

NEWS RELEASE

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Contact:

Transcontinental Realty Investors, Inc.

Investor Relations

Gene Bertcher (800) 400-6407

investor.relations@transconrealty-invest.com

Transcontinental Realty Investors, Inc. Reports First Quarter 2017 Results

DALLAS (May 17, 2017) -- Transcontinental Realty Investors, Inc. (NYSE: TCI), a Dallas-based real estate investment company, today reported results of operations for the first quarter ended March 31, 2017. For the three months ended March 31, 2017, we reported a net loss applicable to common shares of \$5.4 million or (\$0.61) per diluted loss per share compared to a net loss applicable to common shares of \$3.8 million or (\$0.43) per diluted loss per share for the same period ended 2016. Included in the net loss from operations are non-cash expenses of depreciation and amortization of \$6.3 million and \$5.8 million for the three months ended March 31, 2017 and 2016 respectively.

The growth in revenue and corresponding improvement in Net Operating Income for the three months ended March 31, 2017 demonstrates the viability of our business strategy. Management will continue its plan for growth from its operating properties and expects to reinvest in areas that will complement this growth; further management will maintain strong attention to all details of its operations including appropriate expense controls.

Our ability to take advantage of lower-interest rate mortgages available has reduced our monthly obligations and increased cash flow within our multifamily portfolio.

Revenues

Rental and other property revenues were \$31.5 million for the three months ended March 31, 2017. This represents an increase of \$2.6 million compared to the prior period revenues of \$28.9 million. This change, by segment, is an increase in the apartment and commercial portfolios of \$1.3 million each. Our apartment portfolio continues to thrive in the current economic conditions with occupancies averaging 95%. We have been able to surpass expectations due to the high-quality product offered, strength of our management team and our commitment to our tenants. We are continuing to market our properties aggressively to attract new tenants and strive for continuous improvement of our properties in order to maintain our existing tenants.

Expense

Property operating expenses were \$15.9 million for the three months ended March 31, 2017. This represents an increase of \$0.9 million compared to the prior period operating expenses of \$15.0 million. This change, by segment, is an increase in the apartment portfolio of \$1.4 million, due to the acquisition of 4 properties during the year offset by sales of 2 properties for a net increase of 203 units. We also had an increase in the commercial portfolio of \$0.2 million; partially offset by a decrease in the land portfolio of \$0.6 million.

Depreciation and amortization expenses were \$6.3 million for the three months ended March 31, 2017. This represents an increase of \$0.5 million as compared to prior period depreciation of \$5.8 million.

Advisory fees decreased less than \$0.1 million for the three months ended March 31, 2017 compared to the prior period. Advisory fees are computed based on a gross asset fee of 0.0625% per month (0.75% per annum) of the weighted average of the gross asset value.

Other income (expense)

Mortgage and loan interest expense was \$15.2 million for the three months ended March 31, 2017. This represents an increase of \$2.0 million compared to the prior period expense of \$13.2 million. The change by segment is an increase in the other portfolio of \$1.7 million and an increase in the apartment portfolio of \$0.6 million; partially offset by a decrease in the commercial portfolio of \$0.3 million. Within the other portfolio, the increase is primarily due to \$1.3 million of interest expense related to the Israeli bond sale, which closed in the first quarter of 2017. In addition, we secured a new mezzanine debt obligation in the third quarter of 2016. The increase within the apartment portfolio is primarily due to loan charges and prepayment penalties for the refinancing of two mortgage loans at lower interest rates.

Gain on land sales decreased for the three months ended March 31, 2017 compared to the prior period. In the current period we sold 2.49 acres of land for a sales price of \$1.1 million and recorded a gain of \$0.4 million. For the same period in 2016, we sold 40.9 acres of land for a sales price of \$4.2 million and recorded a gain of \$1.7 million.

About Transcontinental Realty Investors, Inc.

Transcontinental Realty Investors, Inc., a Dallas-based real estate investment company, holds a diverse portfolio of equity real estate located across the U.S., including apartments, office buildings, shopping centers, and developed and undeveloped land. The Company invests in real estate through direct ownership, leases and partnerships and invests in mortgage loans on real estate. For more information, visit the Company's website at www.transconrealty-invest.com.

TRANSCONTINENTAL REALTY INVESTORS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

| | For the Three Months Ended March 31, | |
|---|---|-------------------|
| | 2017 | 2016 |
| | (dollars in thousands, except share and par value amounts) | |
| Revenues: | | |
| Rental and other property revenues (including \$190 and \$173 for the three months ended 2017 and 2016, respectively, from related parties) | \$ 31,535 | \$ 28,903 |
| Expenses: | | |
| Property operating expenses (including \$228 and \$201 for the three months ended 2017 and 2016, respectively, from related parties) | 15,889 | 14,963 |
| Depreciation and amortization | 6,303 | 5,808 |
| General and administrative (including \$732 and \$749 for the three months ended 2017 and 2016, respectively, from related parties) | 1,780 | 1,609 |
| Net income fee to related party | 60 | 72 |
| Advisory fee to related party | 2,305 | 2,371 |
| Total operating expenses | <u>26,337</u> | <u>24,823</u> |
| Net operating income | 5,198 | 4,080 |
| Other income (expenses): | | |
| Interest income (including \$3,169 and \$3,150 for the three months ended 2017 and 2016, respectively, from related parties) | 3,421 | 3,847 |
| Other income (expense) | 1,442 | 267 |
| Mortgage and loan interest (including \$151 and \$61 for the three months ended 2017 and 2016, respectively, from related parties) | (15,190) | (13,166) |
| Foreign currency translation loss | (323) | - |
| Earnings (losses) from unconsolidated joint ventures and investees | (8) | (2) |
| Total other expenses | <u>(10,658)</u> | <u>(9,054)</u> |
| Loss before gain on land sales, non-controlling interest, and taxes | (5,460) | (4,974) |
| Loss on sale of income producing properties | - | (244) |
| Gain on land sales | 445 | 1,652 |
| Net loss from continuing operations before taxes | (5,015) | (3,566) |
| Income tax benefit | - | 1 |
| Net loss from continuing operations | (5,015) | (3,565) |
| Discontinued operations: | | |
| Net income (loss) from discontinued operations | - | 3 |
| Income tax benefit (expense) from discontinued operations | - | (1) |
| Net income (loss) from discontinued operations | <u>-</u> | <u>2</u> |
| Net loss | (5,015) | (3,563) |
| Net income (loss) attributable to non-controlling interest | (119) | 23 |
| Net loss attributable to Transcontinental Realty Investors, Inc. | (5,134) | (3,540) |
| Preferred dividend requirement | (222) | (222) |
| Net loss applicable to common shares | <u>\$ (5,356)</u> | <u>\$ (3,762)</u> |
| Earnings per share - basic | | |
| Net loss from continuing operations | <u>\$ (0.61)</u> | <u>\$ (0.43)</u> |
| Earnings per share - diluted | | |
| Net loss from continuing operations | <u>\$ (0.61)</u> | <u>\$ (0.43)</u> |
| Weighted average common shares used in computing earnings per share | 8,717,767 | 8,717,767 |
| Weighted average common shares used in computing diluted earnings per share | 8,717,767 | 8,717,767 |
| Amounts attributable to Transcontinental Realty Investors, Inc. | | |
| Net loss from continuing operations | \$ (5,134) | \$ (3,542) |
| Net income from discontinued operations | - | 2 |
| Net loss from continuing operations | <u>\$ (5,134)</u> | <u>\$ (3,540)</u> |

TRANSCONTINENTAL REALTY INVESTORS, INC.
CONSOLIDATED BALANCE SHEETS

| | March 31, 2017 | December 31, 2016 |
|---|---|------------------------------|
| | (dollars in thousands, except share and par value amounts) | |
| Assets | | |
| Real estate, at cost | \$ 1,015,791 | \$ 998,498 |
| Real estate subject to sales contracts at cost | 46,360 | 46,956 |
| Less accumulated depreciation | (160,269) | (154,281) |
| Total real estate | 901,882 | 891,173 |
| Notes and interest receivable: | | |
| Performing (including \$65,289 in 2017 and \$67,912 in 2016 from related parties) | 78,681 | 81,133 |
| Less allowance for doubtful accounts (including \$1,825 in 2017 and 2016 from related parties) | (1,825) | (1,825) |
| Total notes and interest receivable | 76,856 | 79,308 |
| Cash and cash equivalents | 55,282 | 17,506 |
| Restricted cash | 31,045 | 38,227 |
| Investments in unconsolidated joint ventures and investees | 2,438 | 2,446 |
| Receivable from related party | 99,714 | 101,649 |
| Other assets | 60,498 | 55,605 |
| Total assets | \$ 1,227,715 | \$ 1,185,914 |
| Liabilities and Shareholders' Equity | | |
| Liabilities: | | |
| Notes and interest payable | \$ 822,922 | \$ 835,528 |
| Notes related to real estate held for sale | 376 | 376 |
| Notes related to real estate subject to sales contracts | 4,177 | 5,612 |
| Bond and bond interest payable | 71,975 | - |
| Deferred revenue (including \$50,699 in 2017 and \$50,689 in 2016 to related parties) | 71,075 | 71,065 |
| Accounts payable and other liabilities (including \$6,647 in 2017 and \$6,487 in 2016 to related parties) | 37,950 | 48,856 |
| Total liabilities | 1,008,475 | 961,437 |
| Shareholders' equity: | | |
| Preferred stock, Series C: \$0.01 par value, authorized 10,000,000 shares; issued and outstanding zero shares in 2017 and 2016. Series D: \$0.01 par value, authorized, issued and outstanding 100,000 shares in 2017 and 2016 (liquidation preference \$100 per share) | 1 | 1 |
| Common stock, \$0.01 par value, authorized 10,000,000 shares; issued 8,717,967 shares in 2017 and 2016; outstanding 8,717,767 shares in 2017 and 2016 | 87 | 87 |
| Treasury stock at cost, 200 shares in 2017 and 2016 | (2) | (2) |
| Paid-in capital | 269,627 | 269,849 |
| Retained earnings | (69,184) | (64,050) |
| Total Transcontinental Realty Investors, Inc. shareholders' equity | 200,529 | 205,885 |
| Non-controlling interest | 18,711 | 18,592 |
| Total shareholders' equity | 219,240 | 224,477 |
| Total liabilities and shareholders' equity | \$ 1,227,715 | \$ 1,185,914 |