

## **BERKSHIRE INCOME REALTY ANNOUNCES YEAR END FUNDS FROM OPERATIONS OF \$4,784,152**

BOSTON, MASSACHUSETTS - - April 5, 2010 - - Berkshire Income Realty, Inc. (AMEX: "BIR\_pa", "BIRPRA", "BIR-A" "BIR.PR.A") ("Berkshire" or the "Company") reported its results for the year ended December 31, 2009. Financial highlights for the year ended December 31, 2009 include:

-The Company's Funds from Operations ("FFO"), a non-GAAP financial measure, for the year ended December 31, 2009 were \$4,784,152, a decrease of \$2,864,173 or 37.4%, as compared to \$7,648,325 for the year ended December 31, 2008. The decrease in FFO is due primarily to changes in the accounting for transaction costs under ASC 805-105 and the write-off of the Company's investment in the Mezzanine Loan LLC in the amount of \$1,117,825. ASC 805-10 requires that costs associated with acquisition transactions be expensed in the period incurred. Prior to the implementation of ASC 805-10, transaction costs were capitalized and included in the depreciable basis of acquired properties. Transaction costs for the acquisition of Glo Apartments total approximately \$1,183,300, which were included in General and Administrative expense on the Consolidated Statement of Income (Loss). Additionally, a judgment against the Company related to a matter which had been under appeal of approximately \$747,992, contributed to the decrease in FFO in the comparable periods.

For the year ended December 31, 2009, Berkshire reported net income, before depreciation (including depreciation reported as part of discontinued operations) and gain on sale of real estate assets ("Adjusted Net Income (Loss)"), a non-GAAP financial measure, of \$3,369,774 as compared to Adjusted Net Income (Loss) of \$7,595,381 for the year ended December 31, 2008. The decrease in Adjusted Net Income (Loss) was primarily due to the write-off of the Company's investment in the Mezzanine Loan LLC, the transaction costs of the Glo Apartments and the judgment paid as previously mentioned.

-Adjusted Net Operating Income, which excludes the transaction costs ("Adjusted NOI"), for the year ended December 31, 2009 was \$37,114,953 as compared to \$33,171,866 for the year ended December 31, 2008, an increase of \$3,943,087 or approximately 11.9%. The increase was due to growth in rental revenue during the period from newly acquired or developed properties as well as net gains in rental revenue from existing properties in the portfolio. These gains were partially offset by operating expenses of the newly acquired properties as well as the unusual items previously discussed.

-A presentation and reconciliation of net income (loss), the most directly comparable financial measure calculated and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"), to FFO, Adjusted Net Income (Loss), and Adjusted NOI is set forth on pages 2 and 3 of this press release. For the years ended December 31, 2009, 2008 and 2007, the net income (loss) was (\$28,766,324), \$54,623,929 and \$8,864,227, respectively.

- Year 2009 was a year of challenging conditions in which the national economy continued to suffer the effects of a prolonged recession. Despite these challenges, the Company continued its strategies to improve the performance of its portfolio. These strategies include implementing property management efficiencies, physical asset improvements and replacing existing assets with higher quality assets. Successful initiatives during 2009 include improving occupancy levels across the portfolio, continuing renovation projects at Berkshires at Town Center in Towson, Maryland and Executive House in Philadelphia, Pennsylvania, the acquisition of the newly developed Class A property GLO in Los Angeles, California and the lease up of the new development Reserves at Arboretum Place in Newport News, Virginia.

President and CFO David Quade comments: *"Over the past two years we have experienced challenges in the real estate industry related to the disruptions in the financial sector and the national economy. More recently, many economists have reported that the economic contraction has eased and the recession that began in 2007 has ended. The severity of the recession, however, has continued to effect the multifamily industry. On a national basis, apartment rents remain challenged with 2009 rents declining an average of 2.5%, which limits current and future revenue potential of our properties as new and renewal leases adjust to market conditions. Additionally, the national unemployment rate, which is a significant driver for rental apartment growth, more than doubled from 5.0% in January of 2008 to over 10% in October of 2009. Despite these operating challenges, the Company has worked hard to maintain and increase occupancy levels and to increase its resident retention percentage.*

*Management's efforts have resulted in increasing occupancy levels to 95% and to increasing its tenant retention percentage from approximately 50% to over 60% by the end of 2009. These efforts, as well as successful efforts to decrease operating expenses, resulted in a positive same store NOI increase for 2009 despite the great recession."*

## 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 Item 10(e) of Regulation S-K promulgated by the Securities and Exchange Commission (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 (loss) 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) to FFO for the years ended December 31, 2009, 2008 and 2007:

	December 31,		
	2009	2008	2007
Net income (loss)	\$ (28,766,324)	\$ 54,623,929	\$ 8,864,227
Add:			
Depreciation of real property	28,207,506	24,618,377	26,460,337
Depreciation of real property included in results of discontinued operations	-	3,335,613	528,907
Amortization of acquired in-place leases and tenant relationships	827,930	474,258	1,111,431
Amortization of acquired in-place leases and tenant relationships included in results of discontinued operations	-	-	21,564
Equity in loss of Multifamily Venture Limited Partnership	4,224,160	3,696,790	2,955,647
Funds from operations of Multifamily Venture Limited Partnership	1,047,143	1,319,657	100,308
Less:			
Noncontrolling interest in properties share of funds from operations	(756,263)	(932,812)	(947,933)
Gain on disposition of real estate assets	-	(79,487,487)	(32,111,239)
Funds from Operations	<u>\$ 4,784,152</u>	<u>\$ 7,648,325</u>	<u>\$ 6,983,249</u>

FFO for the year ended December 31, 2009 decreased \$2,864,173 or 37.4%, as compared to the year ended December 31, 2008. The decrease in FFO is due primarily to changes in the accounting for transaction costs under ASC 805-10 and the write-off of the Company's investment in the Mezzanine Loan LLC in the amount of \$1,117,825. ASC 805-10 requires that costs associated with acquisition transactions be expensed in the period incurred. Prior to the implementation of ASC 805-10, transaction costs were capitalized and included in the depreciable basis of acquired properties. Transaction costs for the acquisition of Glo Apartments total approximately \$1,183,299, which were

included in General and Administrative expense on the Consolidated Statement of Operations. Additionally, payment of the judgment related to a matter ruled against the Company on appeal, of approximately \$747,992, also contributed to the decrease in FFO in the comparable years.

Additional information regarding the Company's operating results for the years ended December 31, 2009, 2008 and 2007 can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed with the SEC on March 31, 2010. The document is available on the SEC's website at [www.sec.gov](http://www.sec.gov).

### 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 income, prior to charges for depreciation (including depreciation reported as part of discontinued operations) and the gain on the sale of real estate assets or interests in real estate assets, allows for comparison of operating results absent the significant non-cash charge included in GAAP net income and eliminates the unusual activity related to the gain from the sale of the real estate assets in the current year results, which presents a more meaningful comparison to the prior year results. Additionally, the Company believes Adjusted NOI is a measure of operating results that is useful to investors to analyze the performance of a real estate company because it provides a direct measure of the operating results of the Company's multifamily apartment communities.

The following tables represent the reconciliation of GAAP net income (loss) to the other non-GAAP measures presented for the years ended December 31:

	2009	2008	2007
Net income (loss)	\$ (28,766,324)	\$ 54,623,929	\$ 8,864,227
Add:			
Depreciation	32,136,098	28,277,756	25,838,371
Depreciation included discontinued operations	-	4,181,183	6,871,514
Net income, prior to charges for depreciation	3,369,774	87,082,868	41,574,112
Less:			
Gain on disposition of real estate assets	-	(79,487,487)	(32,111,239)
Adjusted Net income (loss), prior to charges for depreciation, including depreciation reported as part of discontinued operations, and the gain on the sale of real estate assets or interests in real estate assets	<u>\$ 3,369,774</u>	<u>\$ 7,595,381</u>	<u>\$ 9,462,873</u>

	2009	2008	2007
Net income (loss)	\$ (28,766,324)	\$ 54,623,929	\$ 8,864,227
Add:			
Depreciation	32,136,098	28,277,756	25,838,371
Interest	26,387,424	23,370,634	22,032,416
Loss on extinguishment of debt	-	-	316,702
Amortization of intangible assets	827,930	474,258	1,111,431
Equity in loss of Multifamily Venture Limited Partnership	4,224,160	3,696,790	2,955,647
Equity in (income) loss of Mezzanine Loan Limited Liability Company	947,294	(92,293)	-
Discontinued operations	175,072	2,308,279	1,920,031
Less:			
Gain on sale of real estate assets	-	(79,487,487)	(32,111,239)
Net Operating Income ("NOI")	\$ 35,931,654	\$ 33,171,866	\$ 30,927,586
Transaction costs – (ASC 805-10)	1,183,299	-	-
Adjusted NOI	<u>\$ 37,114,953</u>	<u>\$ 33,171,866</u>	<u>\$ 30,927,586</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, 2009 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

	December 31,	
	2009	2008
<b>ASSETS</b>		
Multifamily apartment communities, net of accumulated depreciation of \$168,718,977 and \$136,678,464, respectively	\$ 441,983,721	\$ 419,002,572
Cash and cash equivalents	17,956,617	24,227,615
Cash restricted for tenant security deposits	1,875,771	1,851,400
Cash restricted other	12,621,014	-
Replacement reserve escrow	3,938,646	5,952,952
Prepaid expenses and other assets	10,092,883	9,314,446
Investment in Multifamily Venture Limited Partnership	11,201,249	15,425,410
Investment in Mezzanine Loan Limited Liability Company	-	947,293
Acquired in place leases and tenant relationships, net of accumulated amortization of \$1,108,269 and \$888,254, respectively	161,810	388,935
Deferred expenses, net of accumulated amortization of \$1,880,816 and \$1,244,326, respectively	3,413,587	3,306,807
Total assets	\$ 503,245,298	\$ 480,417,430
<b>LIABILITIES AND EQUITY (DEFICIT)</b>		
Liabilities:		
Mortgage notes payable	\$ 474,830,728	\$ 432,013,999
Note payable, affiliate	15,720,000	-
Due to affiliates, net	2,149,628	2,291,250
Dividend and distributions payable	837,607	837,607
Accrued expenses and other liabilities	11,086,062	11,724,250
Tenant security deposits	1,838,501	1,800,105
Total liabilities	506,462,526	448,667,211
Commitments and contingencies	-	-
Equity (deficit):		
Noncontrolling interest in properties	416,382	293,650
Noncontrolling interest in Operating Partnership	(34,251,501)	-
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 December 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 December 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 December 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 December 31, 2009 and December 31, 2008, respectively	-	-
Accumulated deficit	(39,607,001)	(38,768,323)
Total equity (deficit)	(3,217,228)	31,750,219
Total liabilities and equity (deficit)	\$ 503,245,298	\$ 480,417,430

BERKSHIRE INCOME REALTY, INC.  
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	For the years ended December 31,		
	2009	2008	2007
Revenue:			
Rental	\$ 74,043,952	\$ 65,441,106	\$ 61,097,846
Interest	104,995	605,703	1,112,953
Utility reimbursement	1,675,779	1,365,137	1,036,912
Other	3,637,353	2,725,314	2,568,557
Total revenue	<u>79,462,079</u>	<u>70,137,260</u>	<u>65,816,268</u>
Expenses:			
Operating	20,453,967	17,634,983	17,594,304
Maintenance	4,132,269	4,377,041	3,977,859
Real estate taxes	8,485,196	7,457,360	6,148,643
General and administrative	5,688,334	3,008,333	2,959,250
Management fees	4,770,659	4,487,677	4,208,626
Depreciation	32,136,098	28,277,756	25,838,371
Interest	26,387,424	23,370,634	22,032,416
Loss on extinguishment of debt	-	-	316,702
Amortization of acquired in-place leases and tenant relationships	827,930	474,258	1,111,431
Total expenses	<u>102,881,877</u>	<u>89,088,042</u>	<u>84,187,602</u>
Loss before equity in loss of Multifamily Venture Limited Partnership and Mezzanine Loan Limited Liability Company and loss from discontinued operations	(23,419,798)	(18,950,782)	(18,371,334)
Equity in loss of Multifamily Venture Limited Partnership	(4,224,160)	(3,696,790)	(2,955,647)
Equity in income (loss) of Mezzanine Loan Limited Liability Company	(947,294)	92,293	-
Loss from continuing operations	<u>(28,591,252)</u>	<u>(22,555,279)</u>	<u>(21,326,981)</u>
Discontinued operations:			
Income (loss) from discontinued operations	(175,072)	(2,308,279)	(1,920,031)
Gain on disposition of real estate assets	-	79,487,487	32,111,239
Income (loss) from discontinued operations	<u>(175,072)</u>	<u>77,179,208</u>	<u>30,191,208</u>
Net income (loss)	(28,766,324)	54,623,929	8,864,227
Net (income) loss attributable to noncontrolling interest in properties	376,955	(5,528,481)	(2,031,195)
Net (income) loss attributable to noncontrolling interest in Operating Partnership	34,251,501	(12,689,300)	(3,904,400)
Net income (loss) attributable to Parent Company	5,862,132	36,406,148	2,928,632
Preferred dividend	(6,700,785)	(6,700,682)	(6,700,792)
Net income (loss) available to common shareholders	<u>\$ (838,653)</u>	<u>\$ 29,705,466</u>	<u>\$ (3,772,160)</u>
Net loss from continuing operations attributable to Parent Company per common share, basic and diluted	<u>\$ (0.48)</u>	<u>\$ (33.76)</u>	<u>\$ (24.15)</u>
Net income (loss) from discontinued operations attributable to Parent Company per common share, basic and diluted	<u>\$ (0.12)</u>	<u>\$ 54.89</u>	<u>\$ 21.47</u>
Net loss attributable to Parent Company, per common share, basic and diluted	<u>\$ (0.60)</u>	<u>\$ 21.12</u>	<u>\$ (2.68)</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>
Dividend declared per common share	<u>\$ 0.00</u>	<u>\$ 0.20</u>	<u>\$ 0.07</u>

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