19,904,834</u>	<u>17,249,859</u>	<u>38,671,815</u>	<u>34,078,915</u>
Expenses:				
Operating	4,758,956	4,102,474	10,003,239	8,765,019
Maintenance	1,299,285	1,296,485	2,284,033	2,346,313
Real estate taxes	2,477,680	1,847,200	4,559,348	3,598,081
General and administrative	1,826,433	572,550	3,544,356	1,385,612
Management fees	1,197,896	1,092,186	2,363,096	2,159,819
Depreciation	8,216,923	6,972,237	16,002,359	13,853,214
Interest	6,704,661	5,636,951	12,951,970	11,395,637
Amortization of acquired in-place leases and tenant relationships	372,127	50,498	644,316	116,481
Total expenses	<u>26,853,961</u>	<u>21,570,581</u>	<u>52,352,717</u>	<u>43,620,176</u>
Loss before equity in loss of Multifamily Limited Partnership and Mezzanine Loan Limited Liability Company and loss from discontinued operations	(6,949,127)	(4,320,722)	(13,680,902)	(9,541,261)
Equity in loss of Multifamily Limited Partnership	(1,056,629)	(1,020,262)	(2,210,885)	(1,549,824)
Equity in income (loss) of Mezzanine Loan Limited Liability Company	(774,075)	6,091	(947,293)	6,091
Loss from continuing operations	<u>(8,779,831)</u>	<u>(5,334,893)</u>	<u>(16,839,080)</u>	<u>(11,084,994)</u>
Discontinued operations:				
Loss from discontinued operations	(4,582)	(1,114,183)	(162,551)	(1,642,629)
Gain on disposition of real estate estates	-	27,031,898	-	27,031,898
Income (loss) from discontinued operations	<u>(4,582)</u>	<u>25,917,715</u>	<u>(162,551)</u>	<u>25,389,269</u>
Net income (loss)	(8,784,413)	20,582,822	(17,001,631)	14,304,275
Net (income) loss attributable to noncontrolling interest in properties	43,696	(206,688)	246,566	(394,032)
Net (income) loss attributable to noncontrolling interest in Operating Partnership	10,166,973	(10,737,100)	19,624,936	(11,713,200)
Net income attributable to Parent Company	1,426,256	9,639,034	2,869,871	2,197,043
Preferred dividend	(1,675,196)	(1,675,197)	(3,350,392)	(3,350,396)
Net income (loss) available to common shareholders	<u>\$ (248,940)</u>	<u>\$ 7,963,837</u>	<u>\$ (480,521)</u>	<u>\$ (1,153,353)</u>
Net loss from continuing operations attributable to Parent Company per common share, basic and diluted	<u>\$ (0.17)</u>	<u>\$ (12.77)</u>	<u>\$ (0.23)</u>	<u>\$ (18.88)</u>
Net income (loss) from discontinued operations attributable to Parent Company per common share, basic and diluted	<u>\$ (0.01)</u>	<u>\$ 18.43</u>	<u>\$ (0.11)</u>	<u>\$ 18.06</u>
Net income (loss) attributable to Parent Company, per common share, basic and diluted	<u>\$ (0.18)</u>	<u>\$ 5.66</u>	<u>\$ (0.34)</u>	<u>\$ (0.82)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>1,406,196</u>	<u>1,406,196</u>	<u>1,406,196</u>	<u>1,406,196</u>
Dividend declared per common share	<u>\$ 0.00</u>	<u>\$ 0.20</u>	<u>\$ 0.00</u>	<u>\$ 0.20</u>

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