

NEWS RELEASE**FOR IMMEDIATE RELEASE**

Contact:
American Realty Investors, Inc.
Investor Relations
Gene Bertcher (800) 400-6407
investor.relations@americanrealtyinvest.com

American Realty Investors, Inc. Reports First Quarter 2017 Results

Dallas (May 17, 2017) – American Realty Investors, Inc. (NYSE:ARL), 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 \$6.0 million or (\$0.39) per diluted loss per share compared to a net loss applicable to common shares of \$3.7 million or (\$0.24) per diluted loss per share for the same period ended 2016. Included in the net loss from operations is 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 \$31.8 million for the three months ended March 31, 2017. This represents an increase of \$2.6 million compared to the prior period revenues of \$29.2 million. This change, by segment, is an increase in the apartment portfolio of \$1.3 million, and an increase in the commercial portfolio of \$1.3 million. The increase in our apartment portfolio was mainly due to the acquisition of new properties. Our apartment portfolio continues to thrive in the current economic conditions with occupancies averaging over 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 \$16.3 million for the three months ended March 31, 2017. This represents an increase of \$1.1 million compared to the prior period operating expenses of \$15.2 million. This change, by segment, is an increase in the apartment portfolio of \$1.4 million, which was consistent with the acquisition of new properties. In addition, there was a decrease of \$0.2 million in property operating expenses for the commercial portfolio.

Depreciation and amortization expense was \$6.3 million for the three months ended March 31, 2017. This represents an increase of \$0.5 million compared to the prior period expense of \$5.8 million. This change by segment is an increase of \$0.5 million in the apartment portfolio.

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 \$16.8 million for the three months ended March 31, 2017. This represents an increase of \$2.6 million compared to the prior period expense of \$14.2 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. Within the other portfolio, the increase was 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. During the first quarter of 2017, we sold 2.49 acres of land for a sales price of \$1.1 million and recorded a gain of \$0.4 million. During the first quarter of 2016, we sold 40.88 acres of land for a sales price of \$4.2 million and recorded a gain of \$1.7 million.

About American Realty Investors, Inc.

American Realty Investors, Inc., a Dallas-based real estate investment company, holds a diverse portfolio of equity real estate located across the U.S., including office buildings, apartments, 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. The Company also holds mortgage receivables. For more information, visit the Company's website at www.americanrealtyinvest.com.

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

	For the Three Months Ended March 31,	
	2017	2016
	(dollars in thousands, except per share amounts)	
Revenues:		
Rental and other property revenues (including \$190 and \$173 for the three months ended 2017 and 2016, respectively, from related parties)	\$ 31,822	\$ 29,205
Expenses:		
Property operating expenses (including \$237 and \$210 for the three months ended 2017 and 2016, respectively, from related parties)	16,265	15,216
Depreciation and amortization	6,330	5,830
General and administrative (including \$962 and \$918 for the three months ended 2017 and 2016, respectively, from related parties)	2,031	2,025
Net income fee to related party	60	72
Advisory fee to related party	2,659	2,738
Total operating expenses	27,345	25,881
Net operating income	4,477	3,324
Other income (expenses):		
Interest income (including \$4,476 and \$4,528 for the three months ended 2017 and 2016, respectively, from related parties)	4,792	5,291
Other income	1,443	298
Mortgage and loan interest (including \$1,511 and \$1,092 for the three months ended 2017 and 2016, respectively, from related parties)	(16,796)	(14,214)
Foreign currency transaction loss	(323)	-
Earnings from unconsolidated subsidiaries and investees	55	155
Total other expenses	(10,829)	(8,470)
Loss before gain on land sales, non-controlling interest, and taxes	(6,352)	(5,146)
Loss on sale of income producing properties	-	(244)
Gain on land sales	445	1,652
Net loss from continuing operations before taxes	(5,907)	(3,738)
Income tax benefit	-	1
Net loss from continuing operations	(5,907)	(3,737)
Discontinued operations:		
Net income from discontinued operations	-	3
Income tax expense from discontinued operations	-	(1)
Net income from discontinued operations	-	2
Net loss	(5,907)	(3,735)
Net income attributable to non-controlling interest	193	530
Net loss attributable to American Realty Investors, Inc.	(5,714)	(3,205)
Preferred dividend requirement	(275)	(497)
Net loss applicable to common shares	\$ (5,989)	\$ (3,702)
Earnings per share - basic		
Net loss from continuing operations	\$ (0.39)	\$ (0.24)
Earnings per share - diluted		
Net loss from continuing operations	\$ (0.39)	\$ (0.24)
Weighted average common shares used in computing earnings per share	15,514,360	15,514,360
Weighted average common shares used in computing diluted earnings per share	15,514,360	15,514,360
Amounts attributable to American Realty Investors, Inc.		
Net loss from continuing operations	\$ (5,714)	\$ (3,207)
Net income from discontinued operations	-	2
Net loss applicable to American Realty Investors, Inc.	\$ (5,714)	\$ (3,205)

AMERICAN 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	\$ 1,035,008	\$ 1,017,684
Real estate subject to sales contracts at cost	48,323	48,919
Less accumulated depreciation	(171,607)	(165,597)
Total real estate	911,724	901,006
Notes and interest receivable:		
Performing (including \$121,173 in 2017 and \$125,799 in 2016 from related parties)	138,733	143,601
Less allowance for estimated losses (including \$15,537 in 2017 and 2016 from related parties)	(17,037)	(17,037)
Total notes and interest receivable	121,696	126,564
Cash and cash equivalents	55,284	17,522
Restricted cash	31,259	38,399
Investments in unconsolidated joint ventures and investees	6,141	6,087
Receivable from related party	22,064	24,672
Other assets	65,557	60,659
Total assets	\$ 1,213,725	\$ 1,174,909
Liabilities and Shareholders' Equity		
Liabilities:		
Notes and interest payable	\$ 830,742	\$ 845,107
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 interest payable	71,975	-
Deferred revenue (including \$70,945 in 2017 and \$70,935 in 2016 to related parties)	91,390	91,380
Accounts payable and other liabilities (including \$10,793 in 2017 and \$10,854 in 2016 to related parties)	45,183	56,303
Total liabilities	1,043,843	998,778
Shareholders' equity:		
Preferred stock, Series A: \$2.00 par value, authorized 15,000,000 shares, issued and outstanding 2,000,614 shares in 2017 and 2016 (liquidation preference \$10 per share), including 900,000 shares in 2017 and 2016 held by ARL.	2,205	2,205
Common stock, \$0.01 par value, authorized 100,000,000 shares; issued 15,930,145 shares and outstanding 15,514,360 in 2017 and 2016, including 140,000 shares held by TCI (consolidated) in 2017 and 2016.	159	159
Treasury stock at cost; 415,785 shares in 2017 and 2016, and 140,000 shares held by TCI (consolidated) as of 2017 and 2016	(6,395)	(6,395)
Paid-in capital	111,168	111,510
Retained earnings	8,684	14,398
Total American Realty Investors, Inc. shareholders' equity	115,821	121,877
Non-controlling interest	54,061	54,254
Total shareholders' equity	169,882	176,131
Total liabilities and shareholders' equity	\$ 1,213,725	\$ 1,174,909