UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2026

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission File Number: 001-38010
CLIPPER REALTY INC.
(Exact name of Registrant as specified in its charter)

Maryland	**47-4579660**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

4611 12th Avenue, Suite 1L
Brooklyn, New York 11219
(Address of principal executive offices) (Zip Code)
(718) 438-2804
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	CLPR	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 4, 2026, there were 16,157,566 shares of the Registrant’s Common Stock outstanding.

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CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q for Clipper Realty Inc. (the "Company"), including, without limitation, statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations," regarding the Company's financial position, business strategy and the plans, objectives, expectations, or assumptions of management for future operations, are forward-looking statements. When used in this Quarterly Report on Form 10-Q, words such as "may," "will," "should," "could," "expect," "anticipate," "believe," "estimate," "project," "predict," "believe," "expect," "intend," "continue," "potential," "plan," "goal" or other words that convey the uncertainty of future events or outcomes are intended to identify forward-looking statements, which are generally not historical in nature. These statements involve risks and uncertainties that could cause actual results to differ materially from those described in such statements. These risks, contingencies and uncertainties include, but are not limited to, the following:

- our defaults under the mortgage loan secured by our 250 Livingston Street property and the resulting appointment of a temporary receiver for that property, and the Lender's right at the end of the marketing period under the Consent and Cooperation Agreement to foreclose on the property or to take a deed to the property in lieu of foreclosure, each of which could have a material adverse effect on us, including our financial condition, results of operations and cash flow;
- our dependency on a commercial lease with agencies of the City of New York, as a single government tenant at our 141 Livingston Street property, which lease expired on December 27, 2025 and under which the City of New York continues to occupy the space and pay holdover rent, and our inability to finalize the previously agreed five-year extension of that lease or otherwise to replace the City of New York as a tenant at rent rates comparable to those in the expired lease could have a material adverse effect on us, including our financial condition, results of operations and cash flow;
- the impact of the increase in inflation in the United States which could increase the cost of acquiring, replacing and operating our properties;
- market and economic conditions, affecting occupancy levels, rental rates, the overall market value of our properties, our access to capital and the cost of capital, and our ability to refinance indebtedness;
- economic or regulatory developments in New York City;
- changes in rent stabilization regulations or claims by tenants in rent-stabilized units that their rents exceed specified maximum amounts under current regulations;
- our ability to control operating costs to the degree anticipated;
- the risk of damage to our properties, including from severe weather, natural disasters, climate change, and terrorist attacks;
- risks related to financing, cost overruns, and fluctuations in occupancy rates and rents resulting from development or redevelopment activities and the risk that we may not be able to pursue or complete development or redevelopment activities or that such development or redevelopment activities may not be profitable;
- concessions or significant capital expenditures that may be required to attract and retain tenants;
- the relative illiquidity of real estate investments;
- competition affecting our ability to engage in investment and development opportunities or attract or retain tenants;
- unknown or contingent liabilities in properties acquired in formative and future transactions;
- the possible effects of departure of key personnel in our management team on our investment opportunities and relationships with lenders and prospective business partners;
- conflicts of interest faced by members of management relating to the acquisition of assets and the development of properties, which may not be resolved in our favor;
- a transfer of a controlling interest in any of our properties that may obligate us to pay transfer tax based on the fair market value of the real property transferred;
- the need to establish litigation reserves, costs to defend litigation and unfavorable litigation settlements or judgments; and
- other risks and risk factors or uncertainties identified from time to time in our filings with the SEC.

These forward-looking statements speak only as of the date of this report, and the Company undertakes no obligation to revise or update these statements to reflect subsequent events or circumstances.

PART I – FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS

Clipper Realty Inc.

Consolidated Balance Sheets
(In thousands, except for share and per share data)

	September 30, 2026	December 31, 2025
	(unaudited)	
ASSETS		
Investment in real estate		
Land and improvements	$ 559,419	$ 559,419
Building and improvements	843,892	836,437
Tenant improvements	6,475	6,386
Furniture, fixtures and equipment	14,185	13,684
Total investment in real estate	1,423,971	1,415,926
Accumulated depreciation	(290,989)	(266,976)
Investment in real estate, net	1,132,982	1,148,950
Cash and cash equivalents	30,632	30,815
Restricted cash	23,073	27,339
Tenant and other receivables, net of allowance for doubtful accounts of $300 and $317, respectively	7,815	8,676
Deferred rent	2,741	2,067
Deferred costs and intangible assets, net	5,010	5,326
Prepaid expenses and other assets	14,387	11,146
TOTAL ASSETS	**$ 1,216,640**	**$ 1,234,319**
LIABILITIES AND EQUITY (DEFICIT)		
Liabilities:		
Notes payable, net of unamortized loan costs of $6,310 and $8,712, respectively	$ 1,280,632	$ 1,277,521
Accounts payable and accrued liabilities	28,828	18,092
Security deposits	9,769	9,519
Other liabilities	12,321	9,941
TOTAL LIABILITIES	**1,331,550**	**1,315,073**
Equity (Deficit):		
Preferred stock, $0.01 par value; 100,000 shares authorized (including 140 shares of 12.5% Series A cumulative non-voting preferred stock), zero shares issued and outstanding	—	—
Common stock, $0.01 par value; 500,000,000 shares authorized, 16,157,566 and 16,146,546 shares issued and outstanding, at September 30, 2026, and December 31, 2025, respectively	160	160
Additional paid-in-capital	91,146	90,677
Accumulated deficit	(135,018)	(121,543)
Total stockholders' equity (deficit)	(43,712)	(30,706)
Non-controlling interests	(71,198)	(50,048)
TOTAL EQUITY (DEFICIT)	**(114,910)**	**(80,754)**
TOTAL LIABILITIES AND EQUITY (DEFICIT)	**$ 1,216,640**	**$ 1,234,319**

See accompanying notes to these consolidated financial statements.

Clipper Realty Inc.

Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
REVENUE				
Residential rental income	$ 33,964	$ 29,773	$ 98,090	$ 88,017
Commercial rental income	6,520	7,925	19,084	28,115
TOTAL REVENUES	**40,484**	**37,698**	**117,174**	**116,132**
OPERATING EXPENSES				
Property operating expenses	9,665	9,215	29,267	28,887
Real estate taxes and insurance	8,400	7,894	23,526	23,039
General and administrative	4,376	3,697	12,736	11,341
Transaction pursuit costs	-	10	-	-
Depreciation and amortization	8,112	7,997	24,114	22,947
Loss on impairment of Long-Lived Assets	-	-	-	33,780
TOTAL OPERATING EXPENSES	**30,553**	**28,813**	**89,643**	**119,994**
Litigation settlement and other	(50)	-	(3,859)	(26)
INCOME (LOSS) FROM OPERATIONS	**9,881**	**8,885**	**23,672**	**(3,888)**
Loss on disposal of long-lived assets	-	(172)	-	(857)
Interest expense, net	(15,793)	(13,320)	(46,993)	(36,321)
Net loss	(5,912)	(4,607)	(23,321)	(41,066)
Net loss attributable to non-controlling interests	3,663	2,856	14,451	25,451
Net loss attributable to common stockholders	**$ (2,249)**	**$ (1,751)**	**$ (8,870)**	**$ (15,615)**
Basic and diluted net loss per share	$ (0.18)	$ (0.14)	$ (0.67)	$ (1.07)

See accompanying notes to these consolidated financial statements.

Clipper Realty Inc.

Consolidated Statements of Changes in Equity
(In thousands, except for share data)
(Unaudited)

	Number of common shares	Common stock	Additional paid-in-capital	Accumulated deficit	Total stockholders' equity	Non-controlling interests	Total equity
Balance December 31, 2025	16,146,546	$ 160	$ 90,677	$ (121,543)	$ (30,706)	$ (50,048)	$ (80,754)
Amortization of LTIP grants	—	—	—	—	—	1,086	1,086
Redemption of LTIP grants	11,020	—	—	—	—	—	—
Dividends and distributions	—	—	—	(1,535)	(1,535)	(3,177)	(4,712)
Net loss	—	—	—	(4,238)	(4,238)	(6,906)	(11,144)
Reallocation of noncontrolling interests	—	—	142	—	142	(142)	—
Balance March 31, 2026	16,157,566	$ 160	$ 90,819	$ (127,316)	$ (36,337)	$ (59,187)	$ (95,524)
Amortization of LTIP grants	—	—	—	—	—	1,086	1,086
Redemption of LTIP grants	—	—	—	—	—	—	—
Dividends and distributions	—	—	—	(1,535)	(1,535)	(3,155)	(4,690)
Net loss	—	—	—	(2,383)	(2,383)	(3,882)	(6,265)
Reallocation of noncontrolling interests	—	—	164	—	164	(164)	—
Balance June 30, 2026	16,157,566	$ 160	$ 90,983	$ (131,234)	$ (40,091)	$ (65,302)	$ (105,393)
Amortization of LTIP grants	—	—	—	—	—	1,086	1,086
Redemption of LTIP grants	—	—	—	—	—	—	—
Dividends and distributions	—	—	—	(1,535)	(1,535)	(3,156)	(4,691)
Net loss	—	—	—	(2,249)	(2,249)	(3,663)	(5,912)
Reallocation of noncontrolling interests	—	—	163	—	163	(163)	—
Balance September 30, 2026	16,157,566	$ 160	$ 91,146	$ (135,018)	$ (43,712)	$ (71,198)	$ (114,910)

	Number of common shares	Common stock	Additional paid-in-capital	Accumulated deficit	Total stockholders' equity	Non-controlling interests	Total equity
Balance December 31, 2024	16,146,546	$ 160	$ 89,938	$ (95,507)	$ (5,409)	$ (8,821)	$ (14,230)
Amortization of LTIP grants	—	—	—	—	—	1,143	1,143
Dividends and distributions	—	—	—	(1,534)	(1,534)	(3,080)	(4,614)
Net loss	—	—	—	(13,347)	(13,347)	(21,756)	(35,103)
Reallocation of noncontrolling interests	—	—	214	—	214	(214)	—
Balance March 31, 2025	16,146,546	$ 160	$ 90,152	$ (110,388)	$ (20,076)	$ (32,728)	$ (52,804)
Amortization of LTIP grants	—	—	—	—	—	1,078	1,078
Conversion of LTIP units	—	—	—	—	—	—	—
Dividends and distributions	—	—	—	(1,534)	(1,534)	(3,080)	(4,614)
Net loss	—	—	—	(516)	(516)	(840)	(1,356)
Reallocation of noncontrolling interests	—	—	190	—	190	(190)	—
Balance June 30, 2025	16,146,546	$ 160	$ 90,342	$ (112,438)	$ (21,936)	$ (35,760)	$ (57,696)
Amortization of LTIP grants	—	—	—	—	—	1,077	1,077
Conversion of LTIP units	—	—	—	—	—	—	—
Dividends and distributions	—	—	—	(1,534)	(1,534)	(3,080)	(4,614)
Net loss	—	—	—	(1,751)	(1,751)	(2,856)	(4,607)
Reallocation of noncontrolling interests	—	—	189	—	189	(189)	—
Balance September 30, 2025	16,146,546	$ 160	$ 90,531	$ (115,723)	$ (25,032)	$ (40,808)	$ (65,840)

See accompanying notes to these consolidated financial statements.

Clipper Realty Inc.

Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2026	**2025**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (23,321)	$ (41,066)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	24,012	22,871
Amortization of deferred financing costs	2,606	1,744
Amortization of deferred costs and intangible assets	463	437
Loss on Impairment of long-lived assets	—	33,780
Loss on disposal of long-lived asset	—	857
Deferred rent	(674)	106
Stock-based compensation	3,258	3,298
Bad debt (recovery) expense	(5)	49
Changes in operating assets and liabilities:		
Tenant and other receivables	928	(1,235)
Prepaid expenses, other assets and deferred costs	(3,446)	(6,045)
Accounts payable and accrued liabilities	11,121	1,081
Security deposits	250	373
Other liabilities	2,376	214
Net cash provided by operating activities	**17,568**	**16,464**
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to land, buildings, and improvements	(8,429)	(30,511)
Proceeds from sale of real estate, net	—	43,489
Purchase of interest rate caps	—	(97)
Net cash provided (used) in investing activities	**(8,429)**	**12,881**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of mortgage notes	(1,291)	(163,639)
Proceeds from mortgage notes	2,000	169,438
Dividends and distributions	(14,093)	(13,842)
Loan issuance and extinguishment costs	(204)	(2,709)
Net cash provided (used) by financing activities	**(13,588)**	**(10,752)**
Net increase (decrease) in cash and cash equivalents and restricted cash	(4,449)	18,593
Cash and cash equivalents and restricted cash – beginning of period	58,154	38,052
Cash and cash equivalents and restricted cash - end of period	**$ 53,705**	$ 56,645
Cash and cash equivalents and restricted cash – beginning of period:		
Cash and cash equivalents	$ 30,815	$ 19,896
Restricted cash	27,339	18,156
Total cash and cash equivalents and restricted cash – beginning of period	$ 58,154	$ 38,052
Cash and cash equivalents and restricted cash – end of period:		
Cash and cash equivalents	$ 30,632	$ 26,052
Restricted cash	23,073	30,593
Total cash and cash equivalents and restricted cash – end of period	$ 53,705	$ 56,645
Supplemental cash flow information:		
Cash paid for interest, net of capitalized interest of $0 and $6,829 in 2026 and 2025, respectively	$ 35,873	$ 35,675
Non-cash interest capitalized to real estate under development	—	1,913
Additions to investment in real estate included in accounts payable and accrued liabilities	1,697	2,366

See accompanying notes to these consolidated financial statements.

1. Organization

Clipper Realty Inc. (the "Company" or "We") was organized in the state of Maryland on July 7, 2015. On August 3, 2015, we completed certain formation transactions and the sale of shares of common stock in a private offering. We contributed the net proceeds of the private offering to Clipper Realty L.P., our operating partnership subsidiary (the "Operating Partnership"), in exchange for units in the Operating Partnership. The Operating Partnership in turn contributed such net proceeds to the limited liability companies ("LLCs") that comprised the predecessor of the Company in exchange for Class A LLC units in such LLCs and became the managing member of such LLCs. The owners of the LLCs exchanged their interests for Class B LLC units and an equal number of special, non-economic, voting stock in the Company. The Class B LLC units, together with the special voting shares, are convertible into common shares of the Company on a one-for-one basis and are entitled to distributions.

As of September 30, 2026, the properties owned by the Company consisted of the following (collectively, the "Properties"):

- Tribeca House in Manhattan, comprising two buildings, one with 21 stories and one with 12 stories, containing residential and retail space with an aggregate of approximately 483,000 square feet of residential rental Gross Leasable Area ("GLA") and 77,000 square feet of retail rental and parking GLA;
- Flatbush Gardens in Brooklyn, a 59-building residential housing complex with 2,494 rentable units and approximately 1,749,000 square feet of residential rental GLA;
- 141 Livingston Street in Brooklyn, a 15-story office building with approximately 216,000 square feet of GLA;
- 250 Livingston Street in Brooklyn, a 12-story office and residential building with approximately 370,000 square feet of GLA (fully remeasured);
- Aspen in Manhattan, a 7-story building containing residential and retail space with approximately 166,000 square feet of residential rental GLA and approximately 21,000 square feet of retail rental GLA;
- Clover House in Brooklyn, an 11-story residential building with approximately 102,000 square feet of residential rental GLA;
- 1010 Pacific Street in Brooklyn, 9-story residential building with approximately 119,000 square feet of residential rental GLA; and
- The Dean Street property in Brooklyn, a 9-story residential building with approximately 160,000 square feet of residential rental GLA and approximately 9,000 square feet of retail rental GLA.

On May 30, 2025, the Company completed the sale of 10 West 65th Street in Manhattan, a 6-story residential building with approximately 76,000 square feet of residential rental GLA. for gross proceeds of $45,500. The Company incurred $1,900 in closing costs and paid $800 in accrued interest at closing. At closing, the Company repaid in full its $31,200 mortgage note (the "Mortgage") with Flagstar Bank ("Flagstar") (see note 4 below). The Company recorded a loss on impairment of long-lived assets of $33,780 during the three months ended March 31, 2025.

Square footage, leased occupancy percentage and rentable unit disclosures in the consolidated financial statements are unaudited.

The operations of Clipper Realty Inc. and its consolidated subsidiaries are conducted primarily through the Operating Partnership. The Company has elected to be taxed as a Real Estate Investment Trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code (the "Code"). The Company is the sole general partner of the Operating Partnership and the Operating Partnership is the sole managing member of the LLCs that comprised the Predecessor.

For the three months ended September 30, 2026, and 2025, the Company's interest, through the Operating Partnership, in the LLCs that own the properties generally entitles it to 38.0% and 38.0%, respectively, of the aggregate cash distributions from, and the profits and losses of, the LLCs.

The Company determined that the Operating Partnership and the LLCs are variable interest entities ("VIEs") and that the Company was the primary beneficiary. The assets and liabilities of these VIEs represented substantially all of the Company's assets and liabilities.

2. Significant Accounting Policies

Segments

At September 30, 2026, and December 31, 2025, the Company had two reportable operating segments, Residential Rental Properties and Commercial Rental Properties. Our Chief Operating Decision Maker ("CODM"), represented by our Co-Chairman and Chief Executive Officer, reviews the results in which the revenue and Income from Operations is divided between the commercial and residential performance.

Basis of Consolidation

The accompanying consolidated financial statements of the Company are prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The effect of all intercompany balances has been eliminated. The consolidated financial statements include the accounts of all entities in which the Company has a controlling interest. The ownership interests of other investors in these entities are recorded as non-controlling interests.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management adjusts such estimates when facts and circumstances dictate. The most significant estimates made include the recoverability of accounts receivable, allocation of property purchase price to tangible and intangible assets acquired and liabilities assumed, the useful lives of long-lived assets, review of long-lived assets for impairment and contingent liabilities. Actual results could materially differ from these estimates.

Investment in Real Estate

Real estate assets held for investment are carried at historical cost and consist of land, buildings and improvements, furniture, fixtures and equipment. Expenditures for ordinary repair and maintenance costs are charged to expense as incurred. Expenditures for improvements, renovations, and replacements of real estate assets are capitalized and depreciated over their estimated useful lives if the expenditures qualify as betterments or the life of the related asset will be substantially extended beyond the original life expectancy.

In accordance with ASC 805, "Business Combinations" the Company evaluates each acquisition of real estate or in-substance real estate to determine if the integrated set of assets and activities acquired meets the definition of a business and needs to be accounted for as a business combination. If either of the following criteria is met, the integrated set of assets and activities acquired would not qualify as a business:

- Substantially all of the fair value of the gross assets acquired is concentrated in either a single identifiable asset or a group of similar identifiable assets; or

- The integrated set of assets and activities is lacking, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs (i.e., revenue generated before and after the transaction).

An acquired process is considered substantive if:

- The process includes an organized workforce (or includes an acquired contract that provides access to an organized workforce) that is skilled, knowledgeable and experienced in performing the process;

- The process cannot be replaced without significant cost, effort or delay; or

- The process is considered unique or scarce.

Generally, the Company expects that acquisitions of real estate or in-substance real estate will not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e., land, buildings and related intangible assets) or because the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay.

Upon acquisition of real estate, the Company assesses the fair values of acquired tangible and intangible assets including land, buildings, tenant improvements, above-market and below-market leases, in-place leases and any other identified intangible assets and assumed liabilities. The Company allocates the purchase price to the assets acquired and liabilities assumed in an asset acquisition based on their relative fair values. In estimating fair value of tangible and intangible assets acquired, the Company assesses and considers fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates, estimates of replacement costs, net of depreciation, and available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

The Company records acquired above-market and below-market lease values initially based on the present value, using a discount rate which reflects the risks associated with the leases acquired based on the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed renewal options for the below-market leases. Other intangible assets acquired include amounts for in-place lease values and tenant relationship values (if any) that are based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in-place lease values include an estimate of carrying costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. A property's value is impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, a write-down is recorded and measured by the amount of difference between the carrying value of the asset and the fair value of the asset. Management of the Company does not believe that any of its properties within the portfolio were impaired as of September 30, 2026 and December 31, 2025. On May 30, 2025, the Company completed the sale of 10 West 65th Street in Manhattan, a 6-story residential building with approximately 76,000 square feet of residential rental GLA for gross proceeds of $45,500. The Company recorded a loss on impairment of long-lived assets of $33,780 in the nine-month period ended September 30, 2025, on 10 West 65th Street, See Note 10.

For long-lived assets to be disposed of, impairment losses are recognized when the fair value of the assets less estimated cost to sell is less than the carrying value of the assets. Properties classified as real estate held-for-sale generally represent properties that are actively marketed or contracted for sale with closing expected to occur within the next twelve months. Real estate held-for-sale is carried at the lower of cost, net of accumulated depreciation, or fair value less cost to sell, determined on an asset-by-asset basis. Expenditures for ordinary repair and maintenance costs on held-for-sale properties are charged to expense as incurred. Expenditures for improvements, renovations and replacements related to held-for-sale properties are capitalized at cost. Depreciation is not recorded on real estate held-for-sale.

If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balances of the related intangibles are written off. The tenant improvements and origination costs are amortized to expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date).

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements (in years)	10 – 44
Tenant improvements	Shorter of useful life or lease term
Furniture, fixtures and equipment (in years)	3 – 15

The capitalized above-market lease values are amortized as a reduction to base rental revenue over the remaining terms of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases. The value of in-place leases is amortized to expense over the remaining initial terms of the respective leases.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and in banks, plus all short-term investments with a maturity of three months or less when purchased. The Company maintains some of its cash in bank deposit accounts, which, at times, may exceed the federally insured limit. No losses have been experienced related to such accounts.

Restricted Cash

Restricted cash generally consists of escrows for future real estate taxes and insurance expenditures, repairs, capital improvements, loan reserves and security deposits.

Tenant and Other Receivables and Allowance for Doubtful Accounts

Tenant and other receivables are comprised of amounts due for monthly rents and other charges less allowance for doubtful accounts. In accordance with Accounting Standards Codification ("ASC") 842 "Leases," the Company performed a detailed review of amounts due from tenants to determine if accounts receivable balances and future lease payments were probable of collection, wrote off receivables not probable of collection and recorded a general reserve against revenues for receivables probable of collection for which a loss can be reasonably estimated. If management determines that the tenant receivable is not probable of collection it is written off against revenues. In addition, the Company records a general reserve under ASC 450.

Deferred Costs

Deferred lease costs consist of fees incurred to initiate and renew operating leases. Lease costs are being amortized using the straight-line method over the terms of the respective leases.

Deferred financing costs represent commitment fees, legal and other third-party costs associated with obtaining financing. These costs are amortized over the term of the financing and are recorded in interest expense in the consolidated statements of operations. Unamortized deferred financing costs are expensed when the associated debt is refinanced or repaid before maturity. Costs incurred in seeking financing transactions which do not close are expensed in the period the financing transaction is terminated.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income (loss) adjusted for changes in unrealized gains and losses, reported in equity, for financial instruments required to be reported at fair value under GAAP. For the three and nine months ended September 30, 2026, and 2025, the Company did not own any financial instruments for which the change in value was not reported in net income (loss); accordingly, its comprehensive income (loss) was its net income (loss) as presented in the consolidated statements of operations.

Revenue Recognition

As mentioned above under Tenant and Other Receivables and Allowance for Doubtful Accounts the Company records lease income under ASC 842,“Leases” which replaces the guidance under ASC 840. ASC 842 applies to the Company principally as lessor; as a lessee, the Company’s leases are immaterial. The Company has determined that all its leases as lessor are operating leases. The Company has elected to not bifurcate lease and non-lease components under a practical expedient provision. With respect to collectability, the Company has written off all receivables not probable of collection and related deferred rent, and has recorded income for those tenants on a cash basis. When the probability assessment has changed for these receivables, the Company has recognized lease income to the extent of the difference between the lease income that would have been recognized if collectability had always been assessed as probable and the lease income recognized to date. For remaining receivables probable of collection, the Company has recorded a general reserve under ASC 450.

For the three months ended September 30, 2026 and 2025, the Company charged revenue in the amount of $795 and $1,120, respectively, for residential receivables not deemed probable of collection and recognized revenue of $15 and $19, respectively, for a reassessment of collectability of residential receivables previously not deemed probable of collection.

For the nine months ended September 30, 2026 and 2025, the Company charged revenue in the amount of $2,332 and $3,012, respectively, for residential receivables not deemed probable of collection and recognized revenue of $81 and $110, respectively, for a reassessment of collectability of residential receivables previously not deemed probable of collection.

In accordance with the provisions of ASC 842, rental revenue for commercial leases is recognized on a straight-line basis over the terms of the respective leases. Deferred rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with lease agreements. Rental income attributable to residential leases and parking is recognized as earned, which is not materially different from the straight-line basis. Leases entered by residents for apartment units are generally for one-year terms, renewable upon consent of both parties on an annual or monthly basis.

Reimbursements for operating expenses due from tenants pursuant to their lease agreements are recognized as revenue in the period the applicable expenses are incurred. These costs generally include real estate taxes, utilities, insurance, common area maintenance costs and other recoverable costs and are recorded as part of commercial rental income in the condensed consolidated statements of operations.

Stock-based Compensation

The Company accounts for stock-based compensation pursuant to Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718, “Compensation — Stock Compensation.” As such, all equity-based awards are reflected as compensation expense in the Company’s consolidated statements of operations over their vesting period based on the fair value at the date of grant. In the event of a forfeiture, the previously recognized expense for unvested options would be reversed.

As of September 30, 2026, and December 31, 2025, there were 6,899,543 and 6,156,860 long-term incentive plan ("LTIP”) units outstanding, respectively, with a weighted average grant date fair value of $6.46 and $6.84 per unit, respectively. As of September 30, 2026, and December 31, 2025, there was $14,953 and $15,678, respectively, total unrecognized compensation cost related to unvested share-based compensation arrangements granted under share incentive plans. As of September 30, 2026, the weighted-average period over which the unrecognized compensation expense will be recorded is approximately 3.24 years.

In March 2026, the Company granted employees and non-employee directors 480,927 and 272,781 LTIP units, respectively, with a weighted-average grant date value of $3.36 per unit. The grants vesting period range from up to one year for those granted to the non-employee directors and from one to 2.5 years to those granted to employees as 2025 bonus and long-term incentive compensation.

In March 2025, the Company granted employees and non-employee directors 345,561 and 196,000 LTIP units, respectively, with a weighted-average grant date value of $4.54 per unit. The grants vesting period ranges from up to one year for those granted to the non-employee directors and from one to 2.5 years to those granted to employees as 2024 bonus and long-term incentive compensation.

Transaction Pursuit Costs

Transaction pursuit costs primarily reflect costs incurred for abandoned acquisition, disposition or other transaction pursuits.

Income Taxes

The Company elected to be taxed and to operate in a manner that will allow it to qualify as a REIT under the Code. To qualify as a REIT, the Company is required to distribute dividends equal to at least 90% of the REIT taxable income (computed without regard to the dividends paid deduction and net capital gains) to its stockholders, and meet the various other requirements imposed by the Code relating to matters such as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided the Company qualifies for taxation as a REIT, it is generally not subject to U.S. federal corporate-level income tax on the earnings distributed currently to its stockholders. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to U.S. federal and state income tax on its taxable income at regular corporate tax rates and any applicable alternative minimum tax. In addition, the Company may not be able to re-elect as a REIT for the four subsequent taxable years. The entities comprising the Predecessor are limited liability companies and are treated as pass-through entities for income tax purposes. Accordingly, no provision has been made for federal, state or local income or franchise taxes in the accompanying consolidated financial statements.

In accordance with FASB ASC Topic 740, the Company believes that it has appropriate support for the income tax positions taken and, as such, does not have any uncertain tax positions that, if successfully challenged, could result in a material impact on its financial position or results of operations. The prior three years' income tax returns are subject to review by the Internal Revenue Service.

Fair Value Measurements

Refer to Note 6, "Fair Value of Financial Instruments".

Derivative Financial Instruments

FASB derivative and hedging guidance establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by FASB guidance, the Company records all derivatives on the consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation.

Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecast transactions, are considered cash flow hedges. For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (loss) (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in the fair value or cash flows of the derivative hedging instrument with the changes in the fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value would be recognized in earnings. As of September 30, 2026 and December 31, 2025, the Company has no derivatives for which it applies hedge accounting.

Loss Per Share

Basic and diluted net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average common shares outstanding. As of September 30, 2026 and 2025, the Company had unvested LTIP units which provide for non-forfeitable rights to dividend-equivalent payments. Accordingly, these unvested LTIP units are considered participating securities and are included in the computation of basic and diluted net loss per share pursuant to the two-class method. The Company did not have dilutive securities as of September 30, 2026, or 2025.

The effect of the conversion of the 26,317 Class B LLC units outstanding is not reflected in the computation of basic and diluted net loss per share, as the effect would be anti-dilutive. The net loss allocable to such units is reflected as non-controlling interests in the accompanying consolidated financial statements.

The following table sets forth the computation of basic and diluted net loss per share for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	**2026**	**2025**	**2026**	**2025**
Numerator				
Net loss attributable to common stockholders	$ (2,249)	$ (1,751)	$ (8,870)	$ (15,615)
Less: income attributable to participating securities	(655)	(580)	(1,987)	(1,739)
Subtotal	$ (2,904)	$ (2,331)	$ (10,857)	$ (17,354)
Denominator				
Weighted-average common shares outstanding	16,158	16,147	16,154	16,147
Basic and diluted net loss per share attributable to common stockholders	$ (0.18)	$ (0.14)	$ (0.67)	$ (1.07)

Recently Issued Accounting Standards

In November 2024, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses (“ASU 2024-03”), and in January 2025, the FASB issued ASU 2025-01, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date ("ASU 2025-01"). ASU 2024-03 requires additional disclosure of the nature of expenses included in the income statement as well as disclosures about specific types of expenses included in the expense captions presented in the income statement. ASU 2024-03, as clarified by ASU 2025-01, is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. We are currently evaluating the impact of these standards on our consolidated financial statements.

In September 2025, the FASB issued ASU 2025-06, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software (“ASU 2025-06”). This ASU updates the cost capitalization threshold for internal-use software development costs by removing all references to software project development stages and providing new guidance on how to evaluate whether the probable-to-complete recognition threshold has been met. ASU 2025-06 is effective for all entities for annual reporting periods beginning after December 15, 2027, with early adoption permitted. Entities may apply the guidance prospectively, retrospectively, or via a modified prospective transition method. We are currently evaluating the impact of this standard on our consolidated financial statements.

In November 2025, the FASB issued ASU 2025-09, Derivatives and Hedging (Topic 815): Hedge Accounting Improvements ("ASU 2025-09"). This ASU amends the existing requirements to allow individual forecasted transactions to be hedged in a group if they have similar risk exposure and introduces an alternative model for the application of hedge accounting to cash flow hedges of forecasted interest payments on choose-your-rate ("CYR") debt instruments. Further, the ASU permits an entity to designate a variable price component of a forecasted purchase or sale of a nonfinancial asset if the component is clearly and closely related to the nonfinancial asset being purchased or sold. ASU 2025-09 is effective for all entities for annual reporting periods beginning after December 15, 2026, with early adoption permitted. We are currently evaluating the impact of this standard on our consolidated financial statements.

3. Deferred Costs and Intangible Assets

Deferred costs and intangible assets consist of the following:

	September 30, 2026	December 31, 2025
Deferred costs	$ 349	$ 348
Lease origination costs	1,989	1,842
In-place leases	427	428
Real estate tax abatements	9,143	9,143
Total deferred costs and intangible assets	11,908	11,761
Less accumulated amortization	(6,898)	(6,435)
Total deferred costs and intangible assets, net	$ 5,010	$ 5,326

Amortization of deferred costs, lease origination costs and in-place lease intangible assets was $33 and $25 for the three months ended September 30, 2026 and 2025, respectively, and $102 and $76 for the nine months ended September 30, 2026 and 2025, respectively; Amortization of real estate tax abatements of $120 and $120 for the three months ended September 30, 2026 and 2025, respectively, and $361 and $361 for the nine months ended September 30, 2026 and 2025, is included in real estate taxes and insurance in the consolidated statements of operations.

Deferred costs and intangible assets as of September 30, 2026, amortize in future years as follows:

2026	$ 312
2027	619
2028	602
2029	573
2030	541
Thereafter	2,363
Total	$ 5,010

4. Notes Payable

The mortgages, loans and mezzanine notes payable collateralized by the properties, or the Company's interest in the entities that own the properties and assignment of leases, are as follows:

Property	Maturity	Interest Rate	September 30, 2026	December 31, 2025
Flatbush Gardens, Brooklyn, NY (a)	6/1/2032	3.125%	329,000	$ 329,000
250 Livingston Street, Brooklyn, NY (b)	6/6/2029	3.63%	125,000	125,000
141 Livingston Street, Brooklyn, NY (c)	3/6/2031	3.21%	100,000	100,000
Tribeca House, Manhattan, NY (d)	3/6/2028	4.506%	360,000	360,000
Aspen, Manhattan, NY (e)	7/1/2028	3.68%	56,442	57,733
Clover House, Brooklyn, NY (f)	12/1/2029	3.53%	82,000	82,000
1010 Pacific Street, Brooklyn, NY (g)	10/06/2030	5.73%	84,500	84,500
Dean Street, Brooklyn, NY (h)	5/09/2027	SOFR +2.65%	115,000	115,000
Dean Street, Brooklyn, NY (h)	5/09/2027	SOFR +2.65%	35,000	33,000
Total debt			$ 1,286,942	$ 1,286,233
Unamortized debt issuance costs			(6,310)	(8,712)
Total debt, net of unamortized debt issuance costs			$ 1,280,632	$ 1,277,521

(a) The $329,000 mortgage note agreement with Flagstar Bank N.A. (formerly New York Community Bank ("NYCB")("Flagstar"), entered on May 8, 2020, matures on June 1, 2032, and bears interest at 3.125% through May 2027 and thereafter at the prime rate plus 2.75%, subject to an option to fix the rate. The note requires interest-only payments through May 2027, and monthly principal and interest payments thereafter based on a 30-year amortization schedule. The Company has the option to prepay all (but not less than all) of the unpaid balance of the note prior to the maturity date, subject to certain prepayment premiums, as defined.

(b) The $125,000 mortgage note agreement with Citi Real Estate Funding Inc., entered into on May 31, 2019, matures on June 6, 2029, bears interest at 3.63% and requires interest-only payments for the entire term. The Company has the option to prepay all (but not less than all) of the unpaid balance of the note within three months of maturity, without a prepayment premium.

As of August 23, 2025, The City of New York, a municipal corporation acting through the Department of Citywide Administrative Services ("NYC"), vacated the space it occupied at 250 Livingston Street. The lease generally provided for rent payments in the amount of $15.4 million per annum. The Company may be unable to replace NYC as a tenant or unable to replace it with other commercial tenants at comparable rent rates, may incur substantial costs to improve the vacated space or may have to offer significant inducements to fill the space, all of which may have an adverse effect on our financial condition, results of operations and cash flow.

On March 18, 2025, The Company was notified by legal counsel to the servicer for the loan related to the 250 Livingston Street property that, due to the failure of our subsidiary, 250 Livingston Owner LLC (the "Borrower"), to cause all revenue generated by the 250 Livingston Street property to be deposited into the cash management account as required by the loan agreement related to the $125,000 building mortgage loan, an event of default occurred under the $125,000 building mortgage loan. The notice provided that if the Borrower fails to cure the event of default, the Wells Fargo Bank, National Association, as trustee for the GS Mortgage Securities Trust 2019-GC40 securitization, as the lender (the "Lender") may, among other things, accelerate the $125,000 building mortgage loan and demand all amounts owing to the lender to be immediately payable, institute proceedings for the foreclosure of all liens securing the loan and sell the 250 Livingston Street Property, or file a lawsuit against the Borrower or the Company and its operating subsidiary, Clipper Realty L.P., as guarantors (the "Guarantors"). As of May 12, 2025, the Company have complied with the lender's requirement to have the deposits made by all tenants deposited directly into the cash management account. On May 8, 2025, the Company transferred $6,300 to the cash management account to cover amounts owed prior to the activation of the cash management account. On May 15, 2025, legal counsel for the lender notified us that they allege that the Company are in default on the $125,000 mortgage loan due to its allegation that the Company, as the Guarantor, did not maintain a net worth of not less than $100,000 as of December 31, 2024, as required under the loan agreement. The Company replied to the lender disputing such calculation and alleging that the lender did not calculate net worth in a reasonable manner and provided the lender with its own calculation of net worth that shows a net worth in excess of the required amount. On May 28, 2025, the lender replied to the Company concurring with the Company and notifying the Company that they agree that the Company was compliant with the $100 million requirement. On July 28, 2025, the Company was notified by legal counsel for the lender that they alleged that the Company was once again in default for failure to remit all revenue derived from 250 Livingston into the cash management account. The Company responded by disputing the allegations in May 8, 2025, letter and noting all rents from the tenants have been deposited into the cash management account.

All amounts remaining in such cash management account after the lender's allocations set forth in the loan agreement will be disbursed to us if the tenant cure conditions are satisfied under the loan agreement.

On October 6, 2025, the Company failed to make its required deposit to the cash management account to fund the interest and tax escrow deposit for September 2025. The Company received notices of nonpayment on October 20, 2025, and November 12, 2025. The loan documents state that a failure to pay interest within five days of due date is an event of default. On November 12, 2025, the Company sent a letter to Midland requesting that the loan be immediately fully transferred to Special Servicing for potential loan modifications because the Borrower does not plan to continue to support the ongoing operating and debt service shortfall related to 250 Livingston Street property.

On December 18, 2025, the Company received a letter from the Special Servicer notifying the Company that it is in default under the Note and other Loan documents by virtue of, among other things, its failure to pay all amounts when due thereunder. The notice indicated that the Lender would take all such actions as it deems appropriate to protect its interest in the Loan and to collect the debt thereunder including, without limitation, seeking foreclosure and/or reconveyance of its security under the Loan documents. In accordance with the Loan documents, the Company is subject to default interest at a rate of additional 5% per annum.

On January 7, 2026, the Borrower received a letter from counsel for the Lender and the special servicer for the Lender, notifying the Borrower that it is in default under the Loan Agreement, the Note and other loan documents by virtue of, among other things, its failure to pay all amounts when due thereunder from October 6, 2025 through and including January 6, 2026. The letter indicated that the Lender's counsel would assist the Lender in taking all such actions as it deems appropriate to protect its interest in the Loan and to collect the debt thereunder including, without limitation, seeking foreclosure and/or reconveyance of its security under the loan documents. The Company believes that, as of September 30, 2026, the Company owed approximately $10,373 in interest, default interest and fees.

On March 25, 2026, the Lender filed a complaint against the Borrower, the Company and the Company's subsidiary Clipper Realty L.P. due to the Borrower's defaults under the Note and the other Loan documents. The Plaintiff demanded, among other things, that a receiver be appointed to manage the Property and that the Property and the personal property within the Property be sold and the proceeds be applied to the satisfaction of indebtedness evidenced by the Note and other Loan documents. On April 29, 2026, the court entered an order granting the Lender's demand to appoint a temporary receiver. Pursuant to the court order, the receiver is authorized to enter into the possession of the Property, to rent or lease any part of the premises, to collect and receive all rents and fees due and unpaid in connection with the premises, and the Company must turn over to the receiver all rents collected from and after the date of the court order.

Effective as of June 4, 2026 (the "Effective Date", the Borrower, the Guarantors and the Lender entered into a Consent and Cooperation Agreement (the "Agreement"). Pursuant to the Agreement, the Lender and the Borrower agreed to jointly market and sell the Loan to a third-party buyer during a marketing period that commenced on the Effective Date and ending 45 days thereafter (the "Marketing Period") subject to extension at the Lender's sole discretion. At the end of the Marketing Period, the Lender has the right to foreclose on the Property, including taking the deed to the Property in lieu of foreclosure. As of November 4, 2026, the Lender has not taken any such actions. The Agreement also provides that the Borrower has the right to submit an offer to purchase the Loan.

(c) The $100,000 mortgage note agreement with Citi Real Estate Funding Inc., entered into on February 18, 2021 matures on March 6, 2031, bears interest at 3.21% and requires interest-only payments for the entire term. The Company has the option to prepay all (but not less than all) of the unpaid balance of the note within three months of maturity, without a prepayment premium.

The 141 Livingston Street lease expired on December 27, 2025. The Company and City of New York are continuing to work through the finalizing of a previously agreed five-year extension of its expired lease. There can be no assurance that the negotiations will conclude with an agreement. The expired lease at 141 Livingston Street provided for $10,300 in rent per annum. The City of New York continues to occupy the space and is paying holdover rent in accordance with the terms of the expired lease which are the same as those in the final term of the expired lease.

If we are unable to finalize the agreement, we would be at risk of not being able to replace NYC as a tenant, leasing the space below the current rates, incurring costs to improve the space or offering other inducements to fill the space, all of which may have an adverse effect on our financial condition, results of operations and cash flow.

On October 28, 2024, we received notice that, as of October 7, 2024, the servicing of the mortgage notes was transferred to a special servicer (the "Special Servicer") due to our alleged failure to make certain required payments under the loan agreement, including, but not limited to, a $10,000 reserve deposit starting on July 7, 2024.

On December 24, 2025, the Company entered into a Loan Modification Agreement (the "Agreement") with Wells Fargo Bank, National Association, as trustee for the benefit of the registered holders of certain commercial mortgage pass-through certificates related to the Loan (collectively, the "Lender"), to settle ongoing litigation between the Lender, the Borrower, the Company and the Operating Partnership related primarily to the above-mentioned alleged failure to establish a $10,000 reserve in connection with the 5-year extension of the expired NYC lease. The Agreement became effective on December 30, 2025. Pursuant to the Agreement, the Company provided a $10,000 renewal tenant reserve account letter of credit and paid fees of approximately $2,200 to the special servicer and to counsel to the Lender, the Lender waived its claimed late charges and default interest, agreed to dismiss with prejudice pending foreclosure actions, and approved the previously submitted five-year lease extension with the Property's New York City tenant effective December 28, 2025. On March 6, 2026, the Loan was returned to regular servicing from special servicing.

(d) The $360,000 loan with Deutsche Bank, entered into on February 21, 2018, matures on March 6, 2028, bears interest at 4.506% and requires interest-only payments for the entire term. The Company has the option to prepay all (but not less than all) of the unpaid balance of the loan prior to the maturity date, subject to a prepayment premium if it occurs prior to December 6, 2027.

(e) The $56,422 mortgage note agreement with Capital One Multifamily Finance LLC matures on July 1, 2028, and bears interest at 3.68%. The note required interest-only payments through July 2017, and monthly principal and interest payments of $321 thereafter based on a 30-year amortization schedule. The Company has the option to prepay the note prior to the maturity date, subject to a prepayment premium.

(f) The $82,000 mortgage note agreement with MetLife Investment Management, entered into on November 8, 2019, matures on December 1, 2029, bears interest at 3.53% and requires interest-only payments for the entire term. The Company has the option, commencing on January 1, 2024, to prepay the note prior to the maturity date, subject to a prepayment premium if it occurs prior to September 2, 2029.

(g) On August 10, 2021, the Company entered into a group of loans with AIG Asset Management (U.S.), LLC, succeeding a property acquisition loan, providing for maximum borrowings of $52,500 to develop the property. The notes had a 36-month term, bore interest at 30-day LIBOR plus 3.60% (with a floor of 4.1%). The notes were scheduled to mature on September 1, 2024 and could have been extended until September 1, 2026. The Company could have prepaid the unpaid balance of the note within five months of maturity without penalty.

On February 9, 2023, the Company refinanced this construction loan with a mortgage loan with Valley National Bank which provided for maximum borrowings of $80,000. The loan provided initial funding of $60,000 and a further $20,000 subject to achievement of certain financial targets. The loan has a term of five years and an initial annual interest rate of 5.7% subject to reduction by up to 25 basis points upon achievement of certain financial targets (during the quarter ended June 30, 2023, the Company achieved the applicable financial target, and the interest rate was reduced to 5.55%). The interest rate on subsequent fundings will be fixed at the time of any funding. The loan requires interest-only payments for the first two years and principal and interest thereafter based on a 30-year amortization schedule. The Company has the option to prepay in full, or in part, the unpaid balance of the note prior to the maturity date. Prior to the second anniversary of the date of the note prepayment is subject to certain prepayment premiums, as defined. After the second anniversary of the date of the note the prepayment is not subject to a prepayment premium.

On September 15, 2023, the Company borrowed an additional $20,000 from Valley National Bank ("Valley"). The additional borrowing has a term of twenty-four months and an annual interest rate of 6.37%. The loan is interest only subject to the maintenance of certain financial targets after the first 16 months of the term. In conjunction with the additional borrowing, the Company and the bank agreed to amend the expiration date of the initial $60,000 to expire at the same time as the additional borrowing. No change was made to the interest rate on the initial borrowing.

On October 1, 2025, the Company entered into a Loan Agreement (the "Loan Agreement") with Citi Real Estate Funding Inc., a New York corporation, and Morgan Stanley Bank, N.A., a national banking association, as the lenders, dated as of October 1, 2025.

The Loan Agreement provides for the $84,500 million loan to the Company (the "Loan"). The Loan has a maturity date of October 6, 2030 and bears interest at a 5.73% rate per annum. The Loan is secured by the residential rental property located at 1010 Pacific Street, Brooklyn, New York (the "Property").

On October 1, 2025, concurrently with entering into the Loan Agreement, the Company repaid the $80,000 mortgage loan with Valley and terminated its loan agreement with Valley. In connection with this refinancing, the Company paid Valley approximately $80,400 of principal and accrued interest outstanding under its prior loan agreement.

The Company incurred no fees or costs as a result of the termination of its loan with Valley the Company incurred approximately $1,700 in closing costs and prepaid interest and set aside approximately $200 is escrow accounts for property taxes, property insurance and rent reserves under the Loan Agreement. The Company received net proceeds of approximately $2,100 from this refinancing at the time of closing.

(h) On December 22, 2021, the Company entered into a $30,000 mortgage note agreement with Bank Leumi, N.A. related to the Dean Street acquisition. The note's original maturity was December 22, 2022 and was subsequently extended to September 22, 2023. The note required interest-only payments and bears interest at the prime rate (with a floor of 3.25%) plus 1.60%. In April 2022, the Company borrowed an additional $6,985 under the mortgage note in connection with the acquisition of additional parcels of land in February and April 2022.

On August 10, 2023, the Company refinanced its $37,000 mortgage on its Dean Street development with a senior construction loan ("Senior Loan") with Valley National Bank that permits borrowings up to $115,000 and a mezzanine loan (the "Mezzanine Loan") with BADF 953 Dean Street Lender LLC that permits borrowings up to $8,000.

The Senior Loan allows maximum borrowings of $115,000 for a 30-month term, has two 6-month extension options, and bears interest at 1-Month Term SOFR plus 4.00%, with an all-in floor of 5.50%. The Senior Loan consists of a land loan, funded at closing to refinance the existing loan totaling $36,985, a construction loan of up to $62,400 and a project loan of up to $15,600. The Company has provided a 30% payment guarantee of outstanding borrowings among other standard indemnities.

The Mezzanine Loan allows maximum borrowings of $8,000 for a 30-month term, have two 6-month extension options, and bears interest at 1-Month Term SOFR plus 10%, with an all-in floor of 13%. Interest shall accrue on the principal, is compounded monthly and is due at the end of the term of the loan. At closing, $4,500 was funded to cover closing costs incurred on the construction loans and the remaining $3,500 was drawn for ongoing construction costs.

On May 2, 2025, the Company entered into the Multifamily Loan and Security Agreement (the "Loan Agreement"), dated as of May 2, 2025 and the Mezzanine Multifamily Loan and Security Agreement (the "Mezzanine Loan Agreement" and together with the Loan Agreement, the "New Loan Agreements") with MF1 Capital, a company not affiliated with the Company dated as of May 2, 2025.

The Loan Agreement provides for $115,000 and the Mezzanine Loan Agreement provides for the $26,750 loan to Dean Member (collectively, the "Loans"). The Loans have an initial May 9, 2027, maturity date, with three one-year extensions available upon meeting the applicable extension conditions, and bear interest at 2.65% rate, plus 1-Month CME Term SOFR (with a floor of 2.25%) (6.47% at September 30, 2026). The Company can borrow up to an additional $18,250 under the Mezzanine Loan Agreement based on meeting various performance targets over the term of the loan. Under the Loan Agreement, the Company deposited with MF1 Capital (i) $4,250 for a shortfall reserve account to pay interest and operating expenses during the initial lease up period of the Dean Street Property, and (ii) $1,550 for completion reserve deposits towards the completion of the construction of the building.

Subsequent to the loan closing the Company drew an additional $8,250 from the Mezzanine Loan.

The New Loan Agreements also contain customary representations, covenants, events of default and certain limited guarantees.

In addition, the Company purchased an interest rate cap with US Bank that caps the SOFR portion of the interest rate on the Loans at 6%.

Concurrently with entering into the New Loan Agreements, the Company repaid the $115,000 Senior Loan and the $8,000 Mezzanine Loan, plus $2,900 in accrued interest. The Company incurred no fees or costs as a result of the termination of the Prior Loan Agreements, and the Company incurred approximately $3,104 in closing costs for the New Loan Agreements.

On April 30, 2025, the Company entered into a $10,000 corporate line of credit with Valley National Bank. The line of credit bears interest of Prime + 4.0%. On May 1, 2025, the Company drew $5,000 from the line of credit. On May 2, 2025, the Company repaid the balance with proceeds from the Loans. On April 14, 2026, the Company and Valley National Bank extended the term of the line of credit to April 14, 2027.

On December 24, 2025, the Company issued a $10,000 letter of credit to lenders of the Company's 141 Livingston Street property.

The Company has provided a limited guaranty for mortgage notes at several of its properties. The Company's loan agreements contain customary representations, covenants and events of default. Certain loan agreements require the Company to comply with affirmative and negative covenants, including the maintenance of debt service coverage and debt yield ratios. In the event that the Company is not compliant, certain lenders may require cash sweeps of rent until the conditions are cured. Except as described above, the Company is not in default on any of its loan agreements.

The following table summarizes principal payment requirements under the terms of the mortgage notes as of September 30, 2026:

2026	$	441
2027		152,897
2028		416,554
2029		209,571
2030		87,313
Thereafter		420,166
Total	$	1,286,942

5. Rental Income under Operating Leases

The Company's commercial properties are leased to commercial tenants under operating leases with fixed terms of varying lengths. As of September 30, 2026, the minimum future cash rents receivable (excluding tenant reimbursements for operating expenses) under non-cancelable operating leases for the commercial tenants in each of the next five years and thereafter are as follows:

2026	$	1,403
2027		5,638
2028		5,693
2029		5,652
2030		5,600
Thereafter		37,983
Total	$	61,969

The Company has commercial leases with the City of New York that comprised approximately 11% and 16% of total revenues for the three months ended September 30, 2026 and 2025, respectively, and 11% and 20% of total revenues for the nine months ended September 30, 2026 and 2025, respectively. As of September 30, 2026, the Kings County Court occupied all 206,084 of rentable square feet at 141 Livingston Street subject to hold-over rent provisions in the lease that expired on December 27, 2025. The City of New York lease at 250 Livingston Street was terminated as August 27, 2025.

6. Fair Value of Financial Instruments

GAAP requires the measurement of certain financial instruments at fair value on a recurring basis. In addition, GAAP requires the measure of other financial instruments and balances at fair value on a non-recurring basis (e.g., carrying value of impaired real estate and long-lived assets). Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The GAAP fair value framework uses a three-tiered approach. Fair value measurements are classified and disclosed in one of the following three categories:

- Level 1: unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3: prices or valuation techniques where little or no market data is available that require inputs that are both significant to the fair value measurement and unobservable.

When available, the Company utilizes quoted market prices from an independent third-party source to determine fair value and classifies such items in Level 1 or Level 2. In instances where the market for a financial instrument is not active, regardless of the availability of a nonbinding quoted market price, observable inputs might not be relevant and could require the Company to make a significant adjustment to derive a fair value measurement. Additionally, in an inactive market, a market price quoted from an independent third party may rely more on models with inputs based on information available only to that independent third party. When the Company determines the market for a financial instrument owned by the Company to be illiquid or when market transactions for similar instruments do not appear orderly, the Company uses several valuation sources (including internal valuations, discounted cash flow analysis and quoted market prices) and establishes a fair value by assigning weights to the various valuation sources.

Changes in assumptions or estimation methodologies can have a material effect on these estimated fair values. In this regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, may not be realized in an immediate settlement of the instrument.

The financial assets and liabilities in the consolidated balance sheets include cash and cash equivalents, restricted cash, receivables, accounts payable and accrued liabilities, security deposits and notes payable. The carrying amount of cash and cash equivalents, restricted cash, receivables, accounts payable and accrued liabilities, and security deposits reported in the consolidated balance sheets approximates fair value due to the short-term nature of these instruments. The fair value of notes payable, which are classified as Level 2, is estimated by discounting the contractual cash flows of each debt instrument to their present value using adjusted market interest rates.

The carrying amount and estimated fair value of the notes payable are as follows:

	September 30, 2026	December 31, 2025
Carrying amount (excluding unamortized debt issuance costs)	$ 1,286,942	$ 1,286,233
Estimated fair value	$ 1,240,312	$ 1,267,698

7. Commitments and Contingencies

Legal

On October 15, 2021, Rodney Sanchez ("Plaintiff") filed a Class and Collective Action Complaint (the "Complaint") against and the Company and certain of its affiliates and Clipper Equity LLC (collectively, the "Defendants") in the United States District Court for the Southern District of New York. The Plaintiff alleged that he was jointly employed by the Defendants and that the Defendants: (a) failed to pay Plaintiff and similarly situated employees overtime in violation of the Fair Labor Standards Act ("FLSA") and New York Labor Law ("NYLL"); (b) failed to pay Plaintiff and similarly situated employees for training sessions in violation of the FLSA and NYLL; (c) failed to pay Plaintiff and similarly situated employees on a timely basis in violation of NYLL; and (d) failed to provide Plaintiff and similarly situated employees with wage statements and wage notices as required by NYLL. On February 24, 2026, the court granted both summary judgment in favor of the Plaintiffs and class certification for 22 buildings. The Company has appealed against the judgement to the Second Circuit Court of Appeals. The Company and the Plaintiff attended a mediation session on April 13, 2026. As a result of the court rulings and the discussions held during the mediation session, on May 28, 2026, the Company reached a settlement with the plaintiffs. Based on the settlement, the Company reserved $3,589 during the nine-months ended September 30, 2026, and paid $1,512 of that amount during nine months ended September 30, 2026, for the Company's estimated share of the Defendants' loss and legal fees. Due to the nature of class action settlements, the loss may be lower or higher based on final claims.

On or about May 1, 2019, a former employee ("Plaintiff") of a contractor ("Contractor") commenced a lawsuit against 250 Livingston Owner LLC and Clipper affiliated entities (the "Company"), alleging personal injury claims and labor law violations while performing work for the Contractor who had agreed to indemnify the Company for such claims. Notwithstanding, the Court incorrectly named the Company and the Contractor as liable for a $2.5 million settlement between Plaintiff and Contractor. The Company has undertaken to have the Company removed from the judgment. The Company does not deem it probable that a loss will be incurred.

On March 20, 2025, Wells Fargo Bank, National Association, as trustee for the benefit of the registered holders of certain pass-through certificates issued by trusts that are the holders of the promissory mortgage notes secured by the 141 Livingston Street property, referred to as "Plaintiff," filed a lawsuit against the Borrower, as well as us and our Operating Partnership subsidiary, as guarantors, in the Supreme Court of the State of New York. Plaintiff demands, among other things, that (i) the 141 Livingston Street property be sold and the Plaintiff be paid the amounts due under the loan agreement, with interest thereon to the time of such payment, together with, among other items, the expenses of the sale, Plaintiff's attorneys' fees; (ii) Plaintiff be paid all rents and revenues of the 141 Livingston Street property as they become due and payable; (iii) a receiver be appointed to manage the 141 Livingston Street property, with power among other things to demand and recover payment from anyone who has received a distribution from 141 Borrower after any event of default; (iv) Plaintiff have such other and further relief as may be just and equitable; (v) guarantors pay to Plaintiff the amount of any losses or damages suffered or incurred by Plaintiff as the court may determine to be just and equitable and amounts owed under the guaranty.

On December 24, 2025, the Company entered into the Loan Modification Agreement (the "Agreement") with Wells Fargo Bank, National Association, as trustee for the benefit of the registered holders of certain commercial mortgage pass-through certificates related to the Loan (collectively, the "Lender"), to settle the ongoing litigation between the Lender, the Borrower, the Company and the Operating Partnership. The Agreement became effective on December 30, 2025. Pursuant to the Agreement, the Company provided a $10,000 renewal tenant reserve account letter of credit and paid fees of approximately $2,200 to the special servicer and to counsel to the Lender, the Lender waived its claimed late charges and default interest, agreed to dismiss with prejudice the pending foreclosure actions, and approved the previously submitted five-year lease extension with the Property's New York City tenant effective December 28, 2025.

On March 25, 2026, Wells Fargo Bank. National Association, as trustee for the benefit of the registered holders of GS Mortgage Securities Trust 2019-GC40, commercial mortgage pass through certificates, series 2019-GC40 and the Pooled RR Interest owner (the "Lender" and the "Plaintiff") the lender for the 250 Livingston Street (the "Property") mortgage note (the "Note") filed a complaint against 250 Livingston Owner LLC (the "Borrower"), the Company and the Company's subsidiary Clipper Realty L.P. in the Kings County Supreme Court due to the Borrower's defaults under the Note and the other Loan documents. The Plaintiff demanded, among other things, that a receiver be appointed to manage the Property and that the Property and the personal property within the Property be sold and the proceeds be applied to the satisfaction of indebtedness evidenced by the Note and other Loan documents. On April 29, 2026, the court entered an order granting the Lender's demand to appoint a temporary receiver. Pursuant to the court order, the receiver is authorized to enter into the possession of the Property, to rent or lease any part of the premises, to collect and receive all rents and fees due and unpaid in connection with the premises, and the Company must turn over to the receiver all rents collected from and after the date of the court order.

The Borrower, the Guarantors and the Lender entered into the Consent and Cooperation Agreement (the "Agreement"), effective as of June 4, 2026 (the "Effective Date"). Pursuant to the Agreement, the Lender and the Borrower agreed to jointly market and sell the Loan to a third-party buyer during a marketing period that commenced on the Effective Date and ends 45 days thereafter (the "Marketing Period"), subject to extension at the Lender's sole discretion. At the end of the Marketing Period, the Lender has the right to foreclose on the Property, including taking the deed to the Property in lieu of foreclosure. As of November 4, 2026, the Lender has not taken any such actions. The Agreement also provides that the Borrower has the right to submit an offer to purchase the Loan.

In addition to the above, the Company is subject to certain legal proceedings and claims arising in connection with its business. Management believes, based in part upon consultation with legal counsel, that the ultimate resolution of all such claims will not have a material adverse effect on the Company's consolidated results of operations, financial position or cash flows.

Commitments

On June 29, 2023 the Company entered into the Article 11 Agreement. Under the Article 11 agreement, the Company has entered into a Housing Repair and Maintenance Letter Agreement ("HRMLA") in which the Company has agreed to perform certain capital improvements to Flatbush Gardens over the next three years. The current estimate is that the costs of that work will be an amount of up to $27 million. The Company expects those costs to be offset by the savings provided by property tax exemption and enhanced payments for tenants receiving government assistance (See note 1). As of July 22, 2026, the Company has substantially completed the scope of work required under the HRMLA.

On December 24, 2025, the Company issued a $10,000 irrevocable standby letter of credit with Valley National Bank, NA, to the benefit of Midland Loan Services as Master Servicer for Wells Fargo Bank, National Association, as trustee, in connection with the Loan Modification Agreement at our 141 Livingston property (see above). The letter of credit expires on December 24, 2026, but will be automatically extended annually for a one-year period until April 7, 2032, the date of the mortgage loan expiration on 141 Livingston Street. Midland Loan Services may draw on the loan in accordance with the Loan Modification Agreement.

Concentrations

The Company's properties are located in the Boroughs of Manhattan and Brooklyn in New York City, which exposes the Company to greater economic risks than if it owned a more geographically dispersed portfolio.

The breakdown between commercial and residential revenue is as follows (unaudited):

	Commercial	Residential	Total
Three months ended September 30, 2026	16%	84%	100%
Three months ended September 30, 2025	21%	79%	100%
Nine months ended September 30, 2026	16%	84%	100%
Nine months ended September 30, 2025	24%	76%	100%

8. Related-Party Transactions

The Company recorded office and overhead expenses pertaining to a related company in general and administrative expense of $60 and $60 for the three months ended September 30, 2026, and 2025 respectively and $180 and $237 for the nine months ended September 30, 2026, and 2025 respectively The Company recognized a charge/(credit) to reimbursable payroll expense pertaining to a related company in general and administrative expense of $(25) and $(124) for the three months ended September 30, 2026 and 2025, respectively and $(69) and $(259) for the nine months ended September 30, 2026 and 2025.

On October 10, 2024, the Company guaranteed an agreement between the Company's subsidiary, 250 Livingston Owner LLC, and Iron Hound Management Company LLC ("Iron Hound"), whose principal is the Company's director Roberto Verrone, to provide consulting services regarding the loan related to the 250 Livingston Street property. The initial fee paid upon the agreement is $125 and the agreement also includes restructuring and other fees payable upon certain loan modifications. The arrangement was approved by an independent committee of the Company's board of directors. 141 Livingston Owner LLC, engaged Ironhound to assist in negotiating a settlement to its litigation related to mortgage loan, see Note 7 above. During the nine months ended September 30, 2026, The Company paid Ironhound $500 for its services, The payment had been accrued and was included in the Consolidated Statement of Operations for the year ended December 31, 2025. The arrangement was approved by an independent committee of the Company's board of directors.

9. Segment Reporting

The Company is a New York City real estate investment trust that is focused on developing, redeveloping and operating properties in the commercial and residential space.

Our Chief Operating Decision Maker ("CODM"), represented by our Co-Chairman and Chief Executive Officer, reviews the results in which the revenue and Income from Operations is divided between the commercial and residential performance. This metric enables the CODM to evaluate how the business is growing, as revenue is the key driver of growth. Additionally, the CODM uses segment income (loss) to allocate resources in the annual budgeting and forecasting process. The CODM considers budget to actual variances when making decisions about allocating capital to each segment.

The Company has classified its reporting segments into commercial and residential rental properties. The commercial reporting segment includes the 141 Livingston Street property and portions of the 250 Livingston Street, Tribeca House, Dean Street and Aspen properties. The residential reporting segment includes the Flatbush Gardens property, the Clover House property, the 10 West 65th Street property, the 1010 Pacific Street property and portions of the 250 Livingston Street, Tribeca House, Dean Street and Aspen properties. 10 West 65th Street property was sold on May 30, 2025, and 953 Dean Street was put into service on August 1, 2025.

Presented below are reconciliations of the reportable segment total revenues to the consolidated revenues, the reportable segment total operating expenses to consolidate operating expenses, the reportable income from operations to the consolidated income from operations, the segment and consolidated income from operations to segment and consolidated net income(loss), the reportable segment assets to the consolidated assets, the reportable segment interest expense to the consolidated interest expense and the reportable segment capital expenditures to the consolidated capital expenditures.

Three months ended September 30, 2026	**Commercial**	**Residential**	**Total**
Rental income	$ 6,520	$ 33,964	$ 40,484
Total revenues	6,520	33,964	40,484
Property operating expenses	1,033	8,632	9,665
Real estate taxes and insurance	3,379	5,021	8,400
General and administrative	1,000	3,376	4,376
Depreciation and amortization	1,578	6,534	8,112
Total operating expenses	6,990	23,563	30,553
Litigation Settlement and other		(50)	(50)
Income (Loss) from operations	$ (470)	$ 10,351	$ 9,881
Interest Expense	(4,182)	(11,611)	(15,793)
Net Loss	$ (4,652)	$ (1,260)	$ (5,912)

Three months ended September 30, 2025	**Commercial**	**Residential**	**Total**
Rental income	$ 7,925	$ 29,773	$ 37,698
Total revenues	$ 7,925	$ 29,773	$ 37,698
Property operating expenses	1,014	8,201	9,215
Real estate taxes and insurance	3,097	4,797	7,894
General and administrative	698	2,999	3,697
Transaction pursuit costs	1	9	10
Depreciation and amortization	1,566	6,431	7,997
Total operating expenses	6,376	22,437	28,813
Litigation settlement and other	—	—	—
Income from operations	1,549	7,336	8,885
Loss on disposal of long-lived assets	—	(172)	(172)
Interest Expense	(2,668)	(10,652)	(13,320)
Net Income (Loss)	$ (1,119)	$ (3,488)	$ (4,607)

Nine months ended September 30, 2026	Commercial	Residential	Total
Rental income	$ 19,084	$ 98,090	$ 117,174
Total revenues	19,084	98,090	117,174
Property operating expenses	3,204	26,063	29,267
Real estate taxes and insurance	9,617	13,909	23,526
General and administrative	2,821	9,915	12,736
Depreciation and amortization	4,728	19,386	24,114
Total operating expenses	20,370	69,273	89,643
Litigation settlement and other	—	(3,859)	(3,859)
Income from operations	$ (1,286)	$ 24,958	$ 23,672
Loss on disposal of long-lived assets	—	—	—
Interest Expense	(12,501)	(34,492)	(46,993)
Net Loss	(13,787)	(9,534)	(23,321)

Nine months ended September 30, 2025	Commercial	Residential	Total
Rental income	$ 28,115	$ 88,017	$ 116,132
Total revenues	28,115	88,017	116,132
Property operating expenses	3,706	25,181	28,887
Real estate taxes and insurance	8,979	14,060	23,039
General and administrative	2,110	9,231	11,341
Transaction pursuit costs	—	—	—
Depreciation and amortization	4,614	18,333	22,947
Loss on impairment of long lived assets	—	33,780	33,780
Total operating expenses	19,409	100,585	119,994
Litigation settlement and other	—	(26)	(26)
Income from operations	$ 8,706	$ (12,594)	$ (3,888)
Loss on disposal of long-lived assets	—	(857)	(857)
Interest Expense	(7,701)	(28,620)	(36,321)
Net Income (Loss)	1,005	(42,071)	(41,066)

The Company’s total assets by segment are as follows, as of:

	Commercial	Residential	Total
September 30, 2026	$ 301,639	$ 915,001	$ 1,216,640
December 31, 2025	307,926	$ 926,393	$ 1,234,319

The Company’s capital expenditures, including acquisition by segment for the three months ended September 30, 2026 and 2025, is as follows:

	Commercial	Residential	Total
Three months ended September 30,			
2026	$ 105	$ 2,727	$ 2,832
2025	$ 374	$ 4,285	$ 4,659
Nine months ended September 30,			
2026	$ 342	$ 7,701	$ 8,043
2025	$ 1,796	$ 24,612	$ 26,408

The Company allocates assets, expenses and capital expenditures to each reportable segment by building. For those buildings that are shared between the segment's allocations are done based on the percentage relative square footage of the building that is used to generate revenue for the segment. All corporate costs are allocated based on the percentage of square footage of the segment.

10. Impairment of long-lived assets

On March 31, 2025 the Company determined that its long-lived asset group related to 10 West 65th Street met the qualifications for an asset held for sale by determining that the sale of 10 West 65th Street was probable in addition to the other five criteria previously met. That determination was based on indications that the Company received that it was probable that a purchaser was prepared to purchase 10 West 65th Street at a price the Company would be willing to transact.

Long-lived assets classified as held for sale are measured at the lower of its carrying amount or fair-value less costs to sell. As such, the Company recorded an impairment of the asset held for sale of $33,780 on the Company's consolidated statement of operations for the nine months ended September 30, 2025 and in the residential segment in the Company's segment reporting (see footnote 9), based on the estimated selling price of $45,500 less carrying costs in investment in real estate, net, and estimated selling costs expected at the time of the sale. See footnote 1 for details of the completion of transaction to dispose of the long-lived assets.

11. Subsequent Events

Subsequent to September 30, 2026, the Board of Directors declared a third quarter dividend of $0.095 per share, to stockholders of record on November 17, 2026, payable November 25, 2026.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our condensed consolidated financial statements and related notes included in Part I-Item 1 of this Form 10-Q, as well as our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those discussed in these forward-looking statements. See "Cautionary Note Concerning Forward-Looking Statements" in this Form 10-Q.

Overview of Our Company

Clipper Realty Inc. (the "Company" or "we") is a self-administered and self-managed real estate company that acquires, owns, manages, operates and repositions multifamily residential and commercial properties in the New York metropolitan area, with a current portfolio in Manhattan and Brooklyn. Our primary focus is to own, manage and operate our portfolio and to acquire and reposition additional multifamily residential and commercial properties in the New York metropolitan area. The Company has been organized and operates in conformity with the requirements for qualification and taxation as a real estate investment trust ("REIT") under the U.S. federal income tax law and elected to be treated as a REIT commencing with the taxable year ended December 31, 2015.

As of September 30, 2026, the Company owned:

- two neighboring residential/retail rental properties at 50 Murray Street and 53 Park Place in the Tribeca neighborhood of Manhattan;
- one residential property complex in the East Flatbush neighborhood of Brooklyn consisting of 59 buildings;
- two primarily commercial properties in Downtown Brooklyn (one of which includes 36 residential apartment units);
- one residential/retail rental property at 1955 1st Avenue in Manhattan;
- one residential rental property at 107 Columbia Heights in the Brooklyn Heights neighborhood of Brooklyn;
- one residential rental property at 1010 Pacific Street in the Prospect Heights neighborhood of Brooklyn; and
- one residential rental property at 953 Dean Street, in the Prospect Heights neighborhood of Brooklyn.

On May 30, 2025, the Company completed the sale of 10 West 65th Street in Manhattan, a 6-story residential building with approximately 76,000 square feet of residential rental GLA. for gross proceeds of $45,500. The Company incurred $1,900 in closing costs and paid $800 in accrued interest at closing. At closing, the Company repaid in full its $31,200 mortgage note (the "Mortgage") with Flagstar Bank ("Flagstar") (see note 4 above). The Company recorded a loss on the disposal of long-lived assets of $685 in conjunction with closing of the sale in the third quarter of 2025, after previously recording a loss on impairment of long-lived assets of $33,780 in the three months ended March 31, 2025.

These properties are located in the most densely populated major city in the United States, each with immediate access to mass transportation.

The Company's ownership interest in its initial portfolio of properties, which includes the Tribeca House, Flatbush Gardens and the two Livingston Street properties, was acquired in the formation transactions in connection with the private offering. These properties are owned by the LLC subsidiaries, which are managed by the Company through the Operating Partnership. The Operating Partnership's interests in the LLC subsidiaries generally entitle the Operating Partnership to all cash distributions from, and the profits and losses of, the LLC subsidiaries other than the preferred distributions to the continuing investors who hold Class B LLC units in these LLC subsidiaries. The continuing investors own an aggregate amount of 26,317,396 Class B LLC units, representing 62.0% of the Company's common stock on a fully diluted basis. Accordingly, the Operating Partnership's interests in the LLC subsidiaries entitle the Operating Partnership to receive 38.0% of the aggregate distributions from the LLC subsidiaries. The Company, through the Operating Partnership, owns all the ownership interests in the Aspen property, the Clover House property, the 1010 Pacific Street property and the Dean Street property.

How We Derive Our Revenue

Our revenue consists primarily of rents received from our residential, commercial and, to a lesser extent, retail tenants. We have two reportable operating segments, Residential Rental Properties and Commercial Rental Properties. See Note 9, "Segment Reporting" to our condensed consolidated financial statements included in this Form 10-Q.

Trends

During the third quarter of 2026, the Company's residential properties continued to have elevated occupancy levels and growth in rental rates as a result of a robust rental market in the New York metro area. The average rental rate per square foot at the Tribeca House property at September 30, 2026 was $93.61, up from $88.14 at September 30, 2025. At the Flatbush Gardens property, average residential rent per square foot at September 30, 2026, was $33.27, up from $31.67 at September 30, 2025. At the Clover House property, average residential rent per square foot at September 30, 2026, was $92.16, an increase from $88.34 at September 30, 2025.

On June 25, 2026, the New York City Rent Guidelines Board (the "RGB") adopted 0% rent adjustments for both one-year and two-year renewals of rent-stabilized leases commencing between October 1, 2026, and September 30, 2027. As a result, we would not be able to increase rents for lease renewals of our rent-stabilized units.

As of September 30, 2026, the Company's office property 250 Livingston Street was vacant as the City of New York vacated as of August 23, 2025. However, there is no assurance that the Company will be able to replace the City of New York as its tenant or will be able to replace it at comparable rents. Until a new tenant is located, the Company expects to lose approximately $16,000 per annum in combined rental income and property tax and common area maintenance reimbursements and the property will not be able to fund its debt service. The Company's defaults under the mortgage loan secured by our 250 Livingston Street property resulted in the appointment of a temporary receiver for that property, and the lender has the right at the end of the marketing period under the Consent and Cooperation Agreement (the "Agreement") entered into with the lender to foreclose on the property or to take a deed to the property in lieu of foreclosure. As of November 4, 2026, the lender has not taken any such action. The Agreement also provides that the borrower under that mortgage loan has the right to submit an offer to purchase the loan.

Additionally, our lease with the City of New York at 141 Livingston expired in December 2025, although the City of New York continues to occupy its office space and pays its rent in accordance with the terms of the expired lease. The Company and the City of New York are negotiating the terms of a five-year extension of their expired lease. There can be no assurance that the negotiations will conclude with an agreement, and the Company is at risk of not replacing the City of New York as its tenant or not being able to replace it at comparable rents.

See note 4 to condensed consolidated financial statements, "- Liquidity and Capital Resources" below and Part II, Item 1A. Risk Factors."

Throughout the nine months ended September 30, 2026 and all of 2025, we continued to benefit from relatively low interest rates on our debt. Our weighted average interest rate as of September 30, 2026, was approximately 4.2% per annum.

Results of Operations

Our focus throughout 2025 and year-to-date 2026 has been to manage our properties to optimize revenues and control costs, while continuing to renovate and reposition certain properties. The discussion below highlights the specific properties contributing to the changes in the results of operations and focuses on the properties that were in operation for the full period in each comparison and excludes the results of 10 West 65th Street due to its sale on May 30, 2025, and 953 Dean Street which was put into service on August 1, 2025.

Income Statement for the Three Months Ended September 30, 2026 and 2025
(in thousands)

	2026	Dean Street	2026: Excluding Dean Street	2025	10 West: 65th Street & Dean Street	2025: Excluding 10 West 65th Street & Dean Street	Increase (decrease) Excluding 10 West 65th Street & Dean Street	%
Revenues								
Residential rental income	$ 33,964	$ 2,414	$ 31,550	$ 29,773	$ 531	$ 29,242	$ 2,308	7.9%
Commercial rental income	6,520	29	6,491	7,925	—	7,925	(1,434)	(18.1)%
Total revenues	40,484	2,443	38,041	37,698	531	37,167	(874)	2.4%
Operating Expenses								
Property operating expenses	9,665	318	9,347	9,215	268	8,947	400	4.5%
Real estate taxes and insurance	8,400	224	8,176	7,894	329	7,565	611	8.1%
General and administrative	4,376	198	4,178	3,697	96	3,601	577	16.0%
Transaction pursuit costs	—	—	—	10	—	10	(10)	(100.0)%
Depreciation and amortization	8,112	673	7,439	7,997	637	7,360	79	1.1%
Total operating expenses	30,553	1,413	29,140	28,813	1,330	27,483	1,657	6.0%
Litigation settlement and other	(50)	—	(50)	—	—	—	(50)	0.0%
Income from operations	9,881	1,030	8,851	8,885	(799)	9,684	(833)	(8.6)%
Loss on disposal of Long-lived assets	—	—	—	(172)	(172)	—	—	0.0%
Interest expense, net	(15,793)	(2,835)	(12,958)	(13,320)	(2,071)	(11,249)	(1,709)	(15.2)%
Net loss	$ (5,912)	$ (1,805)	$ (4,107)	$ (4,607)	$ (3,042)	$ (1,565)	$ (2,542)	(162.4)%

Revenue. Residential rental income increased to $31,550 for the three months ended September 30, 2026, from $29,242 for the three months ended September 30, 2025, primarily due to increases in rental rates and leased occupancy at all properties in 2026 partially offset by higher bad debt expense. For example, base rent per square foot increased at the Tribeca House property to $93.61 at September 30, 2026, from $88.14 at September 30, 2025, at the Flatbush Gardens property to $33.27 at September 30, 2026, from $31.67 at September 30, 2025, and at the Clover House property to $92.16 at September 30, 2026, up from $88.34 at September 30, 2025.

Commercial rental income decreased to $6,491 for the three months ended September 30, 2026, from $7,925 for the three months ended September 30, 2025, due to the City of New York exiting 250 Livingston on August 23, 2025.

Property operating expenses. Property operating expenses include property-level costs such as compensation costs for property-level personnel, repairs and maintenance, supplies, utilities and landscaping. Property operating expenses increased to $9,347 for the three months ended September 30, 2026, from $8,947 for the three months ended September 30, 2025, primarily due to higher repairs and maintenance and supplies at the Tribeca House and Flatbush Gardens properties and higher utilities expense partially offset by decreased apartment renovations costs at Flatbush Gardens.

Real estate taxes and insurance. Real estate taxes and insurance expenses increased to $8,176 for the three months ended September 30, 2026, from $7,565 for the three months ended September 30, 2025, primarily due to increased real estate taxes and insurance premiums across the portfolio.

General and administrative. General and administrative expenses increased to $4,178 for the three months ended September 30, 2026, from $3,601 for the three months ended September 30, 2025, primarily due to the accrual of various fees related to our default on the 250 Livingston building.

Depreciation and amortization. Depreciation and amortization expense increased to $7,439 for the three months ended September 30, 2026, from $7,360 for the three months ended September 30, 2025.

Litigation Settlement and other. Litigation settlement and other increased to $50 for the three months ended September 30, 2026, from $0 for the three months ended September 30, 2025, due to the accrual of additional loss reserve on the Sanchez litigation case.

Interest expense, net. Interest expense, net, increased to $12,958 for the three months ended September 30, 2026, from $11,249 for the three months ended September 30, 2025, primarily as a result of the Company accruing default interest on the 250 Livingston loan.

Net loss. As a result of the foregoing, net loss increased to $4,107 for the three months ended September 30, 2026, from $1,565 for the three months ended September 30, 2025.

Income Statement for the Nine Months Ended September 30, 2026 and 2025
(in thousands)

	2026	Dean Street	2026: Excluding Dean Street	2025	10 West: 65th Street & Dean Street	2025: Excluding 10 West 65th Street & Dean Street	Increase (decrease) Excluding 10 West 65th Street & Dean Street	%
Revenues								
Residential rental income	$ 98,090	$ 6,429	$ 91,661	$ 88,017	$ 2,292	$ 85,725	$ 5,936	6.9%
Commercial rental income	19,084	63	19,021	28,115	7	28,108	(9,087)	(32.3)%
Total revenues	117,174	6,492	110,682	116,132	2,299	113,833	(3,151)	(2.8)%
Operating Expenses								
Property operating expenses	29,267	803	28,464	28,887	582	28,305	159	0.6%
Real estate taxes and insurance	23,526	238	23,288	23,039	792	22,247	1,041	4.7%
General and administrative	12,736	520	12,216	11,341	301	11,040	1,176	10.7%
Transaction pursuit costs	—	—	—	—	—	—	—	0.0%
Depreciation and amortization	24,114	2,020	22,094	22,947	927	22,020	74	0.3%
Impairment of Long-Lived Assets	—	—	—	33,780	33,780	—	—	0.0%
Total operating expenses	89,643	3,581	86,062	119,994	36,382	83,612	2,450	2.9%
Litigation settlement and other	(3,859)	—	(3,859)	(26)	—	(26)	(3,833)	nm%
Income from operations	23,672	2,911	20,761	(3,888)	(34,083)	30,195	(9,434)	(31.2)%
Loss on disposal of long-lived assets	—	—	—	(857)	(857)	—	—	0.0%
Interest expense, net	(46,993)	(8,389)	(38,604)	(36,321)	(2,952)	(33,369)	(5,235)	(15.7)%
Net loss	$ (23,321)	$ (5,478)	$ (17,843)	$ (41,066)	$ (37,892)	$ (3,174)	$ (14,669)	(462.2)%

Revenue. Residential rental income increased to $91,661 for the nine months ended September 30, 2026, from $85,725 for the nine months ended September 30, 2025, primarily due to increases in rental rates and leased occupancy at all properties in 2026 and slightly lower bad debt expense. For example, base rent per square foot increased at the Tribeca House property to $93.61 at September 30, 2026, from $88.14 at September 30, 2025, at the Flatbush Gardens property to $33.27 at September 30, 2026, from $31.67 at September 30, 2025, and at the Clover House property to $92.16 at September 30, 2026, up from $88.34 at September 30, 2025.

Commercial rental income decreased to $19,021 for the nine months ended September 30, 2026, from $28,108 for the nine months ended September 30, 2025 due to the City of New York exiting 250 Livingston on August 23, 2025.

Property operating expenses. Property operating expenses include property-level costs such as compensation costs for property-level personnel, repairs and maintenance, supplies, utilities and landscaping. Property operating expenses increased to $28,464 for the nine months ended September 30, 2026, from $28,305 for the nine months ended September 30, 2025, primarily due to higher utilities expense and rental commissions partially offset by lower legal costs and repairs and maintenance expense.

Real estate taxes and insurance. Real estate taxes and insurance expenses increased to $23,288 for the nine months ended September 30, 2026, from $22,247 for the nine months ended September 30, 2025, primarily due to increased real estate taxes and insurance across the portfolio.

General and administrative. General and administrative expenses increased to $12,216 for the nine months ended September 30, 2026, from $11,040 for the nine months ended September 30, 2025, primarily due to the accrual of various fees related to our default on the 250 Livingston building.

Depreciation and amortization. Depreciation and amortization expense increased to $22,094 for the nine months ended September 30, 2026, from $22,020 for the nine months ended September 30, 2025.

Litigation Settlement and other. Litigation settlement and other increased to $3,859 for the nine months ended September 30, 2026, from $26 for the nine months ended September 30, 2025, due to the accrual of a loss reserve on the Sanchez litigation case.

Interest expense, net. Interest expense, net, increased to $38,604 for the nine months ended September 30, 2026, from $33,369 for the nine months ended September 30, 2025, primarily because of the Company accruing default interest on the 250 Livingston loan.

Net loss. As a result of the foregoing, net loss increased to $17,843 for the nine months ended September 30, 2026, from $14,699 for the nine months ended September 30, 2025.

Liquidity and Capital Resources

As of September 30, 2026, we had $1,280,632 of indebtedness, net of unamortized issuance costs, secured by our properties, $30,632 of cash and cash equivalents, and $23,073 of restricted cash. See Note 4, “Notes Payable” of our consolidated financial statements for a discussion of the Company’s property-level debt.

As a REIT, we are required to distribute at least 90% of our REIT taxable income, computed without regard to the dividends paid deduction and excluding net capital gains, to stockholders on an annual basis. We expect that these needs will be met by cash generated from operations and other sources, including proceeds from secured mortgages and unsecured indebtedness, proceeds from additional equity issuances and cash generated from the sale of property.

Short-Term and Long-Term Liquidity Needs

Our short-term liquidity needs will primarily be to fund operating expenses, recurring capital expenditures, property taxes and insurance, interest and scheduled debt principal payments, general and administrative expenses, and distributions to stockholders and unit holders. We generally expect to meet our short-term liquidity requirements through net cash provided by operations and cash on hand, and we believe we will have sufficient resources to meet our short-term liquidity requirements

Our principal long-term liquidity needs will primarily be to fund additional property acquisitions, major renovation and upgrading projects, and debt payments and retirements at maturity. We do not expect that net cash provided by operations will be sufficient to meet all of these long-term liquidity needs. We anticipate meeting our long-term liquidity requirements by using cash as an interim measure and funds from public and private equity offerings and long-term secured and unsecured debt offerings. The Company sold its property at 10 West 65th Street during the year ended December 31, 2025, and was able to net approximately $13,000 in proceeds from such sale. Additionally, the Company refinanced its existing construction loan at its Dean Street property with a maximum of $160,000 bridge loan, of which $141,750 was drawn at closing. The Company subsequently borrowed an additional $8,250 and the Company may potentially draw additional amounts that can be used for general corporate purposes.

We believe that as a publicly traded REIT, we will have access to multiple sources of capital to fund our long-term liquidity requirements. These sources include the incurrence of additional debt and the issuance of additional equity. However, we cannot provide assurance that this will be the case. Our ability to secure additional debt will depend on a number of factors, including our cash flow from operations, our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed. Our ability to access the equity capital markets will depend on a number of factors as well, including general market conditions for REITs and market perceptions about our company.

We believe that our current cash flows from operations and cash on hand, coupled with additional mortgage debt, will be sufficient to allow us to continue operations, satisfy our contractual obligations and make distributions to our stockholders and the members of our LLC subsidiaries for at least the next twelve months. However, no assurance can be given that we will be able to refinance any of our outstanding indebtedness in the future on favorable terms or at all.

Distributions

In order to qualify as a REIT for Federal income tax purposes, we must currently distribute at least 90% of our taxable income to our shareholders. On November 3, 2026, the Company declared dividends and distributions on our common shares, Class B LLC units and LTIP units totaling $4,691 paid on November 25, 2026. During the three months ended September 30, 2026 and 2025, we paid dividends and distributions on our common shares, Class B LLC units and LTIP units totaling $4,691 and $4,614, respectively.

Cash Flows for the Nine Months Ended September 30, 2026 and 2025 (in thousands)

	Nine Months Ended September 30,	
	2026	**2025**
Operating activities	$ 17,568	$ 16,464
Investing activities	(8,429)	12,881
Financing activities	(13,588)	(10,752)

Cash flows provided by (used in) operating activities, investing activities and financing activities for the nine months ended September 30, 2026, and 2025, were as follows:

Net cash flow provided by operating activities was $17,569 for the nine months ended September 30, 2026, compared to $16,464 for the nine months ended September 30, 2025, primarily due to strong residential lease income.

Net cash used by investing activities was $8,429 for the nine months ended September 30, 2026, compared to $12,881 provided for the nine months ended September 30, 2025. The decrease was primarily due to proceeds from the sale of 10 west 65th Street during the nine months ended September 30, 2025 and decreased capital spending at the Dean Street development as it approached completion.

Net cash used by financing activities was $13,589 for the nine months ended September 30, 2026, compared to $10,752 used for the nine months ended September 30, 2025, as described below.

Cash used in the nine months ended September 30, 2026, related primarily to $14,093 of dividend and distribution payments, $1,292 of mortgage amortization costs and $204 of loan issuance costs partially offset by $2,000 of mortgage borrowing costs.

Cash used in the nine months ended September 30, 2025, related primarily to the repayment of $31,438 mortgage loan in conjunction with sale of 10 West 65th Street property, $13,841 of dividend and distribution payments and $2,709 of loan issuance costs, partially offset by of $34,231 related to the Dean Street property borrowings on the construction loan and subsequent refinance.

Income Taxes

No provision has been made for income taxes since all of the Company's operations are held in pass-through entities and accordingly the income or loss of the Company is included in the individual income tax returns of the partners or members.

We elected to be treated as a REIT for U.S. federal income tax purposes, beginning with our first taxable three months ended March 31, 2015. As a REIT, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate tax rates. We believe that we are organized and operate in a manner that will enable us to qualify and be taxed as a REIT and we intend to continue to operate to satisfy the requirements for qualification as a REIT for federal income tax purposes.

Inflation

Inflation has recently become a factor in the United States economy and has increased the cost of acquiring, developing, replacing and operating properties. A substantial portion of our interest costs relating to operating properties are fixed through 2027. Leases at our residential rental properties, which comprise approximately 84% of our revenue, are short-term in nature and permit rent increases to recover increased costs, and our longer-term commercial and retail leases generally allow us to recover some increased operating costs.

Non-GAAP Financial Measures

In this Quarterly Report on Form 10-Q, we disclose and discuss funds from operations ("FFO"), adjusted funds from operations ("AFFO"), adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA") and net operating income ("NOI"), all of which meet the definition of "non-GAAP financial measures" set forth in Item 10(e) of Regulation S-K promulgated by the SEC.

While management and the investment community in general believe that presentation of these measures provides useful information to investors, neither FFO, AFFO, Adjusted EBITDA, nor NOI should be considered as an alternative to net income (loss) or income from operations as an indication of our performance. We believe that to understand our performance further, FFO, AFFO, Adjusted EBITDA, and NOI should be compared with our reported net income (loss) or income from operations and considered in addition to cash flows computed in accordance with GAAP, as presented in our consolidated financial statements.

Funds From Operations and Adjusted Funds From Operations

FFO is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property and impairment adjustments, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Our calculation of FFO is consistent with FFO as defined by NAREIT.

AFFO is defined by us as FFO excluding amortization of identifiable intangibles incurred in property acquisitions, straight-line rent adjustments to revenue from long-term leases, amortization costs incurred in originating debt, interest rate cap mark-to-market adjustments, amortization of non-cash equity compensation, acquisition and other costs, transaction pursuit costs, loss on modification/extinguishment of debt, gain on involuntary conversion, gain on termination of lease, impairment of long-lived assets, disposals of long-lived assets and certain litigation-related expenses, less recurring capital spending.

Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. In fact, real estate values have historically risen or fallen with market conditions. FFO is intended to be a standard supplemental measure of operating performance that excludes historical cost depreciation and valuation adjustments from net income. We consider FFO useful in evaluating potential property acquisitions and measuring operating performance. We further consider AFFO useful in determining funds available for payment of distributions. Neither FFO nor AFFO represent net income (loss) or cash flows from operations computed in accordance with GAAP. You should not consider FFO and AFFO to be alternatives to net income (loss) as reliable measures of our operating performance; nor should you consider FFO and AFFO to be alternatives to cash flows from operating, investing or financing activities (computed in accordance with GAAP) as measures of liquidity.

Neither FFO nor AFFO measure whether cash flow is sufficient to fund all of our cash needs, including principal amortization, capital improvements and distributions to stockholders. FFO and AFFO do not represent cash flows from operating, investing or financing activities computed in accordance with GAAP. Further, FFO and AFFO as disclosed by other REITs might not be comparable to our calculations of FFO and AFFO.

The following table sets forth a reconciliation of the Company's FFO and AFFO for the periods presented to net loss, computed in accordance with GAAP (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
FFO				
Net loss	$ (5,912)	$ (4,607)	$ (23,321)	$ (41,066)
Real estate depreciation and amortization	8,112	7,997	24,114	22,947
FFO	$ 2,200	$ 3,390	$ 793	$ (18,119)
AFFO				
FFO	$ 2,200	$ 3,390	$ 793	$ (18,119)
Amortization of real estate tax intangible	121	120	361	361
Straight-line rent adjustments	(201)	47	(674)	106
Amortization of debt origination costs	868	830	2,606	1,744
Amortization of LTIP awards	1,086	1,077	3,258	3,298
Recurring capital spending	(11)	(31)	(82)	(100)
Impairment of long lived assets	—	—	—	33,780
Loss on disposal of long-lived assets	—	172	—	857
Transaction pursuit costs	—	10	—	—
Litigation settlement and other	50	—	3,859	26
AFFO	$ 4,113	$ 5,615	$ 10,121	$ 21,953

Adjusted Earnings Before Interest, Income Taxes, Depreciation and Amortization

We believe that Adjusted EBITDA is a useful measure of our operating performance. We define Adjusted EBITDA as net income (loss) before allocation to non-controlling interests, plus real estate depreciation and amortization, amortization of identifiable intangibles, straight-line rent adjustments to revenue from long-term leases, amortization of non-cash equity compensation, interest expense (net), acquisition and other costs, transaction pursuit costs, loss on modification/extinguishment of debt, impairment of long-lived assets, disposals of long-lived assets and certain litigation-related expenses, less gain on involuntary conversion and gain on termination of lease.

We believe that this measure provides an operating perspective not immediately apparent from GAAP income from operations or net income (loss). We consider Adjusted EBITDA to be a meaningful financial measure of our core operating performance.

However, Adjusted EBITDA should only be used as an alternative measure of our financial performance. Further, other REITs may use different methodologies for calculating Adjusted EBITDA, and accordingly, our Adjusted EBITDA may not be comparable to that of other REITs.

The following table sets forth a reconciliation of Adjusted EBITDA for the periods presented to net loss, computed in accordance with GAAP (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
Adjusted EBITDA				
Net loss	$ (5,912)	$ (4,607)	$ (23,321)	$ (41,066)
Real estate depreciation and amortization	8,112	7,997	24,114	22,947
Amortization of real estate tax intangible	121	120	361	361
Straight-line rent adjustments	(201)	47	(674)	106
Amortization of LTIP awards	1,086	1,077	3,258	3,298
Interest expense, net	15,793	13,320	46,993	36,322
Transaction pursuit costs	—	10	—	—
Loss on impairment of long-lived assets	—	—	—	33,780
Loss on disposal of long-lived assets	—	172	—	857
Litigation settlement and other	50	—	3,859	26
Adjusted EBITDA	$ 19,049	$ 18,136	$ 54,590	$ 56,631

Net Operating Income

We believe that NOI is a useful measure of our operating performance. We define NOI as income from operations plus real estate depreciation and amortization, general and administrative expenses, acquisition and other costs, transaction pursuit costs, amortization of identifiable intangibles and straight-line rent adjustments to revenue from long-term leases, impairment of long-lived assets less gain on termination of lease. We believe that this measure is widely recognized and provides an operating perspective not immediately apparent from GAAP income from operations or net income (loss). We use NOI to evaluate our performance because NOI allows us to evaluate the operating performance of our company by measuring the core operations of property performance and capturing trends in rental housing and property operating expenses. NOI is also a widely used metric in valuation of properties.

However, NOI should only be used as an alternative measure of our financial performance. Further, other REITs may use different methodologies for calculating NOI, and accordingly, our NOI may not be comparable to that of other REITs.

The following table sets forth a reconciliation of NOI for the periods presented to income from operations, computed in accordance with GAAP (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
NOI				
Income from operations	$ 9,881	$ 8,885	$ 23,672	$ (3,888)
Real estate depreciation and amortization	8,112	7,997	24,114	22,947
General and administrative expenses	4,376	3,697	12,736	11,341
Transaction pursuit costs	—	10	—	—
Amortization of real estate tax intangible	121	120	361	361
Straight-line rent adjustments	(201)	47	(674)	106
Loss on Impairment of long-lived assets	—	—	—	33,780
Litigation Settlement and other	50	—	3,859	26
NOI	$ 22,339	$ 20,756	$ 64,068	$ 64,673

Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management bases its estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that there have been no material changes to the items that we disclosed as our critical accounting policies under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the year ended December 31, 2025.

Recent Accounting Pronouncements

See Note 2, "Significant Accounting Policies" of our condensed consolidated financial statements for a discussion of recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair value relevant to our financial instruments depend upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. Based upon the nature of our operations, the principal market risk to which we are exposed is the risk related to interest rate fluctuations. Many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control, contribute to interest rate risk.

A one percent change in interest rates on our $150.0 million of variable rate debt as of September 30, 2026, would impact annual net loss by approximately $1.5 million.

At September 30, 2026, the Company had one interest rate cap with US Bank that caps the SOFR portion of the interest rate on the 953 Dean Street Loans at 6%.

The fair value of the Company's notes payable was approximately $1,240.3 million and $1,267.7 million as of September 30, 2026 and December 31, 2025, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2026. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934 is recorded, processed, and summarized, within the time periods specified in the SEC's rules and forms.

We continue to review and document our disclosure controls and procedures, including our internal controls and procedures for financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 7, "Commitments and Contingencies" of our condensed consolidated financial statements for a discussion of legal proceedings.

ITEM 1A. RISK FACTORS

The risk factors disclosed in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2025, set forth information relating to various risks and uncertainties that could materially adversely affect our business, financial condition, liquidity, and operating results. Such risk factors continue to be relevant to an understanding of our business, financial condition, liquidity and operating results as of September 30, 2026, and there have been no material changes to those risk factors for the three months ended September 30, 2026 except for the following updates:

Our defaults under the loan secured by our 250 Livingston Street property and the resulting appointment of a temporary receiver and the lender's right to foreclose on or take a deed in lieu of foreclosure to that property could cause a material adverse effect on us, including our financial condition, results of operations and cash flow.

Certain agencies of the City of New York ("NYC") terminated their lease and vacated all 342,496 rentable square feet of commercial space at our 250 Livingston Street property in Brooklyn, New York (the "Property") effective August 23, 2025. The lease generally provided for rent payments in the amount of $15.4 million per annum.

Our subsidiary, 250 Livingston Owner LLC ("Borrower"), entered into the Loan Agreement, dated as of May 31, 2019 (the "Loan Agreement"), with Citi Real Estate Funding Inc., related to a loan in the principal amount of $125 million (the "Loan"). The Loan is evidenced by certain promissory notes (the "Notes") and secured by our 250 Livingston Street property in Brooklyn, New York (the "Property"). We and our Operating Partnership serve as guarantors of certain obligations under the Loan. . See Note 4, Notes Payable, to Condensed Consolidated Financial Statements (Unaudited) included in Part I of this Form 10-Q for additional information related to Property and the Loan.

On March 25, 2026, the Lender filed a complaint against the Borrower, us as and our subsidiary Clipper Realty L.P. due to the Borrower's defaults under the Notes and the other Loan documents. The Plaintiff demanded, among other things, that a receiver be appointed to manage the Property and that the Property and the personal property within the Property be sold and the proceeds be applied to the satisfaction of indebtedness evidenced by the Notes and other Loan documents. On April 29, 2026, the court entered an order granting the Lender's demand to appoint a temporary receiver. Pursuant to the court order, the receiver is authorized to enter into the possession of the Property, to rent or lease any part of the premises, to collect and receive all rents and fees due and unpaid in connection with the premises, and we must turn over to the receiver all rents collected from and after the date of the court order.

The Borrower, the Guarantors and the Lender entered into the Consent and Cooperation Agreement (the "Agreement"), effective as of June 4, 2026 (the "Effective Date"). Pursuant to the Agreement, the Lender and the Borrower agreed to jointly market and sell the Loan to a third-party buyer during a marketing period that commenced on the Effective Date and ends 45 days thereafter (the "Marketing Period"), subject to extension at the Lender's sole discretion. At the end of the Marketing Period, the Lender has the right to foreclose on the Property, including taking the deed to the Property in lieu of foreclosure. The Agreement also provides that the Borrower has the right to submit an offer to purchase the Loan, and as of November 4, 2026, the Lender has not yet taken any such action. If the lender were to foreclose on, or take a deed in lieu of foreclosure to, the Property, it could have a material adverse effect on us, including our financial condition, results of operations and cash flow.

Even if we successfully acquire the loan after the Marketing Period is over, we may continue to be unable to replace the NYC with other commercial tenants at comparable rent rates or at all, may incur substantial costs to improve the vacated space or may have to offer significant inducements to fill the space, all of which may have an adverse effect on our financial condition, results of operations and cash flow.

Our dependency on a commercial lease with certain NYC agencies, as a single government tenant at our 141 Livingston Street property, which lease expired on December 27, 2025 and our inability to finalize the previously agreed five-year extension of that lease could have a material adverse effect on us, including our financial condition, results of operations and cash flow.

Our rental revenue depends on entering into leases with and collecting rents from tenants. As of September 30, 2026, Kings County Court, the Human Resources Administration, and the Department of Environmental Protection, all of which are agencies of the City of New York, (i) occupied all 206,084 of rentable square feet at 141 Livingston Street, subject to hold-over rent provisions in the lease that expired on December 27, 2025. The expired lease provided for $10,300 in rent per annum.

NYC continues to occupy that space and is paying holdover rent in accordance with the terms of the expired lease, and we and the NYC continue to finalize a previously agreed five-year extension of that lease. There can be no assurance that those negotiations will conclude with an agreement. We may continue to be unable to enter into a new lease with the NYC or replace the NYC agencies with other commercial tenants at comparable rent rates or at all, we may incur substantial costs to improve the vacated space or may have to offer significant inducements to fill the space, all of which may have an adverse effect on our financial condition, results of operations and cash flow. See Note 4, Notes Payable, to Condensed Consolidated Financial Statements (Unaudited) included in Part I of this Form 10-Q for information related to 141 Livingston Street property.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

See Note 4, Notes Payable, to Condensed Consolidated Financial Statements (Unaudited) included in Part I of this Form 10-Q for information related to 250 Livingston Street property.

ITEM 4. MINE SAFETY DISCLOSURES
Not applicable.

ITEM 5. OTHER INFORMATION
None.

ITEM 6. EXHIBITS

Exhibit Number	Description
*31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
*31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
***32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
***32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
**101.SCH	Inline XBRL Taxonomy Extension Schema Document
**101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
**101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
**101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
**101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
**104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*Filed herewith
**Submitted electronically with the report
***Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned.

CLIPPER REALTY INC.

November 4, 2026

By: /s/ David Bistricer
David Bistricer
Co-Chairman and Chief Executive Officer

By: /s/ Lawrence E. Kreider
Lawrence E. Kreider
Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, David Bistricer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Clipper Realty Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2026

By: /s/ David Bistricer
David Bistricer
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Lawrence E. Kreider, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Clipper Realty Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2026

By: /s/ Lawrence E. Kreider
Lawrence E. Kreider
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report on Form 10-Q of Clipper Realty Inc. (the "Company") for the period ended September 30, 2026, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2026

Signed: /s/ David Bistricer
David Bistricer
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report on Form 10-Q of Clipper Realty Inc. (the "Company") for the period ended September 30, 2026, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2026

Signed: /s/ Lawrence E. Kreider
Lawrence E. Kreider
Chief Financial Officer