INDEPENDENCE REALTY TRUST, INC
Form S-11/A
June 18, 2013
Table of Contents

As filed with the Securities and Exchange Commission on June 18, 2013

Registration No. 333-188577

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

Form S-11

FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933

OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

Independence Realty Trust, Inc.

(Exact Name of Registrant as Specified in Governing Instruments)

Cira Centre

2929 Arch Street, 17th Floor

Philadelphia, Pennsylvania 19104

(215) 243-9000

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Scott F. Schaeffer

Cira Centre

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Philadelphia, Pennsylvania 19104

(215) 243-9000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ¨

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	¨

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated June 18, 2013

PROSPECTUS

Shares

INDEPENDENCE REALTY TRUST, INC.

Common Stock

We are a Maryland corporation that owns well-located apartment properties in geographic submarkets that we believe support strong occupancy and have the potential for growth in rental rates. We seek to provide stockholders with attractive risk-adjusted returns, with an emphasis on distributions and capital appreciation. We are externally advised by a subsidiary of RAIT Financial Trust, or RAIT (NYSE: RAS), which will own approximately 99.1% of our common stock prior to consummation of this offering, and our apartment properties are externally managed by Jupiter Communities, LLC, a professional apartment management company that is also a majority owned subsidiary of RAIT. As of the date of this prospectus, we own eight apartment properties.

We are offering shares of our common stock in this offering. The underwriters will be obligated to purchase all of the shares of our common stock in this offering, if any are purchased, other than those shares covered by the overallotment option referred to below. We expect the public offering price of our common stock to be between $ and $ per share. Currently, our common stock is not traded on a national securities exchange, and this will be our first listed public offering. We intend to apply to list our common stock on the NYSE MKT under the symbol IRT.

We have elected to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes. Shares of our common stock are subject to ownership limitations that are primarily intended to assist us in maintaining our qualification as a REIT. Our charter contains certain restrictions relating to the ownership and transfer of our common stock, including, subject to certain exceptions, a 9.8% ownership limit of common stock by value or number of shares, whichever is more restrictive. See Description of Stock Restrictions on Ownership and Transfer beginning on page 68 of this prospectus.

Investing in us involves a high degree of risk. See Risk Factors beginning on page 12 of this prospectus for a discussion of the risks which should be considered in connection with your investment in our common stock.

	Per Share	Total
Price to the public	$	$
Underwriting discounts and commissions[(1)]	$	$
Proceeds, before expenses, to us	$	$

(1) See Underwriting for a detailed description of compensation payable to the underwriters.
We have granted the underwriters an option to purchase up to an additional shares of our common stock on the same terms and conditions set forth above within 30 days of the date of this prospectus solely to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved of our common stock, determined if this prospectus is truthful or complete or passed on or endorsed the merits of this offering. Any representation to the contrary is a criminal offense.

Ladenburg Thalmann & Co. Inc., on behalf of the underwriters, expects to deliver the shares on or about , 2013.

Ladenburg Thalmann & Co. Inc. **Compass Point** **JMP Securities**

Prospectus dated , 2013

Table of Contents

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus and any free writing prospectus that we authorize to be delivered to you. We have not, and the underwriters have not, authorized any other person to provide you with any additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus or another date specified herein. Our business, financial condition, liquidity, results of operations and prospects may have changed since such dates.

In this prospectus, we include information regarding the appraised values of our properties as of April 2013. Such appraisals were performed by CBRE, Inc., an independent valuation expert that has expertise in appraising commercial real estate, and are included in this prospectus in reliance on CBRE, Inc. s authority as an expert on such matters. As with any valuation methodology, CBRE, Inc. s methodology with respect to the appraised value of our real estate properties is based upon a number of estimates and assumptions that may not be accurate or complete. Different parties using different assumptions and estimates could derive a different estimated value per share of our common stock, and these differences could be significant. We believe that CBRE, Inc. s appraisals are accurate and reliable, but we have not independently verified the appraised values prepared by CBRE, Inc.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights some of the material information contained elsewhere in this prospectus. Because it is only a summary, it may not contain all of the information that is important to you. To understand this offering fully, you should read the entire prospectus carefully, including the more detailed information set forth under the heading Risk Factors and the historical and pro forma financial statements and related notes, before you decide to invest in our common stock. Except where the context suggests otherwise, the terms company, we, us and our refer to Independence Realty Trust, Inc., a Maryland corporation, together with its consolidated subsidiaries, including Independence Realty Operating Partnership, LP, a Delaware limited partnership, which we refer to as our operating partnership. We refer to RAIT Financial Trust, a Maryland real estate investment trust, as RAIT; Independence Realty Advisors, LLC, a Delaware limited liability company, as our advisor; and Jupiter Communities, LLC, a Delaware limited liability company, as Jupiter or our property manager. Unless otherwise indicated, the information included in the prospectus assumes (1) the effectiveness of our amended and restated long-term incentive plan, (2) that the underwriters overallotment option is not exercised and (3) that the shares of common stock to be sold in this offering are sold at $, which is the midpoint of the price range set forth on the front cover of this prospectus.

Our Company

We are a Maryland corporation that owns well-located apartment properties in geographic submarkets that we believe support strong occupancy and have the potential for growth in rental rates. We seek to provide stockholders with attractive risk-adjusted returns, with an emphasis on distributions and capital appreciation. We are externally advised by a wholly-owned subsidiary of RAIT (NYSE: RAS), a REIT that invests primarily in commercial mortgages and, to a lesser extent, apartment properties. We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, or the Code, commencing with our taxable year ended December 31, 2011.

We acquire and operate apartment properties that:

- have stable occupancy rates and resident bases;
- are located in submarkets that we do not expect to experience substantial new apartment construction in the foreseeable future;
- in appropriate circumstances, have opportunities for repositioning or updating through capital expenditures; and
- provide opportunities to apply tailored marketing and management strategies designed to attract and retain residents and enable rent increases.

As of the date of this prospectus, we own eight apartment properties containing an aggregate of 2,004 apartment units in Arizona, Colorado, Georgia, Indiana, Texas and Virginia. We refer to these apartment properties as our existing portfolio. As of March 31, 2013, our existing portfolio had an average occupancy of 94% and an average monthly effective rent per occupied apartment unit of $791.

We were formed in 2009. Affiliates of RAIT contributed seven of the eight properties in our existing portfolio to our operating partnership in exchange for 5,111,500 common units in our operating partnership, and acquired an additional 163,200 common units for cash to fund closing costs in connection with the contributions. In 2012, we purchased the eighth property in our existing portfolio from an unaffiliated third party. On May 7, 2013, RAIT exchanged all of its common units for 5,274,900 shares of our common stock. RAIT is currently our largest stockholder and holds approximately 99.1% of the outstanding shares of our common stock. Each of our apartment properties is managed by Jupiter, a majority owned subsidiary of RAIT. See Certain Relationships and Related Party Transactions.

Our Business Objectives and Strategy

Our primary business objective is to maximize stockholder value by increasing cash flows at our existing apartment properties and acquiring additional properties either with strong and stable occupancies and the ability to raise rental rates or with the potential for repositioning through capital expenditures. We intend to achieve this objective by executing the following strategies:

Use RAIT s and Jupiter s extensive experience lending to, owning and/or managing apartment properties, and their networks of contacts in the apartment industry, to acquire additional apartment properties. RAIT has provided debt financing for apartment owners and operators since 1997 and currently owns 26 apartment properties. Jupiter manages over 10,600 apartment units in 17 states (including those owned by us). We believe these factors and RAIT s commercial real estate relationships will provide us with a strong pipeline of acquisition opportunities. As of June 11, 2013, we are evaluating and discussing the potential acquisition of apartment properties containing approximately 2,280 units, with an estimated aggregate purchase price of approximately $193 million. We do not have binding agreements to acquire any of these properties and, accordingly, cannot assure you that we will acquire any of these properties or that any actual acquisition price will not be significantly different from what we currently estimate.

Focus on properties in markets that have strong apartment demand, reduced competition from national apartment buyers and no substantial new apartment construction. In evaluating potential acquisitions, our advisor analyzes apartment occupancy and trends in rental rates, employment and new construction, among many other factors, and seeks to

Table of Contents

identify properties located in areas where there is strong demand for apartment units and little to no apartment construction projects that have been announced. We generally will seek to avoid markets where we believe potential yields have decreased as a result of the acquisition and development efforts of large institutional buyers.

Acquire properties that have operating upside through effective management. Our advisor and Jupiter have expertise in acquiring and/or managing under-performing properties and increasing the net operating income of such properties through more effective marketing and leasing, better management of rental rates and more efficient expense management. We will seek to acquire properties that we believe possess significant prospects for increased occupancy and rental revenue through more effective management and marketing.

Selectively utilize our capital to improve apartment properties where our advisor and Jupiter believe the return on such capital is accretive to our stockholders. Jupiter has significant experience allocating capital to value-added improvements of apartment properties to produce better occupancy and rental rates. We will selectively deploy our capital into revenue-enhancing capital projects that our advisor and Jupiter believe will improve the physical plant or market positioning of particular apartment properties.

Our Properties

The following table presents an overview of our apartment portfolio as of March 31, 2013.

Property Name	Location	Purchase Date	Year Built or Renovated(1)	Appraised Value(2)	Units(3)	Average Occupancy(4)	Average Monthly Effective Rent per Occupied Unit(5)
Belle Creek	Henderson, Colorado	4/29/11	2011	$ 17,000,000	162(6)	95.7%(6)	$ 896(6)
Centrepoint	Tucson, Arizona	12/16/11	2006	30,000,000	320	98.1	817
Copper Mill	Austin, Texas	4/29/11	2010	18,020,000	320	95.3	719
Crestmont	Marietta, Georgia	4/29/11	2010	15,500,000	228	94.3	705
Cumberland Glen	Smyrna, Georgia	4/29/11	2010	13,500,000	222	94.6	662
Heritage Trace	Newport News, Virginia	4/29/11	2010	11,800,000	200	80.0	751
Runaway Bay	Indianapolis, Indiana	10/11/12	2002	16,400,000	192	93.8	939
Tresa at Arrowhead	Phoenix, Arizona	4/29/11	2006	39,000,000	360	96.7	836
				$ 161,220,000	2,004	93.6%	$ 791

(1) All dates are for the year in which a renovation program was completed, except for Runaway Bay, which is the year construction was completed. The year construction was completed for each of the other properties is: Belle Creek - 2002; Centrepoint - 1995; Copper Mill - 1984; Crestmont - 1987; Cumberland Glen - 1987; Heritage Trace - 1973; and Tresa at Arrowhead - 1998.

(2) Appraised values are as of April 2013. All such appraisals were performed by CBRE, Inc.

(3) Units represents the total number of apartment units available for rent at March 31, 2013.

(4) Average occupancy for each of our properties is calculated as (i) total units rented as of March 31, 2013 divided by (ii) total units available as of March 31, 2013, expressed as a percentage.

(5) Average monthly effective rent per occupied unit represents the average monthly rent collected for all occupied units for the month ended March 31, 2013, after giving effect to tenant concessions.

(6) Does not include 6,256 square feet of retail space in six units, of which 1,010 square feet of space is occupied by Jupiter for use as the leasing office. The remaining 5,246 square feet of space is 100% occupied by five tenants with a weighted average monthly base rent of $1,491, or $15.51 per square foot per year.

Our Market Opportunity

We believe that economic conditions will continue to favor apartment housing for the foreseeable future. Since 2008, the market for apartment housing has experienced high demand, low levels of new construction, strong occupancies and rising rental rates. Younger adults have experienced stricter mortgage underwriting standards and high levels of student loan debt, which has made home ownership financially more difficult. At the same time, apartment building permits are currently being issued at levels substantially below historical levels. According to the United States Census Bureau, or the Census Bureau, in 2011 the number of apartment building permits was approximately 45% of the number in 2005 (the peak year over the past decade), while trends over the past three years continue to fall well below the average of 297,000 permits per year over the past ten years. Moreover, financing for new construction remains tight, further constraining new construction.

We also believe that changing attitudes regarding home ownership and tighter underwriting standards imposed by mortgage lenders will continue to drive Americans to rent apartments rather than purchase homes. Following the housing crisis and resulting economic downturn of 2008 and 2009, home values in the United States declined precipitously, resulting in many Americans no longer viewing their homes as stable, appreciating assets tantamount to savings and leading many of them to choose to rent rather than

Table of Contents

own homes. The decline in home values has been coupled with a substantial tightening of lending standards by mortgage lenders in the United States. According to the Office of the Comptroller of the Currency, 40% of banks surveyed tightened their lending standards in 2011 over the previous year, versus 8% who reported easing lending standards. Since 2008, mortgage lenders have more stringently scrutinized the incomes and employment status of prospective home buyers and have required larger down payments and more ongoing scrutiny of borrowers.

Furthermore, certain demographic factors should continue to positively influence demand for existing apartment units. According to the Census Bureau, there are currently approximately 80 million echo boomers (those born after 1977 and before 1997) in the United States. In 2010, echo boomers surpassed baby boomers (those born after 1946 and before 1965) to become the United States largest generation and currently account for one-quarter of the United States population. Echo boomers are generally well educated, career-oriented and mobile, and many echo boomers carry significant amounts of student loan debt. These factors contribute to the high propensity of echo boomers to rent apartments, rather than buy homes.

Summary Risk Factors

An investment in shares of our common stock involves a number of risks which are described in detail in the Risk Factors section of this prospectus. If we are unable to effectively manage these risks, we may not meet our investment objectives and, therefore, you may lose some or all of your investment. Some of the more significant risks relating to this offering and an investment in our common stock include:

- There are inherent risks associated with real estate investments and with the real estate industry, each of which could have an adverse impact on our financial performance and the value of our properties;

- The illiquidity of real estate investments could significantly impede our ability to respond to changing economic, financial and investment conditions or changes in the operating performance of our properties, which could adversely affect our cash flows and results of operations;

- We may be limited in our ability to diversify our investments;

- We intend to use mortgage and other indebtedness to partially finance our company, which increases the risk to our business. Our leverage policy has been adopted by our board of directors and is therefore subject to change without stockholder consent;

- Our investment objectives and strategies may be changed without stockholder consent;

- We depend upon RAIT, our advisor and their affiliates to conduct our operations and, therefore, any adverse changes in the financial health of RAIT, our advisor or their affiliates, or our relationship with any of them, could hinder our operating performance and adversely affect the trading price of our common stock;

- Termination of our advisory agreement, even for poor performance, could be difficult and costly, including as a result of termination fees, and may cause us to be unable to execute our business plan;

- If we internalize our management functions, your interest in our company could be diluted, and we could incur other significant costs associated with being self-managed;

There are numerous conflicts of interest between the interests of investors and our interests or the interests of our advisor, RAIT and their respective affiliates, including conflicts arising out of (a) allocation of personnel to our activities, (b) allocation of investment opportunities between us and RAIT, (c) purchase or sale of apartment properties from or to RAIT or its affiliates and (d) fee arrangements with our advisor that might induce our advisor to make investment decisions that are not in our best interests;

If we are unable to make distributions with our cash flows from our operations, we may pay distributions from any other source, including, without limitation, the sale of assets, borrowings or offering proceeds. Subject to certain limited exceptions, there is no limit to the amount of distributions that we may pay from these sources. Distributions not paid from cash flows from operations could reduce the cash available to us, could constitute a return of capital to stockholders and could cause subsequent investors to experience immediate dilution;

Before this offering, there was no active market for our common stock. Although we intend to apply for listing on NYSE MKT, we do not know whether any such listing, if obtained, will lead to the development of a trading market or how liquid that market may be. If a market does develop, the market price and trading volume of our common stock may be volatile following this offering;

As long as we maintain our qualification as a REIT for U.S. federal income tax purposes, five or fewer individuals are generally prohibited from beneficially owning more than 50% of our outstanding shares during the last half of each taxable year, making it more difficult to sell your shares to large investors; and

If we fail to maintain our qualification as a REIT and no relief provisions apply, our cash available for distribution to our stockholders could materially decrease.

Table of Contents

Risks Related to Conflicts of Interest

Conflicts of interest may exist between us and some of our affiliates, including RAIT, our advisor and our property manager. Some of these potential conflicts include:

- Competition for the time and services of personnel that work for us and our affiliates;
- Compensation payable by us to our advisor, property manager and their affiliates for their various services, which may not be on market terms and is payable, in some cases, whether or not our stockholders receive distributions;
- The possibility that we may do business with entities that have pre-existing relationships with our affiliates, which may result in a conflict between our business and the business of our affiliates;
- The possibility that our advisor, its officers and their respective affiliates will face conflicts of interest relating to the purchase and leasing of properties, and that such conflicts may not be resolved in our favor, thus potentially limiting our investment opportunities, impairing our ability to make distributions and adversely affecting the trading price of our common stock;
- The possibility that our advisor and its affiliates may make investment recommendations to us in order to increase their own compensation even though the investments may not be in the best interests of our stockholders;
- The possibility that if we acquire properties from RAIT or its affiliates, the price may be higher than we would pay if the transaction were the result of arms length negotiations with a third party;
- The possibility that our advisor will face conflicts of interest caused by its ownership by RAIT, some of whose officers are also our officers and one of whom is a director of ours, resulting in actions that may not be in the long-term best interests of our stockholders;
- RAIT s ability to provide financing to us for acquisitions of properties; and
- The possibility that we may acquire or merge with our advisor, resulting in an internalization of our management functions.

Conflicts of interest may also arise in connection with the potential sale or refinancing of our properties or the enforcement of agreements with RAIT or its affiliates. See Risk Factors Risks Related to Conflicts of Interest.

Financing Strategy

We intend to use prudent amounts of leverage in making our investments, which we define as having total indebtedness of no more than approximately 70% of the combined initial purchase price of all of the properties in our portfolio from time to time. However, we are not subject to any limitations on the amount of leverage we may use, and, accordingly, the amount of leverage we use may be significantly less or greater than we currently anticipate. By operating on a leveraged basis, we expect to have more funds available for property acquisitions and other purposes, which we believe will allow us to acquire more properties than would otherwise be possible, resulting in a larger and more diversified portfolio. See Risk Factors Risks Associated with Debt Financing for more information about the risks related to operating on a leveraged basis.

If our board of directors changes our policies regarding our use of leverage, we expect that it will consider many factors, including the lending standards of government-sponsored enterprises, such as Fannie Mae and Freddie Mac, for loans in connection with the financing of apartment properties, the leverage ratios of publicly traded REITs with similar investment strategies, the cost of leverage as compared to expected operating net revenues, and general market conditions.

Other than the existing mortgage financing for the properties in our existing portfolio, we have no established financing sources as of the date of this prospectus.

Structure of Our Company

Our Operating Entities

Our Company

We were formed as a Maryland corporation on March 26, 2009 and commenced operations on April 29, 2011 upon our acquisition of six properties from RAIT. We conduct our business through a traditional umbrella partnership real estate investment trust, or UPREIT, structure in which our properties are owned by our operating partnership directly or through limited partnerships, limited liability companies or other subsidiaries, as described below under Our Operating Partnership. We are the sole general partner of our operating partnership and, upon completion of this offering and the application of the net proceeds therefrom as described in Use of Proceeds, we and a wholly-owned subsidiary will own 100% of the limited partnership interests in our operating partnership, which will consist solely of common units. We are externally advised by our advisor pursuant to an advisory agreement and subject to the oversight of our board of directors.

Our Operating Partnership

Our operating partnership was formed as a Delaware limited partnership on March 27, 2009. Substantially all of our assets are held by, and substantially all of our operations are conducted through, our operating partnership. As the sole general partner of our operating partnership, we generally have the exclusive power under the partnership agreement to manage and conduct its business and affairs, subject to certain limited approval and voting rights of the limited partners, which are described more fully below in Description of Our Operating Partnership and Our Operating Partnership Agreement. In the future, we may issue common units from time to time in connection with property acquisitions, as compensation or otherwise.

Our Advisor

Our advisor is Independence Realty Advisors, LLC, a Delaware limited liability company formed on March 26, 2009, which is responsible for managing our day-to-day business operations and identifying properties for us to acquire. We pay our advisor and its affiliates fees and reimburse certain expenses for services rendered to us. The most significant items of compensation and reimbursement are outlined in Compensation of Our Advisor and Property Manager, below. For a more complete explanation of the fees and expenses, as well as restrictions on compensation, see Our Advisor, Our Property Manager and Related Agreements.

Our advisor is located at Cira Centre, 2929 Arch Street, 17th Floor, Philadelphia, Pennsylvania 19104 and its telephone number is (215) 243-9000.

Our Property Manager

Jupiter Communities, LLC, our property manager, is a Delaware limited liability company formed on April 9, 2009 as an indirect subsidiary of Jupiter Realty Company, a Chicago-based residential and commercial real estate firm established in 1985. RAIT owns a 75% controlling equity interest in our property manager. Our property manager is a full-service apartment property management company that employs approximately 315 staff and professionals and manages approximately 10,600 apartment units for RAIT and third parties. Our property manager provides services to us in connection with the rental, leasing, operation and management of our properties. Our property manager is located at 401 North Michigan Avenue, Suite 1300, Chicago, Illinois and its telephone number is (312) 924-1601.

Compensation of Our Advisor and Our Property Manager

The following table sets forth the compensation of our advisor, property manager and their affiliates. For additional information with respect to the compensation of our advisor and our property manager, see Our Advisor, Our Property Manager and Related Agreements.

Type of Compensation (Recipient)	**Determination of Amount**	**Payment**
	Offerings	
Reimbursement of Offering Expenses (Advisor)(1)	Offering expenses include all expenses, other than underwriting discounts, paid or to be paid by us in connection with offerings of our securities (including shares of our common stock in this offering), including our legal, accounting, printing, mailing and filing fees and other documented offering expenses. To the extent that our advisor pays our offering expenses, we will reimburse our advisor for these amounts.	Cash in an amount equal to documented offering expenses incurred.
	Ongoing Operations	
Quarterly Base Management Fee (Advisor)(2)	0.1875% of average gross real estate assets as of the last day of such quarter. Average gross real estate assets means the average of the aggregate book value of our real estate assets before reserves for depreciation or other similar non-cash reserves. We will compute average gross real estate assets by taking the average of these book values at the end of each month during the quarter for which we are calculating the fee.	Quarterly in arrears in cash, shares of our common stock (valued at the volume-weighted average closing price for the ten trading days prior to the payment of the incentive fee, which we refer to as the fee VWAP) or any combination thereof

at the election of our advisor.

Table of Contents

Type of Compensation **(Recipient)**	**Determination of Amount**	**Payment**
Quarterly Incentive Fee (Advisor)(2)	We will pay our advisor an incentive fee based on our pre-incentive fee core funds from operations, or Core FFO, as defined below. The incentive fee is computed at the end of each fiscal quarter as follows: no incentive fee in any fiscal quarter in which our pre-incentive fee Core FFO does not exceed the hurdle rate of 1.75% (7% annualized) of the cumulative gross proceeds from the issuance of our equity securities that we have obtained as of the end of such quarter; and 20% of the amount of our pre-incentive fee Core FFO that exceeds 1.75% (7% annualized) of the cumulative gross proceeds from the issuance of our equity securities that we have obtained as of the end of such quarter. Core FFO is calculated by adjusting our funds from operations, or FFO, for items that do not reflect ongoing property operations, such as acquisition expenses, expensed costs related to the issuance of shares of our common stock and equity-based compensation expenses. We will further adjust Core FFO to include any realized gains or losses on our real estate investments when calculating the incentive fee only. See Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures for additional information.	Payable in cash, shares of our common stock (valued at the fee VWAP) or any combination thereof at the election of our advisor.
Reimbursement of Operating Expenses (Advisor)	We will reimburse our advisor for all of its out-of-pocket expenses in performing its services, excluding salaries and other compensation of its personnel, but including legal, accounting, financial, due diligence and other services that outside professionals or outside consultants would otherwise perform. We will also pay our pro rata share of rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of our advisor required for our operations.	Monthly in cash based on documented expenses incurred.
Termination Fee (Advisor)(2)	Upon termination of the advisory agreement by us without cause or by our advisor if we materially breach the advisory agreement, our advisor will be entitled to a termination fee equal to four times the sum of (i) the average annual base management fee and (ii) the average annual incentive fee, in each case calculated based on the eight full calendar quarters immediately preceding the termination date.	Payable in cash, shares of our common stock (valued at the fee VWAP) or any combination thereof at the election of our advisor, upon termination of the advisory agreement by us without cause or by our Manager for good reason.
Property Management and Leasing Fees (Property Manager)	4% of our gross revenues, payable to Jupiter. Additionally, we may pay Jupiter a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arms length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area.	Payable quarterly in arrears in cash.

(1) As of , 2013, we have incurred expenses of approximately $ in connection with this offering.
(2) The advisor s ability to receive shares of our common stock as payment for all or a portion of any fee payable under the advisory agreement is subject to certain limitations. See Our Advisor, Our Property Manager and Related Agreements Our Advisory Agreement Limitations on Receiving Shares.

Table of Contents

Organizational Structure

The following chart shows our organizational structure following completion of this offering(1):

(1) Assumes (i) the application of a portion the net proceeds of this offering as described under Use of Proceeds to redeem all outstanding Series B preferred units of our operating partnership and all outstanding shares of our Series A Cumulative Non-Voting Preferred Stock, or our Series A preferred stock; and (ii) the sale of shares of our common stock in this offering at a public offering price of $ per share, which is the midpoint of the range set forth on the cover of this prospectus.

Distribution Policy

The Code generally requires that a REIT distribute annually at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, and imposes tax on any taxable income retained by a REIT, including capital gains. To satisfy the requirements for qualification as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular monthly distributions of all or substantially all of our REIT taxable income to holders of our common stock out of assets legally available for such purposes. Our board of directors has declared dividends for the second calendar quarter of 2013 totaling approximately $0.15 per share. Our future distributions will be at the sole discretion of our board of directors. Following completion of this offering, our board of directors will, on a quarterly basis, in advance, establish the dividend amount for our common stock for each month in the quarter.

REIT Status

So long as we maintain our qualification as a REIT, we generally will not be subject to U.S. federal income or excise tax on income that we distribute to our stockholders. Under the Code, a REIT is subject to numerous organizational and operational requirements, including a requirement that it annually distribute at least 90% of its REIT taxable income (determined without regard to the deduction for dividends paid and excluding net capital gain) to its stockholders. If we fail to maintain our qualification as a REIT in any year, our income will be subject to U.S. federal income tax at regular corporate rates, regardless of our distributions to

Table of Contents

stockholders, and we may be precluded from qualifying for treatment as a REIT for the four-year period immediately following the taxable year in which such failure occurs. Even if we qualify for treatment as a REIT, we may still be subject to state and local taxes on our income and property and to U.S. federal income and excise taxes on our undistributed income. Moreover, if we establish taxable REIT subsidiaries, or TRSs, such TRSs generally will be subject to U.S. federal income taxation and to various other taxes.

Restrictions on Ownership and Transfer of Our Common Stock

In order to assist in complying with requirements that limit the concentration of ownership of a REIT imposed by the Code, among other purposes, our charter generally prohibits any stockholder from beneficially or constructively owning more than 9.8% in value of the aggregate of our outstanding shares and 9.8% in value or in number, whichever is more restrictive, of any class or series of outstanding shares of our capital stock. Our board may, in its sole discretion, waive the 9.8% ownership limit with respect to a particular stockholder if it is presented with evidence satisfactory to it that such ownership will not then or in the future jeopardize our qualification as a REIT. Our board of directors has granted such an exception for RAIT and its subsidiaries to own, in the aggregate, up to 100% of our outstanding common stock as of the date of this prospectus.

Our charter also prohibits any person from beneficially or constructively owning capital stock such that we would be deemed to be closely held under the Code, would result in our capital stock being beneficially owned by fewer than 100 persons, or would otherwise cause us to fail to maintain our qualification as a REIT.

Corporate Information

Our principal executive offices are located at Cira Centre, 2929 Arch Street, 17th Floor, Philadelphia, Pennsylvania 19104, our telephone number is (215) 243-9000, and our website address is *www.irtreit.com*. The contents of that website are not incorporated by reference or otherwise made part of this prospectus.

Table of Contents

The Offering

Common stock offered by us	shares[1]
Common stock to be outstanding after this offering	shares[1][2]
Use of Proceeds	We intend to use approximately $3.6 million of the net proceeds of this offering to redeem all of our Series A preferred stock and all of the Series B preferred units of our operating partnership, and the balance to acquire additional properties in the ordinary course of business and, to a lesser extent, for general corporate purposes and working capital.
Proposed NYSE MKT Symbol	We intend to apply to list our common stock on NYSE MKT under the symbol IRT.

(1) Excludes (i) up to shares of our common stock that may be issued by us upon exercise of the underwriters overallotment option and (ii) shares of our common stock available for future issuance under our long term incentive plan.

(2) Following completion of this offering, we and a wholly-owned subsidiary will own 100% of the outstanding partnership interests in our operating partnership.

Table of Contents

Summary Selected Consolidated Financial and Operating Data

The summary consolidated financial and operating data set forth below as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The audited consolidated financial statements as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 have been audited by Grant Thornton LLP, an independent registered public accounting firm. The summary financial and operating data set forth below as of March 31, 2013 and 2012 and for the three months ended March 31, 2013 and 2012 have been derived from our unaudited financial statements included elsewhere in this prospectus. We were formed on March 26, 2009 and commenced operations on April 29, 2011 when we acquired six apartment properties from RAIT. As a result, we had no material operations for the period from March 26, 2009 (date of inception) to April 29, 2011. The consolidated financial and operating data set forth below as of December 31, 2009 and for the period from March 26, 2009 (date of inception) to December 31, 2009 have been derived from our audited consolidated financial statements not included in this prospectus.

Our unaudited selected pro forma consolidated financial statements and operating information as of and for the three months ended March 31, 2013 and for the year ended December 31, 2012 have been adjusted to give effect to the completion of this offering and certain other transactions and the application of the net proceeds from this offering (each as described in the unaudited pro forma consolidated financial statements included elsewhere in this prospectus) as of January 1, 2012 for the operating data and as of March 31, 2013 for the balance sheet data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

Since the information presented below is only a summary and does not provide all of the information contained in our historical consolidated financial statements, including the related notes, you should read it together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements, including the related notes, which are included elsewhere in this prospectus.

	As of and for the Three Month Period Ended March 31, 2013 (unaudited)		2012	As of and for the Years Ended December 31, 2012 (unaudited)		2011	2010	As of and for the Period from March 26, 2009 (inception) to December 31, 2009
	Pro Forma	Historical	Historical	Pro Forma	Historical	Historical	Historical	Historical
				(in thousands, except per share data)				
Operating Data:								
Total revenue	$	$ 4,688	$ 3,990	$	$ 16,629	$ 8,668	$ 5	$ 2
Total expenses		(3,460)	(3,037)		(16,202)	(9,038)	(1)	(1)
Net income (loss)		340	153		427	(370)	4	1
Net income (loss) allocable to common shares		4	(26)		(123)	(112)	4	1
Earnings (loss) per share:								
Basic		$ 0.00	$ (0.21)		$ (0.45)	$ (5.60)	$ 0.20	$ 0.06
Diluted		$ 0.00	$ (0.21)		$ (0.45)	$ (5.60)	$ 0.20	$ 0.06
Balance Sheet Data:								
Investments in real estate	$	$ 140,607	$ 127,564		$ 141,282	$ 128,124	$	$
Total assets		145,547	133,753		146,197	131,352	209	206
Total indebtedness		92,413	82,175		92,413	82,175		
Total liabilities		95,175	84,283		95,346	84,294	2	3
Total equity		50,372	49,470		50,851	47,058	207	203

As of and for the Three Month Period Ended March 31,

As of and for the Years Ended December 31,

As of and for the Period from March 26, 2009 (inception)

	2013	2013	2012	2012	2012	2011	2010	to December 31, 2009
		(unaudited)		(unaudited)				
	Pro Forma	Historical	Historical	Pro Forma	Historical	Historical	Historical	Historical
	(in thousands, except share, unit and per share/unit data)							
Other Data:								
Common shares outstanding		356,558	320,000		345,063	20,000	20,000	20,000
Limited partnership units outstanding(1)		5,274,900	5,274,900		5,274,900	5,274,900		
Cash distributions declared per common share/unit		$ 0.15	$ 0.15		$ 0.60	$ 0.30	$	$
Funds from operations(2)	$	$ 1,284	$ 973	$	$ 3,799	$ 1,401	$ 4	$ 1
Core funds from operations(2)	$	$ 1,284	$ 1,000	$	$ 3,956	$ 1,889	$ 4	$ 1

(1) Includes 100 special limited partnership units. These units were terminated on May 7, 2013 in connection with the exchange by RAIT of the common units it held in our operating partnership for shares of our common stock.

(2) For definitions and reconciliations of FFO and Core FFO to net income (loss), as well as a statement disclosing the reasons why our management believes that FFO and Core FFO provide useful information to investors and, to the extent material, any additional purposes for which our management uses FFO and Core FFO, see Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations and Core Funds from Operations.

RISK FACTORS

The purchase of shares of our common stock involves a number of risks. You should carefully consider the following risk factors in conjunction with the other information contained in this prospectus before purchasing our common stock. The risks discussed in this prospectus could adversely affect our business, operating results, prospects and financial condition. This could cause the value of our common stock to decline and/or you to lose part or all of your investment. The risks and uncertainties described below are not the only ones we face, but do represent those risks and uncertainties that we believe are material to us. Additional risks and uncertainties not presently known to us or that, as of the date of this prospectus, we deem immaterial may also harm our business. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled Cautionary Note Regarding Forward-Looking Statements.

Risks Related to Our Business and Operations

Our limited prior operating history makes it difficult for you to evaluate our likely performance and this investment.

We and our advisor are both entities with limited prior operating histories and we may both be unable to successfully operate our businesses or achieve our investment objectives. We may not be able to conduct our business as planned or successfully.

We may be limited in our ability to diversify our investments.

Because of the size of this offering, our ability to diversify our portfolio will be limited both as to the number of investments owned and the geographic regions in which our investments are located. While we will seek to diversify our portfolio by geographic location, we expect to focus on markets with high potential for attractive returns located in the United States and, accordingly, our actual investments may result in concentrations in a limited number of geographic regions. As a result, there is an increased likelihood that the performance of any single property, or the economic performance of a particular region in which our properties are located, could materially affect our operating results.

We may suffer from delays in locating suitable investment or, because of our public company status, may be unable to acquire otherwise suitable investments, which could adversely affect our growth prospects and results of operations.

Our ability to achieve our investment objectives and to make distributions to our stockholders depends upon our advisor s ability to locate, obtain financing for and consummate the acquisition of apartment properties that meet our investment objectives. The current market for apartment properties that meet our investment objectives is highly competitive. We cannot be sure that our advisor will be successful in obtaining suitable investments on financially attractive terms or at all.

Additionally, as a public company, we are subject to the ongoing reporting requirements under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Pursuant to the Exchange Act, we may be required to file with the SEC financial statements of properties we acquire. To the extent any required financial statements are not available or cannot be obtained, we may not be able to acquire the property. As a result, we may be unable to acquire certain properties that otherwise would be suitable investments.

If we are unable to invest our offering proceeds in real properties in a timely manner, we may invest the proceeds in short-term, investment-grade investments which typically will yield significantly less than what we expect our investments will yield. As a result, delays we encounter in identifying and consummating potential acquisitions may adversely affect our growth prospects, results of operations and our ability to make distributions to our stockholders.

We have not established a minimum dividend payment level and we cannot assure you of our ability to pay dividends in the future or the amount of any dividends.

Our board of directors will determine the amount and timing of distributions. In making this determination, our directors will consider all relevant factors, including REIT minimum distribution requirements, the amount of cash available for distribution, restrictions under Maryland law, capital expenditures and reserve requirements and general operational requirements. We cannot assure you that we will be able to make distributions in the future or in amounts similar to our past distributions. We may need to fund distributions through borrowings, returning capital or selling assets, which may be available only at commercially unattractive terms, if at all. Any of the foregoing could adversely affect the market price of our common stock.

Your percentage of ownership may be diluted if we issue new shares of stock.

Stockholders have no rights to buy additional shares of stock in the event we issue new shares of stock. We may issue common stock, convertible debt or preferred stock pursuant to a subsequent public offering or a private placement, to sellers of properties we directly or indirectly acquire instead of, or in addition to, cash consideration, or to our advisor in payment of some or all of the quarterly base or incentive fee that may be earned by our advisor or in payment of some or all of the termination fee that may be payable to our advisor. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Investors purchasing common stock in this offering who do not participate in any future stock issuances will experience dilution in the percentage of the issued and outstanding stock they own.

Table of Contents

The properties we own or in the future acquire may not produce the cash flow required to meet our REIT minimum distribution requirements, and we may decide to borrow funds to satisfy such requirements, which could adversely affect our overall financial performance.

We may decide to borrow funds in order to meet the REIT minimum distribution requirements even if our management believes that the then prevailing market conditions generally are not favorable for such borrowings or that such borrowings would not be advisable in the absence of such tax considerations. If we borrow money to meet the REIT minimum distribution requirements or for other working capital needs, our expenses will increase, our net income will be reduced by the amount of interest we pay on the money we borrow and we will be obligated to repay the money we borrow from future earnings or by selling assets, any or all of which may decrease future distributions to stockholders.

To maintain our qualification as a REIT, we may be forced to forego otherwise attractive opportunities, which may delay or hinder our ability to meet our investment objectives and adversely affect the trading price of our common stock.

To maintain our qualification as a REIT, we must satisfy certain tests on an ongoing basis concerning, among other things, the sources of our income, nature of our assets and the amounts we distribute to our stockholders. We may be required to make distributions to stockholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Compliance with the REIT qualification requirements may hinder our ability to operate solely on the basis of maximizing profits and adversely affect the trading price of our common stock.

Risks Related to Our Organization, Structure and Management

We depend upon RAIT, our advisor and their affiliates to conduct our operations and, therefore, any adverse changes in the financial health of RAIT, our advisor or their affiliates, or our relationship with any of them, could hinder our operating performance and adversely affect the trading price of our common stock.

We depend on RAIT, our advisor and their affiliates, including our property manager, to manage our operations and acquire and manage our portfolio of real estate assets. Our advisor will make all decisions with respect to the management of our company, subject to the supervision of, and any guidelines established by, our board of directors. Our advisor will depend upon the fees and other compensation that it will receive from us in connection with the management of our business and sale of our properties to conduct its operations. Any adverse changes in the financial condition of, or our relationship with, RAIT, our advisor or our property manager could hinder their ability to successfully manage our operations and our portfolio of investments.

The nature of RAIT s business, and our dependence on RAIT and our advisor, makes us subject to certain risks to which we would not ordinarily be subject based on our targeted investments.

RAIT conducts a substantial real estate and real estate finance business which has, in the past, resulted in substantial losses. If these losses were to recur, the ability of RAIT and its affiliates, including our advisor and our property manager, to provide us with the services we need to operate our business could be impaired and we could be required to seek alternative service providers. We cannot assure you that we would be able to obtain alternative service providers on acceptable terms, or at all, which would reduce or eliminate our ability to make distributions and, possibly, if we could not find acceptable alternative service providers, require us to liquidate our portfolio.

If our advisor loses or is unable to retain or obtain key personnel, our ability to implement our investment strategies could be hindered, which could reduce our ability to make distributions and adversely affect the trading price of our common stock.

Our success depends to a significant degree upon the contributions of certain of the officers and other key personnel of our advisor, all of whom are officers or employees of RAIT. We cannot guarantee that all, or any, will remain affiliated with us, our advisor or RAIT. If any of our key personnel were to cease their affiliation with our advisor, our operating results could suffer. Further, we do not intend to maintain key person life insurance that would provide us with proceeds in the event of death or disability of any of our key personnel.

We believe our future success depends upon our advisor s ability to hire and retain highly skilled managerial, operational and marketing personnel. Competition for such personnel is intense, and we cannot assure you that our advisor will be successful in attracting and retaining such skilled personnel. If our advisor loses or is unable to obtain the services of key personnel, our ability to implement our investment strategies could be delayed or hindered, and the trading price of our common stock may be adversely affected.

Table of Contents

The Maryland General Corporation Law prohibits certain business combinations, which may make it more difficult for us to be acquired.

Under the Maryland General Corporation Law, business combinations between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as (i) any person who beneficially owns 10% or more of the voting power of the then outstanding voting stock of the corporation; or (ii) an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the expiration of the five-year period described above, any business combination between the Maryland corporation and an interested stockholder must generally be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of the then outstanding shares of voting stock of the corporation; and

- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation, other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected, or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation s common stockholders receive a minimum price, as defined under the Maryland General Corporation Law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares. The Maryland General Corporation Law also permits various exemptions from these provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our board of directors has by resolution exempted business combinations between us and any other person from these provisions of the Maryland General Corporation Law, provided that the business combination is first approved by our board of directors and, consequently, the five year prohibition and the supermajority vote requirements will not apply to such business combinations. As a result, any person approved by our board of directors will be able to enter into business combinations with us that may not be in the best interests of our stockholders without compliance by us with the supermajority vote requirements and other provisions of the statute. This resolution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed, or our board of directors does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer. See Material Provisions of Maryland Law and Our Charter and Bylaws.

Stockholders have limited control over changes in our policies and operations.

Our board of directors determines our major policies, including those regarding financing, growth, debt capitalization, REIT qualification and distributions. Our board of directors may amend or revise these and other policies without a vote of the stockholders. Under our charter and the Maryland General Corporation Law, our stockholders generally have a right to vote only on the following matters:

- the election or removal of directors;

- the amendment of our charter, except that our board of directors may amend our charter without stockholder approval to:

  - change our name;

change the name or other designation or the par value of any class or series of stock and the aggregate par value of our stock;

increase or decrease the aggregate number of our shares;

increase or decrease the number of our shares of any class or series of stock that we have the authority to issue; and

effect certain reverse stock splits;

our dissolution; and

our being a party to any merger, consolidation, sale or other disposition of substantially all of our assets or statutory share exchange.
All other matters are subject to the discretion of our board of directors.

Our authorized but unissued shares of common and preferred stock may prevent a change in our control.

Our charter authorizes us to issue additional authorized but unissued shares of common or preferred stock. In addition, our board of directors may, without stockholder approval, amend our charter from time to time to increase or decrease the aggregate number of shares of our stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued shares of common or preferred stock into other classes or series of stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board of directors may establish a series of common or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Table of Contents

Because of our holding company structure, we depend on our operating partnership and its subsidiaries for cash flow; however, we will be structurally subordinated in right of payment to the obligations of our operating partnership and its subsidiaries.

We are a holding company with no business operations of our own. Our only significant asset is and will be the general partnership interests in our operating partnership. We conduct, and intend to continue to conduct, all of our business operations through our operating partnership. Accordingly, our only source of cash to pay our obligations is distributions from our operating partnership and its subsidiaries of their net earnings and cash flows. We cannot assure you that our operating partnership or its subsidiaries will be able to, or be permitted to, make distributions to us that will enable us to make distributions to our stockholders from cash flows from operations. Each of our operating partnership s subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from such entities. In addition, because we are a holding company, your claims as stockholders will be structurally subordinated to all existing and future liabilities and obligations of our operating partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our operating partnership and its subsidiaries will be able to satisfy your claims as stockholders only after all of our and our operating partnership s and its subsidiaries liabilities and obligations have been paid in full.

Our rights and the rights of our stockholders to recover on claims against our directors are limited, which could reduce your and our recovery against them if they negligently cause us to incur losses.

The Maryland General Corporation Law provides that a director has no liability in such capacity if he performs his duties in good faith, in a manner he reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our directors and officers will not be liable to us or our stockholders for monetary damages unless the director or officer actually received an improper benefit or profit in money, property or services, or is adjudged to be liable to us or our stockholders based on a finding that his or her action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. We will indemnify and advance expenses to our directors and officers to the maximum extent permitted by the Maryland General Corporation Law and we are permitted to purchase and maintain insurance or provide similar protection on behalf of any directors, officers, employees and agents, including our advisor and its affiliates, against any liability asserted which was incurred in any such capacity with us or arising out of such status. We expect that we will obtain such insurance at or before the close of this offering. Obtaining such insurance may result in us having to expend significant funds, which will reduce the available cash for distribution to our stockholders.

If we internalize our management functions, your interest in our company could be diluted, and we could incur other significant costs associated with being self-managed.

In the future, our board of directors may consider internalizing the functions performed for us by our advisor by, among other methods, acquiring our advisor s assets. The method by which we could internalize these functions could take many forms, subject to certain limitations set forth in our advisory agreement and described under Our Advisor, Our Property Manager and Related Agreements Our Advisory Agreement Potential Acquisition of Our Advisor. There is no assurance that internalizing our management functions will be beneficial to us or our stockholders. In the event of an internalization of our advisor by us, certain key personnel of our advisor may remain employees of RAIT or its affiliates rather than becoming our employees, which could make it difficult for us to manage our business effectively. An acquisition of our advisor could also result in dilution of your interests as a stockholder and could reduce earnings per share and funds from operations per share. Additionally, we may not realize the perceived benefits or we may not be able to properly integrate the advisor s operations with ours, or we may not be able to effectively replicate the services provided previously by our advisor, our property manager or their affiliates. In addition, if we become internally managed, our overhead costs may increase by an amount that is greater than the costs of the advisory fees and reimbursements currently paid to our advisor that we would no longer bear, as we would be responsible for compensation and benefits of all of our officers and other employees, including those who were previously paid by our advisor as well as new employees. Internalization transactions, including without limitation, transactions involving the acquisition of advisors or property managers affiliated with entity sponsors have also, in some cases, been the subject of litigation. Even if these claims are without merit, we could be forced to spend significant amounts of money defending claims which would reduce the amount of funds available for us to invest in properties or other investments and to pay distributions. All of these factors could have a material adverse effect on our results of operations, financial condition and ability to pay distributions. See Our Advisor, Our Property Manager and Related Agreement Our Advisory Agreement Potential Acquisition of Our Advisor for more information about the potential internalization of our management functions.

Our investment objectives and strategies may be changed without stockholder consent.

We may change our investment objectives and strategies, and our policies with respect to investments, operations, indebtedness, capitalization and distributions, at any time without the consent of our stockholders, which could result in our making investments that are different from, and possibly riskier or more highly leveraged than, the types of investments described in this prospectus. A change in our investment strategy may, among other things, increase our exposure to interest rate risk, default risk and real estate market fluctuations, all of which could adversely affect our ability to achieve our investment objectives and the market value of our common stock.

15

Table of Contents

Risks Related to Conflicts of Interest

RAIT s ownership of a significant portion of the outstanding shares of our common stock could give RAIT the ability to control the outcome of matters submitted for stockholder approval and otherwise allow RAIT to exert significant influence over our company in a manner that may not be in the best interests of our other stockholders.

Our board of directors has granted such an exception for RAIT and its subsidiaries to own, in the aggregate, up to 100% of our outstanding common stock as of the date of this prospectus. As of the date of this prospectus, RAIT beneficially owned 5,594,900 shares of our common stock, which represented approximately 99.1% of our outstanding common stock and, upon completion of this offering, assuming no exercise of the underwriters overallotment option, will beneficially own approximately % of our outstanding common stock (assuming the shares sold in this offering are sold at $ per share, which is the midpoint of the price range set forth on the cover of this prospectus). As a result of RAIT s significant ownership in our company, RAIT will have significant influence over our affairs and could exercise such influence in a manner that is not in the best interests of our other stockholders, including the ability to control the outcome of matters submitted to our stockholders for approval such as the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In particular, this concentrated voting control could delay, defer or prevent a change of control, merger, consolidation or sale of all or substantially all of our assets that our other stockholders and our board support. Conversely, RAIT s concentrated voting control could result in the consummation of such a transaction that our other stockholders and our board do not support.

Our executive officers have interests that may conflict with the interests of stockholders.

Our executive officers are also affiliated with or are executive officers and stockholders of RAIT. These individuals may have personal and professional interests that conflict with the interests of our stockholders with respect to business decisions affecting us and our operating partnership. As a result, the effect of these conflicts of interest on these individuals may influence their decisions affecting the negotiation and consummation of the transactions whereby we acquire apartment properties in the future from RAIT, or in the allocation of investment opportunities to us by RAIT or its affiliates.

We may have assumed unknown liabilities in connection with the acquisition of the apartment properties contributed by RAIT.

We acquired seven apartment properties contributed by RAIT subject to all existing liabilities. Not all of the liabilities may have been known at the time of contribution. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims of tenants, vendors or other persons dealing with such entities prior to this offering (that had not been asserted or threatened prior to this offering), tax liabilities, and accrued but unpaid liabilities incurred in the ordinary course of business. As part of the contribution to us of the apartment properties in our portfolio, RAIT made limited representations and warranties to us regarding the properties. Because many liabilities may not be identified at the time of contribution, we may have no recourse against RAIT.

We may pursue less vigorous enforcement of terms of the contribution agreements for the apartment properties we acquired from RAIT because of conflicts of interest with our senior management team.

Our senior management team has ownership interests in and professional responsibilities with RAIT, which contributed apartment properties to our operating partnership. As part of the contribution of these properties, RAIT made limited representations and warranties to us regarding the properties and interests acquired. Any indemnification from RAIT related to the contribution is limited. We may choose not to enforce, or to enforce less vigorously, our rights under the contribution agreements due to our ongoing relationship with the principals and executive officers of RAIT.

We face risks relating to financing arrangements with RAIT for apartment properties we acquired from RAIT that would not be present with third-party financing.

Two of the apartment properties we acquired from RAIT were subject to financing provided by an affiliate of RAIT. RAIT may make financing available to us in the future. Such financing arrangements may involve risks not otherwise present with other methods of financing, including:

- that RAIT may sell or securitize our loan agreements with a third party, in which case our loan would become subject to the rights of the assignee or transferee whose interests may not be the same as RAIT s interests;

- that RAIT may in the future have interests that are or that become inconsistent with our interests, which may cause us to disagree with RAIT as to the best course of action with respect to the payment terms, remedies available under and refinancing of the loan; any such disagreement may not be resolved to our satisfaction;

- that in the event of our default on the loan, RAIT may determine to foreclose upon the collateral without pursuing alternative remedies such as renegotiation of loan terms or workouts that a third-party lender might pursue; and

- that our executive officers are also executive officers or employees of RAIT and would be responsible for negotiating the terms of any loan agreement on our behalf as well as on RAIT s behalf.

RAIT may also make a loan as part of a lending syndicate with third parties, in which case we expect that RAIT would enter into an inter-creditor agreement that will define its rights and priority with respect to the underlying collateral. The third-party lending syndicate may also have interests that differ with our interests as well as the interests of RAIT.

Our advisor, our executive officers and their affiliates may face conflicts of interest and competing demands on their time, which could adversely impact your investment.

We do not have any employees and, as a result, rely on the employees of our advisor and its affiliates for the day-to-day operation of our business. Each of our executive officers is also an officer or employee of RAIT and/or its affiliates. As a result, all of these individuals owe fiduciary duties to these other entities and their stockholders, members and limited partners. Because RAIT and its affiliates engage in other business activities, the employees of RAIT and its affiliates may experience conflicts of interest in allocating their time and resources among our business and these other activities. The amount of time that our advisor and its affiliates spend on our business will vary from time to time, although we expect that they will devote more time to us while we are acquiring properties. During times of intense activity in other programs and ventures, they may devote less time and fewer resources to our business than are necessary or appropriate to manage our business. While we expect that, as our real estate activities expand, our advisor will attempt to hire additional employees who would devote substantially all of their time to our business, there is no assurance that our advisor will devote adequate time to our business. If our advisor suffers or is distracted by adverse financial or operational problems in connection with its operations unrelated to us, it may allocate less time and resources to our operations. If any of the foregoing events occur, the returns on our investments, our ability to make distributions to stockholders and the trading price of our common stock may suffer.

Table of Contents

Property management services are being provided by an affiliated party, which may impact our sale of properties, and as a result, affect your investment.

Because the property manager will receive significant fees for managing our properties, our advisor may face a conflict of interest when determining whether we should sell properties under circumstances where the property manager would no longer manage the property after the transaction. As a result, we may not dispose of properties when it would be in our best interests to do so.

If we acquire properties from affiliates of our advisor, the price may be higher than we would pay if the transaction were the result of arms length negotiations.

The prices way pay to acquire properties from affiliates of our advisor will not be the subject of arms length negotiations, which means that the acquisitions may be on terms less favorable to us than those negotiated in an arms length transaction. Even though we expect to use an independent third-party appraiser to determine fair market value when acquiring properties from our advisor and its affiliates, we may pay more for particular properties than we would have in an arms length transaction, which would reduce our cash available for investment in other properties or distribution to our stockholders.

RAIT may provide loan financing to us through the use of a CDO or other special purpose vehicle.

RAIT has used securitizations in which it has a retained interest to finance many of its investments, and has retained interests in these vehicles consisting of their subordinated notes and equity. Although RAIT s securitization vehicles holding properties have passed their reinvestment periods, RAIT may form new securitization vehicles in the future which it may use to provide financing on properties we may acquire.

The collateral manager for the loans held in such securitization vehicles, which may not be an entity affiliated with RAIT, would be responsible for ensuring timely payments under the terms of the loans. If we are unable to make payments on these loans, we may not be able to modify them on terms acceptable to us as a result of the securitization.

Payment of fees to our advisor and its affiliates will reduce cash available for investment and distribution.

Our advisor and its affiliates will perform services for us in connection with the management and leasing of our properties. They will be paid significant fees for these services, none of which were the result of arms -length negotiations. Payment of these fees will reduce the amount of cash available for investment and for distribution to stockholders.

Our advisor and its affiliates receive fees and other compensation based upon our investments, which may impact operating decisions, and as a result, affect your investment.

Our advisor and its affiliates receive fees based, in part, on the value of our investments, and are in a position to make decisions about our investments, and the amount of leverage we use to acquire our investments in ways that could maximize fees payable to our advisor and its affiliates. Some compensation is payable to our advisor whether or not there is cash available to make distributions to our stockholders. As a result, our advisor and its affiliates may benefit from us retaining ownership, and leveraging, our assets, while our stockholders may be better served by the sale or disposition of, or lack of leverage on, the assets.

The incentive fee we pay our advisor may induce it to make riskier investments.

The incentive fee payable by us to our advisor is determined based on Core FFO, which may create an incentive for our advisor to make investments that are risky or more speculative than would otherwise be in our best interests. In evaluating investments and other management strategies, the incentive fee structure may lead our advisor to place undue emphasis on the maximization of Core FFO at the expense of other criteria, such as preservation of capital, in order to increase its incentive fee. Investments with higher yields generally have higher risk of loss than investments with lower yields, and could result in higher investment losses, particularly during cyclical economic downturns, which could adversely affect the trading price of our common stock.

We may be obligated to pay our advisor quarterly incentive fees even if we incur a net loss during a particular quarter and our advisor will receive a base management fee regardless of the performance of our portfolio.

Our advisor is entitled to a quarterly incentive fee based on our pre-incentive fee Core FFO, which will reward our advisor if our quarterly pre-incentive fee Core FFO exceeds 1.75% of our adjusted stockholders equity. Our Core FFO for a particular quarter will exclude the effect of any unrealized gains, losses or other items during that quarter that do not affect realized net income, even if these adjustments result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay our advisor an incentive fee for a fiscal quarter even if we incur a net loss for that quarter as determined in accordance with GAAP. In addition, our advisor is entitled to receive a base management fee based on a percentage of our gross assets, regardless of our performance or its performance in managing our business. Our advisor will also receive reimbursement of expenses and fees incurred directly on our behalf regardless of its or our performance. As a result, even if our advisor does not identify profitable investment opportunities for us, it will still receive material compensation from us. This compensation structure may reduce our advisor s incentive to devote time and effort to seeking profitable opportunities for our portfolio.

Termination of our advisory agreement, even for poor performance, could be difficult and costly, including as a result of termination fees, and may cause us to be unable to execute our business plan.

Termination of our advisory agreement without cause, even for poor performance, could be difficult and costly. Our amended and restated advisory agreement provides that we may terminate the advisory agreement only for cause upon the affirmative vote of two-thirds of our independent directors or a majority of our outstanding common stock or a change of control of RAIT or the advisor (each as defined in the advisory agreement) if a majority of our independent directors determine that such a change of control by RAIT or our advisor is materially detrimental to us. Any such termination must be upon not less than 180 days prior notice. If we terminate the agreement without cause, or if the advisor terminates the agreement because of a material breach of the agreement by us or as a result of a change of control of our company, we must pay our advisor a termination fee payable in cash, shares of our common stock or any combination thereof at the election of our advisor. The termination fee, if any, will be equal to four times the sum of (i) the average annual base management fee and (ii) the average annual incentive fee, in each case earned by the advisor during the eight full calendar quarters immediately preceding the termination date. These provisions may substantially restrict our ability to terminate the advisory agreement without cause and would cause us to incur substantial costs in connection with such a termination. Furthermore, in the event that our advisor is acquired by a third party, such an acquisition could result in us competing with such other entity for acquisition opportunities and could cause our advisor to devote significantly less time to the management of our business. Although our advisory agreement may allow us to terminate the advisory agreement in the event that the advisor is acquired by a third party, any termination by us could adversely impact our business if we are unable to identify a suitable replacement to manage us, which could adversely affect our ability to execute our business plan.

We may compete with other entities affiliated with RAIT for tenants.

RAIT and its affiliates are not prohibited from engaging, directly or indirectly, in any other business or from possessing interests in any other business ventures, including ventures involved in the acquisition, development, ownership, management, leasing or sale of real estate. RAIT and/or its affiliates may own, manage or finance properties in the same geographical areas in which we expect to acquire real estate assets. Therefore, our properties may compete for tenants with other properties owned, managed or financed by RAIT and its affiliates. RAIT may face conflicts of interest when evaluating tenant opportunities for our properties and other properties owned, managed or financed by RAIT and its affiliates, and these conflicts of interest may lessen our ability to attract and retain tenants.

General Risks Related to Investments in Real Estate

There are inherent risks associated with real estate investments and with the real estate industry, each of which could have an adverse impact on our financial performance and the value of our properties.

By owning our common stock, you will be subject to the risks associated with the ownership and operation of real properties, including risks related to:

- changes in national, regional and local conditions, which may be negatively impacted by concerns about inflation, deflation, government deficits, high unemployment rates, decreased consumer confidence, liquidity concerns and other adverse business concerns;
- changes in local real estate conditions, such as an oversupply of space or reduction in demand for rental properties;
- changes in interest rates and the availability of financing;

- changes in property-level operating expenses, including increased real property taxes, maintenance, insurance and utilities costs;

- the existence and quality of the competition, such as the attractiveness of our properties as compared to our competitors properties based on considerations such as convenience of location, rental rates, amenities and safety record;

- a favorable interest rate environment that may result in a significant number of potential residents of our apartment properties deciding to purchase homes instead of renting; and

- changes in laws and governmental regulations, including those governing real estate usage, zoning and taxes.

Any of these changes could cause our net revenues and the value of our assets to decrease.

The illiquidity of real estate investments could significantly impede our ability to respond to changing economic, financial, and investment conditions or changes in the operating performance of our properties, which could adversely affect our cash flows and results of operations.

Real estate investments are relatively illiquid and, as a result, we will have a limited ability to vary our portfolio in response to changes in economic, financial and investment conditions or changes in the operating performance of our properties. We will also have a limited ability to sell assets in order to fund working capital and similar capital needs. We cannot predict whether we will be able to sell any property for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. We also may be required to expend funds to correct defects or to make improvements before a property can be sold, and we cannot assure you that we will have funds available to correct those defects or to make those improvements. Our inability to dispose of assets at opportune times or on favorable terms could adversely affect our cash flows and results of operations.

Moreover, the Code imposes restrictions on a REIT s ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of properties that otherwise would be in our best interests. Therefore, we may not be able to vary our portfolio promptly in response to economic or other conditions or on favorable terms, which may adversely affect our cash flows, our ability to make distributions to our stockholders and the market price of our common stock.

Economic conditions may adversely affect the residential real estate market and our income.

A residential property s income and value may be adversely affected by international, national and regional economic conditions. During the past five years, the U.S. and international markets have experienced increased levels of volatility due to a combination of many factors, including decreased values of home prices and commercial real estate, limited access to credit markets, increased energy costs, increased unemployment rates, and a national and global recession. Although recently some economic conditions appear to have improved, if such improvement does not continue or if new economic or capital markets problems arise, the value of our portfolio may decline significantly. A deterioration in economic conditions may also have an adverse effect on our operations if the tenants occupying the residential properties we acquire, or prospective tenants, cannot afford the rents we need to charge to be profitable.

In addition, local real estate conditions such as an oversupply of properties or a reduction in demand for properties, availability of for sale properties, competition from other similar properties, our ability to provide adequate maintenance, insurance and management services, increased operating costs (including real estate taxes), the attractiveness and location of the property and changes in market rental rates, may adversely affect a property s income and value. A rise in energy costs could result in higher operating costs, which may affect our results from operations. In addition, local conditions in the markets in which we own or intend to own properties may significantly affect occupancy or rental rates at such properties. Layoffs, plant closings, relocations of significant local employers and other events reducing local employment rates and the local economy; an oversupply of, or a lack of demand for, apartments; a decline in household formation; the inability or unwillingness of residents to pay rent increases; and rent control, rent stabilization and other housing laws, all could prevent us from raising or maintaining rents, and could cause us to reduce rents.

Rising expenses could reduce cash flow and funds available for future acquisitions, which may have a material effect on the trading price of our common stock.

Our properties may be subject to increases in tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance, administrative and other expenses. Some of the leases on our properties may require the tenants to pay all or a portion of the expenses; however, renewals of leases or future leases may not be negotiated on that basis, in which event we will have to pay those expenses. If we are unable to match increased costs with increased rental rates, our growth prospects, our ability to make distributions to stockholders and the trading price of our common stock may be materially and adversely affected.

Properties we purchase may not appreciate or may decrease in value.

The residential real estate market may experience substantial influxes of capital from investors. This substantial flow of capital, combined with significant competition for real estate, may result in inflated purchase prices for such assets. To the extent we purchase real estate in such an environment, we are subject to the risk that, if the real estate market subsequently ceases to attract the same level of capital investment, or if the number of companies seeking to acquire such assets decreases, our returns will be lower and the value of our assets may not appreciate or may decrease significantly below the amount we paid for such assets.

19

We may incur liabilities in connection with properties we acquire.

We may acquire properties that are subject to liabilities or that have problems relating to environmental condition, state of title, physical condition or compliance with zoning laws, building codes, or other legal requirements, many of which may not be known to us at the time of acquisition. In each case, our acquisition may be without any, or with only limited, recourse with respect to unknown liabilities or conditions. If any liability were asserted against us relating to those properties or entities, or if any adverse condition existed with respect to the properties or entities, we might have to pay substantial sums to settle or cure it, which could adversely affect our cash flow and operating results. While we will attempt to obtain appropriate representations and undertakings from the sellers of the properties or entities we acquire, the sellers may not have the resources to satisfy their indemnification obligations if a liability arises.

We may suffer losses that are not covered by insurance.

If we suffer losses that are not covered by insurance or that are in excess of insurance coverage, we could lose invested capital and anticipated profits. We maintain comprehensive insurance for our properties, including casualty, liability, fire, extended coverage, terrorism, earthquakes, hurricanes and rental loss customarily obtained for similar properties in amounts which our advisor determines are sufficient to cover reasonably foreseeable losses, and with policy specifications and insured limits that we believe are adequate and appropriate under the circumstances. Material losses may occur in excess of insurance proceeds with respect to any property. Moreover, there are types of losses, generally of a catastrophic nature, such as losses due to wars, pollution, environmental matters and mold which are either uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments.

We may be unable to secure funds for property improvements, which could adversely impact our ability to make cash distributions to our stockholders.

When residents do not renew their leases or otherwise vacate their space, in order to attract replacement residents, we may be required to expend funds for capital improvements to the vacated apartment units. In addition, we may require substantial funds to renovate a apartment property in order to sell, upgrade or reposition it in the market. If our reserves are insufficient to fund these improvements, we may have to obtain financing from either affiliated or unaffiliated sources. We cannot assure you that sufficient financing will be available or, if available, will be available on economically feasible terms or on terms acceptable to us. Moreover, some reserves required by lenders may be designated for specific uses and may not be available for capital improvements to other properties. Additional borrowing will increase our interest expense, and could result in decreased net revenues and a decreased ability to make cash distributions to our stockholders.

Short-term leases expose us to the effects of declining market rent, which could adversely impact our ability to make cash distributions to our stockholders.

We expect that most of our leases will be for a term of one year or less. Because these leases generally permit the residents to leave at the end of the lease term without any penalty, our rental revenues may be impacted by declines in market rents more quickly than if our leases were for longer terms.

The profitability of our acquisitions is uncertain.

We intend to acquire properties selectively. Acquisition of properties entails risks that investments will fail to perform in accordance with expectations. In undertaking these acquisitions, we will incur certain risks, including the expenditure of funds on, and the devotion of management s time to, transactions that may not come to fruition. Additional risks inherent in acquisitions include risks that the properties will not achieve anticipated occupancy levels and that estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate.

We will face competition from third parties, including other apartment properties, which may limit our profitability and the return on your investment.

The apartment industry is highly competitive. This competition could reduce occupancy levels and revenues at our apartment properties. We compete with many other entities engaged in real estate investment activities, including individuals, corporations, bank and insurance company investment accounts, other REITs, real estate limited partnerships, and other entities engaged in real estate investment activities. Many of these entities have significant financial and other resources, including operating experience, allowing them to compete effectively with us. Competitors with substantially greater financial resources than us may be able to accept more risk than we can effectively manage. In addition, those competitors that are not REITs may be at an advantage to the extent they can utilize working capital to finance projects, while we (and our competitors that are REITs) will be required by the annual distribution provisions under the Code to distribute significant amounts of cash from operations to our stockholders. Our competitors include those in other apartment properties both in the immediate vicinity where our apartment properties will be located and the broader geographic market. Such competition may also result in overbuilding of apartment properties, causing an increase in the number of apartment units available and potentially decreasing our occupancy and apartment rental rates. We may also be required to expend substantial

Table of Contents

sums to attract new residents. The resale value of the property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property. In addition, increases in operating costs due to inflation may not be offset by increased apartment rental rates. Further, costs associated with real estate investment, such as real estate taxes and maintenance costs, generally are not reduced when circumstances cause a reduction in income from the investment. These events would cause a significant decrease in revenues and the trading price of our common stock, and could cause us to reduce the amount of distributions to our stockholders.

The large quantity of foreclosed homes and low residential mortgage rates may result in potential renters purchasing residences rather than leasing them, and as a result, cause a decline in occupancy rates.

The large quantity of foreclosed homes, along with the low residential mortgage interest rates currently available and government sponsored programs to promote home ownership, have resulted in a record high level on the National Association of Realtor s Housing Affordability Index, an index used to measure whether or not a typical family could qualify for a mortgage loan on a typical home. The foregoing factors may encourage potential renters to purchase residences rather than lease them, thereby causing a decline in the occupancy rates of our properties.

Acquiring or attempting to acquire multiple properties in a single transaction may adversely affect our operations.

We may acquire multiple properties in a single transaction. Such portfolio acquisitions are more complex and expensive than single-property acquisitions, and the risk that a multiple-property acquisition does not close may be greater than in a single-property acquisition. Portfolio acquisitions may also result in us owning investments in geographically dispersed markets, placing additional demands on our ability to manage the properties in the portfolio. In addition, a seller may require that a group of properties be purchased as a package even though we may not want to purchase one or more properties in the portfolio. In these situations, if we are unable to identify another person or entity to acquire the unwanted properties, we may be required to operate, or attempt to dispose of, these properties. To acquire multiple properties in a single transaction we may be required to accumulate a large amount of cash. We expect the returns that we can earn on such cash to be less than the ultimate returns on real property, and therefore, accumulating such cash could reduce the funds available for distributions. Any of the foregoing events may have an adverse effect on our operations.

If we sell properties by providing financing to purchasers, we will bear the risk of default by the purchaser.

If we decide to sell any of our properties, we intend to use commercially reasonable efforts to sell them for cash. However, in some instances we may sell our properties by providing financing to purchasers. If we provide financing to purchasers, we will bear the risk of default by the purchaser which would reduce the value of our assets, impair our ability to make distributions to our stockholders and reduce the price of our common stock.

Our revenue and net income may vary significantly from one period to another due to investments in value-add properties and portfolio acquisitions, which could increase the variability of our cash distributions.

We may make investments in value-add properties that have existing cash flow which are in various phases of development, redevelopment or repositioning and where we believe that, through limited capital expenditures, we can achieve enhanced returns (which we refer to as value-add properties), which may cause our revenues and net income to fluctuate significantly from one period to another. Projects do not produce revenue while in development or redevelopment. During any period when the number of our projects in development or redevelopment or those with significant capital requirements increases without a corresponding increase in stable revenue-producing properties, our revenues and net income will likely decrease and we could have losses. Moreover, value-add properties subject us to the risks of higher than expected construction costs, failure to complete projects on a timely basis, failure of the properties to perform at expected levels upon completion of development or redevelopment, and increased borrowings necessary to fund higher than expected construction or other costs related to the project. The occurrence of one or more of these risks could decrease our cash available for distribution.

We may acquire properties with lock-out provisions, or agree to such provisions in connection with obtaining financing, which may prohibit us from selling or refinancing a property during the lock-out period.

We may acquire properties in exchange for operating partnership units and agree to restrictions on sales or refinancing, called lock-out provisions, which are intended to preserve favorable tax treatment for the owners of such properties who sell them to us. Additionally, we may agree to lock-out provisions in connection with obtaining financing for the acquisition of properties. Lock-out provisions could materially restrict us from selling, otherwise disposing of or refinancing properties. This would affect our ability to turn our investments into cash and thus affect cash available to return capital to you. Lock-out provisions could impair our ability to take actions during the lock-out period that would otherwise be in the best interests of our stockholders and, therefore, could adversely impact the market value of our common stock. In particular, lock-out provisions could preclude us from participating in major transactions that could result in a disposition of our assets or a change in control even though that disposition or change in control might be in the best interests of our stockholders.

Table of Contents

We may acquire properties through joint ventures, which could subject us to liabilities in excess of those contemplated or prevent us from taking actions which are in the best interests of our stockholders, which could adversely affect our trading price.

We may enter into joint ventures with affiliates and/or other third parties to acquire or improve properties. We may also purchase properties in partnerships, co-tenancies or other co-ownership arrangements. Such investments may involve risks not otherwise present when acquiring real estate directly, including the following:

- a co-venturer, co-owner or partner may have certain approval rights over major decisions, which may prevent us from taking actions that are in the best interest of our stockholders but opposed by our partners or co-venturers;

- a co-venturer, co-owner or partner may at any time have economic or business interests or goals which are or become inconsistent with our business interests or goals, including inconsistent goals relating to the sale of properties held in the joint venture or the timing of termination or liquidation of the joint venture;

- a co-venturer, co-owner or partner in an investment might become insolvent or bankrupt (in which event we and any other remaining partners or members would generally remain liable for the liabilities of the partnership or joint venture);

- we may incur liabilities as a result of an action taken by our co-venturer, co-owner or partner;

- a co-venturer, co-owner or partner may be in a position to take actions contrary to our instructions, requests, objectives or policies, including our policy with respect to qualifying and maintaining our qualification as a REIT;

- agreements governing joint ventures, limited liability companies and partnerships often contain restrictions on the transfer of a member s or partner s interest or buy-sell or other provisions that may result in a purchase or sale of the interest at a disadvantageous time or on disadvantageous terms;

- disputes between us and our joint venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business and result in subjecting the properties owned by the applicable joint venture to additional risk; and

- that under certain joint venture arrangements, neither venture partner may have the power to control the venture, and an impasse could be reached which might have a negative influence on the joint venture.

If any of the foregoing were to occur we may be subject to liabilities in excess of those contemplated, which could adversely affect our trading price.

Risks Associated with Debt Financing

We plan to incur mortgage indebtedness and other borrowings and are not limited in the amount or percentage of indebtedness that we may incur, which may increase our business risks.

We intend to acquire properties subject to existing financing or by borrowing new funds. In addition, we intend to incur additional mortgage debt by obtaining loans secured by some, or all, of our real properties to obtain funds to acquire additional real properties and/or make capital improvements to properties. We may also borrow funds, if necessary, to satisfy the requirement that we generally distribute to stockholders as dividends at least 90% of our annual REIT taxable income (computed without regard to dividends paid and excluding net capital gain), or otherwise as is necessary or advisable to assure that we maintain our qualification as a REIT for U.S. federal income tax purposes.

Our charter and bylaws do not limit the amount or percentage of indebtedness that we may incur. We are subject to risks normally associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest. There can be no assurance that we will be able to refinance any maturing indebtedness, that such refinancing would be on terms as favorable as the terms of the maturing indebtedness or that we will be able to otherwise obtain funds by selling assets or raising equity to make required payments on maturing indebtedness.

In particular, loans obtained to fund property acquisitions will generally be secured by mortgages or deeds in trust on such properties. If we are unable to make our debt service payments as required, a lender could foreclose on the property or properties securing its debt.

In addition, for U.S. federal income tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds. We may, in some circumstances, give a guaranty on behalf of an entity that owns one or more of our properties. In these cases, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages contain cross-collateralization or cross-default provisions, there is a risk that we could lose part or all of our investment in multiple properties. Each of these events could in turn cause the value of our common stock and distributions payable to stockholders to be reduced.

Any mortgage debt which we place on properties may contain clauses providing for prepayment penalties. If a lender invokes these penalties upon the sale of a property or the prepayment of a mortgage on a property, the cost to us to sell the property could increase substantially. This could lead to a reduction in our income, which would reduce cash available for distribution to stockholders.

Table of Contents

We may also finance our property acquisitions using interest-only mortgage indebtedness. During the interest-only period, the amount of each scheduled payment will be less than that of a traditional amortizing mortgage loan. The principal balance of the mortgage loan will not be reduced (except in the case of prepayments) because there are no scheduled monthly payments of principal during this period. After the interest-only period, we will be required either to make scheduled payments of amortized principal and interest or to make a lump-sum or balloon payment at maturity. These required principal or balloon payments will increase the amount of our scheduled payments and may increase our risk of default under the related mortgage loan. If the mortgage loan has an adjustable interest rate, the amount of our scheduled payments also may increase at a time of rising interest rates. Increased payments and substantial principal or balloon maturity payments will reduce the funds available for distribution to our stockholders because cash otherwise available for distribution will be required to pay principal and interest associated with these mortgage loans.

Failure to procure adequate capital and funding may decrease our profitability and our ability to make distributions, reducing the market price of our common stock.

We depend upon the availability of adequate funding and capital for our operations. As a REIT, we must distribute annually at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain, to our stockholders and are therefore not able to retain significant amounts of our earnings for new investments. Consequently, we will depend upon the availability of financing and additional capital to execute our investment strategy. If sufficient financing or capital is not available to us on acceptable terms, we may not be able to achieve anticipated levels of profitability either due to the lack of funding or an increase in funding costs and our ability to make distributions and the price of our common stock may decline.

High levels of debt or increases in interest rates could increase the amount of our loan payments, which could reduce the cash available for distribution to stockholders.

If we incur high levels of debt, our interest costs will increase, resulting in higher debt service payments which could reduce cash available for distribution to stockholders. If we incur variable rate debt, increases in interest rates would also increase our interest costs and decrease our ability to make distributions to you. If we need to repay existing debt during periods of rising interest rates, any refinancing we may obtain would likely increase our interest and other costs; if we were unable to obtain acceptable financing, we could be required to liquidate one or more of our investments in properties at times which may not permit realization of the maximum return on such investments and could result in a loss.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders.

In providing financing to us, a lender may impose restrictions on us that would affect our ability to incur additional debt, make certain investments, reduce liquidity below certain levels, make distributions to our stockholders and otherwise affect our distribution and operating policies. In general, we expect our loan agreements will restrict our ability to encumber or otherwise transfer our interest in the respective property without the prior consent of the lender. Such loan documents may contain other negative covenants that may limit our ability to discontinue insurance coverage, replace our advisor or impose other limitations. Any such restriction or limitation may limit our ability to make distributions to you. Further, such restrictions could make it difficult for us to satisfy the requirements necessary to maintain our qualification as a REIT for U.S. federal income tax purposes.

Some of our mortgage loans may have due on sale provisions, which may impact the manner in which we acquire, sell and/or finance our properties.

In purchasing properties subject to financing, we may obtain financing with due-on-sale and/or due-on-encumbrance clauses. Due-on-sale clauses in mortgages allow a mortgage lender to demand full repayment of the mortgage loan if the borrower sells the mortgaged property. Similarly, due-on-encumbrance clauses allow a mortgage lender to demand full repayment if the borrower uses the real estate securing the mortgage loan as security for another loan. In such event, we may be required to sell our properties on an all-cash basis, which may make it more difficult to sell the property or reduce the selling price.

Lenders may be able to recover against our other properties under our mortgage loans.

In financing our property acquisitions, we will seek to obtain secured nonrecourse loans. However, only recourse financing may be available, in which event, in addition to the property securing the loan, the lender would have the ability to look to our other assets for satisfaction of the debt if the proceeds from the sale or other disposition of the property securing the loan are insufficient to fully repay it. Also, in order to facilitate the sale of a property, we may allow the buyer to purchase the property subject to an existing loan whereby we remain responsible for the debt.

23

Table of Contents

If we are required to make payments under any bad boy carve-out guaranties that we may provide in connection with certain mortgages and related loans, our business and financial results could be materially adversely affected.

In obtaining certain nonrecourse loans, we may provide standard carve-out guaranties. These guaranties are only applicable if and when the borrower directly, or indirectly through agreement with an affiliate, joint venture partner or other third party, voluntarily files a bankruptcy or similar liquidation or reorganization action or takes other actions that are fraudulent or improper (commonly referred to as bad boy guaranties). Although we believe that bad boy carve-out guaranties are not guaranties of payment in the event of foreclosure or other actions of the foreclosing lender that are beyond the borrower s control, some lenders in the real estate industry have recently sought to make claims for payment under such guaranties. In the event such a claim were made against us under a bad boy carve-out guaranty following foreclosure on mortgages or related loan, and such claim were successful, our business and financial results could be materially adversely affected.

We may be subject to risks related to interest rate fluctuations, and the derivative financial instruments that we may use may be costly and ineffective and may reduce the overall returns on your investment.

We may be subject to risks related to interest rate fluctuations if any of our debt is subject to a floating interest rate. To the extent that we use derivative financial instruments to hedge our exposure to floating interest rate debt, we will be exposed to credit, basis and legal enforceability risks. Derivative financial instruments may include interest rate swap contracts, interest rate cap or floor contracts, futures or forward contracts, options or repurchase agreements. In this context, credit risk is the failure of the counterparty to perform under the terms of the derivative contract. If the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. Basis risk occurs when the index upon which the contract is based is more or less variable than the index upon which the hedged asset or liability is based, thereby making the hedge less effective. Finally, legal enforceability risks encompass general contractual risks, including the risk that the counterparty will breach the terms of, or fail to perform its obligations under, the derivative contract. If we are unable to manage these risks effectively, our results of operations, financial condition and ability to make distributions to you will be adversely affected.

Complying with REIT requirements may limit our ability to hedge risk effectively.

The REIT provisions of the Code may limit our ability to hedge the risks inherent to our operations. Any income or gain derived by us from transactions that hedge certain risks, such as the risk of changes in interest rates, will not be treated as gross income for purposes of either the 75% or the 95% Gross Income Test, as defined below in Material U.S. Federal Income Tax Considerations, unless specific requirements are met. Such requirements include that the hedging transaction be properly identified within prescribed time periods and that the transaction either (i) hedges risks associated with indebtedness issued by us that is incurred to acquire or carry real estate assets or (ii) manages the risks of currency fluctuations with respect to income or gain that qualifies under the 75% or 95% Gross Income Test (or assets that generate such income). To the extent that we do not properly identify such transactions as hedges, hedge with other types of financial instruments, or hedge other types of indebtedness, the income from those transactions is not likely to be treated as qualifying income for purposes of the 75% and 95% Gross Income Tests. As a result of these rules, we may have to limit the use of hedging techniques that might otherwise be advantageous, which could result in greater risks associated with interest rate or other changes than we would otherwise incur.

Compliance with Laws

The costs of compliance with environmental laws and other governmental laws and regulations may adversely affect our income and the cash available for any distributions.

All real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Examples of federal laws include: the National Environmental Policy Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Solid Waste Disposal Act as amended by the Resource Conservation and Recovery Act, the Federal Water Pollution Control Act, the Federal Clean Air Act, the Toxic Substances Control Act, the Emergency Planning and Community Right to Know Act and the Hazard Communication Act. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials, and the remediation of contamination associated with disposals. Some of these laws and regulations may impose joint and several liability on residents, owners or operators for the costs of investigation or remediation of contaminated properties, regardless of fault or the legality of the original disposal. In addition, the presence of these substances, or the failure to properly remediate these substances, may limit or eliminate affect our ability to sell or rent the property or to use the property as collateral for future borrowing.

There may also be potential liability associated with lead-based paint arising from lawsuits alleging personal injury and related claims. The existence of lead paint is especially a concern in residential units. A structure built prior to 1978 may contain lead-based paint and may present a potential for exposure to lead; however, structures built after 1978 are not likely to contain lead-based paint.

Table of Contents

Properties values may also be affected by their proximity to electric transmission lines. Electric transmission lines are one of many sources of electro-magnetic fields, or EMFs, to which people may be exposed. Research completed regarding potential health concerns associated with exposure to EMFs has produced inconclusive results. Notwithstanding the lack of conclusive scientific evidence, some states now regulate the strength of electric and magnetic fields emanating from electric transmission lines, and other states have required transmission facilities to measure for levels of EMFs. On occasion, lawsuits have been filed (primarily against electric utilities) that allege personal injuries from exposure to transmission lines and EMFs, as well as from fear of adverse health effects due to such exposure. This fear of adverse health effects from transmission lines has been considered both when property values have been determined to obtain financing and in condemnation proceedings. We may not, in certain circumstances, search for electric transmission lines near our properties, but are aware of the potential exposure to damage claims by persons exposed to EMFs.

Recently, indoor air quality issues, including mold, have been highlighted in the media and the industry is seeing mold claims from lessees rising. Due to recent increases in mold claims, and since the law relating to mold is unsettled and subject to change, we could incur losses from claims relating to the presence of, or exposure to, mold or other microbial organisms, particularly if we are unable to maintain adequate insurance to cover such losses. We may also incur unexpected expenses relating to the abatement of mold on properties that we may acquire.

Limited quantities of asbestos-containing materials are present in various building materials such as floor coverings, ceiling texture material, acoustical tiles and decorative treatment. Environmental laws govern the presence, maintenance and removal of asbestos. These laws could be used to impose liability for release of, and exposure to, hazardous substances, including asbestos-containing materials, into the air. Such laws require that owners or operators of buildings containing asbestos (i) properly manage and maintain the asbestos, (ii) notify and train those who may come into contact with asbestos and (iii) undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. These laws may allow third parties to seek recovery from owners or operators of real properties for personal injury associated with exposure to asbestos fibers. As the owner of our properties, we may be liable for any such costs.

Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require material expenditures by us. We cannot assure you that future laws, ordinances or regulations will not impose any material environmental liability, or that the current environmental condition of our properties will not be affected by the operations of residents, existing conditions of the land, operations in the vicinity of the properties, or the activities of unrelated third parties. In addition, there are various local, state and federal fire, health, life-safety and similar regulations that we may be required to comply with. Failure to comply with applicable laws and regulations could result in fines and/or damages, suspension of personnel of our advisor and/or other sanctions.

Discovery of previously undetected environmentally hazardous conditions may adversely affect our operating results.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the cost of removal or remediation of hazardous or toxic substances on, under or in such property. The costs of removal or remediation could be substantial. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of the hazardous or toxic substances.

Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures. Environmental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles govern the presence, maintenance, removal and disposal of certain building materials, including asbestos and lead-based paint (which are both discussed above).

The cost of defending against any claims of liability, of compliance with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could materially adversely affect our business, assets or results of operations and, consequently, amounts available for distribution to you.

We cannot assure you that properties which we acquire will not have any material environmental conditions, liabilities or compliance concerns. Accordingly, we have no way of determining at this time the magnitude of any potential liability to which we may be subject arising out of environmental conditions or violations with respect to the properties we own.

Our costs associated with and the risk of failing to comply with the Americans with Disabilities Act may affect cash available for distributions.

We generally expect that our properties will be subject to the Americans with Disabilities Act of 1990, as amended, or the Disabilities Act. Under the Disabilities Act, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. The Disabilities Act has separate compliance requirements for "public accommodations" and "commercial facilities" that generally require that buildings and services be made accessible and available to people with disabilities. The Disabilities Act does not, however, consider residential properties, such as apartment properties, to be public accommodations or commercial facilities, except to the extent portions of such facilities, such as the leasing office, are open to the public. The Disabilities Act s requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties or, in some cases, an award of damages. We will attempt to acquire properties that comply with the Disabilities Act or place the burden on the seller or a third party to ensure compliance with such laws. However, we cannot assure you that we will be able to acquire properties or allocate responsibilities in this manner. If we cannot, cots in complying with these laws may affect cash available for distributions and the amount of distributions to you.

We must comply with the Fair Housing Amendments Act of 1988, or the FHAA, and failure to comply may affect cash available for distributions.

We must comply with the FHAA, which requires that apartment properties first occupied after March 13, 1991 be accessible to handicapped residents and visitors. As with the Disabilities Act, compliance with the FHAA could require removal of structural barriers to handicapped access in a community, including the interiors of apartment units covered under the FHAA. Recently there has been heightened scrutiny of apartment housing properties for compliance with the requirements of the FHAA and the Disabilities Act and an increasing number of substantial enforcement actions and private lawsuits have been brought against apartment communities to ensure compliance with these requirements. Noncompliance with the FHAA could result in the imposition of fines, awards of damages to private litigants, payment of attorneys fees and other costs to plaintiffs, substantial litigation costs and substantial costs of remediation.

United States Federal Income Tax Risks

If we fail to maintain our qualification as a REIT, we will be subjected to tax on our income, and the amount of distributions we make to our stockholders will be less.

We intend to maintain our qualification as a REIT under the Code. A REIT generally is not taxed at the corporate level on income and gains that it distributes to its stockholders on a timely basis. Although we do not intend to request a ruling from the Internal Revenue Service, or the IRS, as to our REIT status, we expect to receive the opinion of our tax counsel, Ledgewood, P.C., with respect to our qualification as a REIT. This opinion has been issued in connection with this offering. Investors should be aware, however, that opinions of counsel are not binding on the IRS or on any court. The opinion of Ledgewood, P.C. will represent only the view of our counsel based on our counsel s review and analysis of existing law and on certain representations as to factual matters and covenants made by us, including representations relating to the values of our assets and the sources of our income and representations related to our future conduct. Ledgewood, P.C. will have no obligation to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed in its opinion or of any subsequent change in applicable law. Qualification as a REIT involves the application of highly technical and complex rules for which there are only limited judicial or administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to continue to qualify as a REIT. In addition, new legislation, regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to qualification as a REIT or the U.S. federal income tax consequences of such qualification, including changes with retroactive effect.

If we fail to qualify as a REIT in any taxable year:

- we would not be allowed to deduct our distributions to our stockholders when computing our taxable income;

- we would be subject to U.S. federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates;

- we could be disqualified from being taxed as a REIT for the four taxable years following the year during which qualification was lost, unless entitled to relief under certain statutory provisions;

- we would have less cash to make distributions to our stockholders; and we might be required to borrow additional funds or sell some of our assets in order to pay corporate tax obligations we may incur as a result of our disqualification.

Although we intend to operate in a manner intended to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause our board of directors to determine to delay or revoke our REIT election. Even if we qualify as a REIT, we expect to incur some taxes, such as state and local taxes, taxes imposed on certain subsidiaries and potential U.S. federal excise taxes.

We encourage you to read Material U.S. Federal Income Tax Considerations for further discussion of the tax issues related to this offering.

Table of Contents

To maintain our qualification as a REIT, we must meet annual distribution requirements, which may result in us distributing amounts that may otherwise be used for our operations.

To obtain the favorable tax treatment accorded to REITs, we generally are required each year to distribute to our stockholders at least 90% of our REIT taxable income (excluding net capital gain), determined without regard to the deduction for distributions paid. We are subject to U.S. federal income tax on our undistributed taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (i) 85% of our ordinary income, (ii) 95% of our capital gain net income and (iii) 100% of our undistributed income from prior years. These requirements could cause us to distribute amounts that otherwise would be spent on investments in real estate assets, and it is possible that we might be required to borrow funds, possibly at unfavorable rates, or sell assets to fund these distributions. Although we intend to make distributions sufficient to meet the annual distribution requirements and to avoid U.S. federal income and excise taxes on our earnings, it is possible that we might not always be able to do so.

Complying with REIT requirements may cause us to forgo otherwise attractive opportunities.

To maintain our qualification as a REIT, we must continually satisfy various tests regarding sources of income, nature and diversification of assets, amounts distributed to stockholders and the ownership of shares of our common stock. In order to satisfy these tests, we may be required to forgo investments that might otherwise be made. Accordingly, compliance with the REIT requirements may hinder our investment performance.

In particular, at least 75% of our total assets at the end of each calendar quarter must consist of real estate assets, government securities, and cash or cash items. For this purpose, real estate assets generally include interests in real property, such as land, buildings, leasehold interests in real property, stock of other entities that qualify as REITs, interests in mortgage loans secured by real property, investments in stock or debt instruments during the one-year period following the receipt of new capital and regular or residual interests in a real estate mortgage investment conduit, or REMIC. In addition, the amount of securities of a single issuer that we hold, other than securities qualifying under the 75% asset test and certain other securities, must generally not exceed either 5% of the value of such issuer s gross assets or 10% of the vote or value of such issuer s outstanding securities.

A REIT s net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including any mortgage loans, held in inventory or primarily for sale to customers in the ordinary course of business. The prohibited transaction tax may apply to any sale of assets to a securitization and to any sale of securitization securities and, therefore, may limit our ability to sell assets to or equity in securitizations and other assets.

It may be possible to reduce the impact of the prohibited transaction tax and the holding of assets not qualifying as real estate assets for purposes of the REIT asset tests by conducting certain activities, holding non-qualifying REIT assets or engaging in securitization transactions through our TRSs, subject to certain limitations as described below. To the extent that we engage in such activities through TRSs, the income associated with such activities may be subject to full U.S. federal corporate income tax.

Certain of our business activities are potentially subject to the prohibited transaction tax, which could reduce the return on your investment.

Our ability to dispose of property is restricted to a substantial extent as a result of our REIT status. Under applicable provisions of the Code regarding prohibited transactions by REITs, we will be subject to a 100% tax on any gain recognized on the sale or other disposition of any property (other than foreclosure property) that we own, directly or through any subsidiary entity, including our operating partnership, but excluding our taxable REIT subsidiaries, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of trade or business. Whether property is inventory or otherwise held primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances surrounding each property. No assurance can be given that any particular property we own, directly or through any subsidiary entity, including our operating partnership, but excluding our taxable REIT subsidiaries, will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business.

The use of taxable REIT subsidiaries would increase our overall tax liability.

Some of our assets may need to be owned or sold, or some of our operations may need to be conducted, by taxable REIT subsidiaries. Any of our taxable REIT subsidiaries will be subject to U.S. federal and state income tax on their taxable income. The after-tax net income of our taxable REIT subsidiaries would be available for distribution to us. Further, we will incur a 100% excise tax on transactions with our taxable REIT subsidiaries that are not conducted on an arms length basis. For example, to the extent that the rent paid by one of our taxable REIT subsidiaries exceeds an arms length rental amount, such amount is potentially subject to the excise tax. We intend that all transactions between us and our taxable REIT subsidiaries will be conducted on an arms length basis, and, therefore, any amounts paid by our taxable REIT subsidiaries to us will not be subject to the excise tax; provided, however, no assurance can be given that no excise tax would arise from such transactions.

Table of Contents

Dividends paid by REITs do not qualify for the reduced tax rates provided for under current law.

Dividends paid by REITs are generally not eligible for the reduced 20% maximum tax rate applicable to qualified dividends paid to individuals. The more favorable rates applicable to qualified dividends could cause stockholders who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stock of non-REIT corporations that pay dividends to which more favorable rates apply, which could reduce the value of the stocks of REITs.

Legislative or regulatory action could adversely affect the returns to our investors.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of U.S. federal income tax laws applicable to investments similar to an investment in shares of our common stock. Additional changes to the tax laws are likely to continue to occur, and we cannot assure you that any such changes will not adversely affect the taxation of our stockholders. Any such changes could have an adverse effect on an investment in our shares or on the market value or the resale potential of our assets. You are urged to consult with your own tax adviser with respect to the impact of recent legislation on your investment in our shares and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our shares.

Although REITs continue to receive more favorable tax treatment than entities taxed as corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be taxed for U.S. federal income tax purposes as a corporation. As a result, our charter provides our board of directors with the power, under certain circumstances, to revoke or otherwise terminate our REIT election and cause us to be taxed as a corporation, without the vote of our stockholders. Our board of directors has fiduciary duties to us and our stockholders and could only cause such changes in our tax treatment if it determines in good faith that such changes are in the best interest of our stockholders.

If the operating partnership fails to maintain its status as a partnership, its income may be subject to taxation.

We intend to maintain the status of the operating partnership as a partnership for U.S. federal income tax purposes. However, if the IRS were to successfully challenge the status of the operating partnership as a partnership for such purposes, it would be taxable as a corporation. In such event, this would reduce the amount of distributions that the operating partnership could make to us. This would also result in our losing REIT status, and becoming subject to a corporate level tax on our own income. This would substantially reduce our cash available to pay distributions and the yield on your investment. In addition, if any of the partnerships or limited liability companies through which the operating partnership owns its properties, in whole or in part, loses its characterization as a partnership for U.S. federal income tax purposes, it would be subject to taxation as a corporation, thereby reducing distributions to the operating partnership. Such a recharacterization of an underlying property owner could also threaten our ability to maintain REIT status.

Distributions to tax-exempt investors may be classified as unrelated business taxable income, or UBTI, and tax-exempt investors would be required to pay tax on such income and to file income tax returns.

Neither ordinary nor capital gain distributions with respect to our common stock nor gain from the sale of stock should generally constitute UBTI to a tax-exempt investor. However, there are certain exceptions to this rule, including:

- under certain circumstances, part of the income and gain recognized by certain qualified employee pension trusts with respect to our stock may be treated as UBTI if our stock is predominately held by qualified employee pension trusts, such that we are a pension-held REIT (which we do not expect to be the case);

- part of the income and gain recognized by a tax-exempt investor with respect to our stock would constitute UBTI if such investor incurs debt in order to acquire the common stock; and

- part or all of the income or gain recognized with respect to our stock held by social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans which are exempt from U.S. federal income taxation under Sections 501(c)(7), (9), (17) or (20) of the Code may be treated as UBTI.

We encourage you to consult your own tax advisor to determine the tax consequences applicable to you if you are a tax-exempt investor. See Material U.S. Federal Income Tax Considerations Federal Income Taxation of Stockholders Taxation of Tax-Exempt Stockholders.

Distributions to foreign investors may be treated as an ordinary income distribution to the extent that it is made out of current or accumulated earnings and profits.

In general, foreign investors will be subject to regular U.S. federal income tax with respect to their investment in our stock if the income derived therefrom is effectively connected with the foreign investor s conduct of a trade or business in the United States. A distribution to a foreign investor that is not attributable to gain realized by us from the sale or exchange of a U.S. real property

28

interest within the meaning of the Foreign Investment in Real Property Tax Act of 1980, as amended, or FIRPTA, will be treated as an ordinary income distribution to the extent that it is made out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Generally, any ordinary income distribution will be subject to a U.S. federal income tax equal to 30% of the gross amount of the distribution, unless this tax is reduced by the provisions of an applicable treaty. See Material U.S. Federal Income Tax Considerations Taxation of Non-U.S. Stockholders.

Foreign investors may be subject to FIRPTA tax upon the sale of their shares of our stock.

A foreign investor disposing of a U.S. real property interest, including shares of stock of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to FIRPTA tax, on the gain recognized on the disposition. Such FIRPTA tax does not apply, however, to the disposition of stock in a REIT if the REIT is domestically controlled. A REIT is domestically controlled if less than 50% of the REIT s stock, by value, has been owned directly or indirectly by persons who are not U.S. persons during a continuous five-year period ending on the date of disposition or, if shorter, during the entire period of the REIT s existence. While we intend to qualify as domestically controlled, we cannot assure you that we will. If we were to fail to so qualify, gain realized by foreign investors on a sale of shares of our stock would be subject to FIRPTA tax, unless the shares of our stock were traded on an established securities market and the foreign investor did not at any time during a specified testing period directly or indirectly own more than 5% of the value of our outstanding common stock. See the Material U.S. Federal Income Tax Considerations Taxation of Non-U.S. Stockholders.

Foreign investors may be subject to FIRPTA tax upon a capital gain dividend.

A foreign investor may be subject to FIRPTA tax upon the payment of any capital gain dividend by us if such dividend is attributable to gain from sales or exchanges of U.S. real property interests. See the Material U.S. Federal Income Tax Considerations Taxation of Non-U.S. Stockholders.

We encourage you to consult your own tax advisor to determine the tax consequences applicable to you if you are a foreign investor.

Risks Relating to the Offering and the Market for our Common Stock

A trading market may not develop for our common stock or, if it does, you may not be able to sell your shares at or above the initial offering price.

Before this offering, there was no market for our common stock. Although we intend to apply to list our common stock on the NYSE MKT, even if we obtain that listing, we do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be. The initial public offering price for our common stock will be determined by negotiation between us and the underwriters. You may not be able to sell your shares at or above the initial offering price. The market price of our common stock may also be subject to significant fluctuations in response to our future operating results, analyst reports about us, additions to or departures of key management personnel, actual or projected interest rate changes and other factors, including conditions affecting securities markets generally.

Sales of shares of our common stock, or the perception that such sales will occur, may have adverse effects on our share price.

We cannot predict the effect, if any, of future sales of common stock, or the availability of shares for future sales, on the market price of our common stock. Sales of substantial amounts of common stock, including shares of common stock issuable upon the exchange of units of our operating partnership that we may issue from time to time, the sale of shares of common stock held by our current stockholders, particularly RAIT and its affiliates, and the sale of any shares we may issue under our long-term incentive plan, or the perception that these sales could occur, may adversely affect prevailing market prices for our common stock.

An increase in market interest rates may have an adverse effect on the market price of our common stock.

One of the factors that investors may consider in deciding whether to buy or sell our common stock is our distribution yield, which is our distribution rate as a percentage of our share price, relative to market interest rates. If market interest rates increase, prospective investors may desire a higher distribution yield on our common stock or may seek securities paying higher dividends or interest. The market price of our common stock likely will be based primarily on the earnings that we derive from rental income with respect to our properties and our related distributions to stockholders, and not from the underlying appraised value of the properties themselves. As a result, interest rate fluctuations and capital market conditions are likely to affect the market price of our common stock, and such effects could be significant. For example, if interest rates rise without an increase in our distribution rate, the market price of our common stock could decrease because potential investors may require a higher distribution yield on our common stock as market rates on interest-bearing securities, such as bonds, rise.

Table of Contents

Some of our distributions may include a return of capital for U.S. federal income tax purposes.

Some of our distributions may include a return of capital. To the extent that we decide to make distributions in excess of our current and accumulated earnings and profits, such distributions would generally be considered a return of capital for federal income tax purposes to the extent of the holder s adjusted tax basis in its shares, and thereafter as gain on a sale or exchange of such shares. See Material U.S. Federal Income Tax Considerations Federal Income Taxation of Stockholders Taxation of Taxable Domestic Stockholders.

Future issuances of debt securities, which would rank senior to our common stock upon liquidation, or future issuances of preferred equity securities, may adversely affect the trading price of our common stock.

In the future, we may issue debt or equity securities or incur other borrowings. Upon our liquidation, holders of our debt securities, other loans and preferred stock will receive a distribution of our available assets before common stockholders. Any preferred stock, if issued, likely will also have a preference on periodic distribution payments, which could eliminate or otherwise limit our ability to make distributions to common stockholders. Common stockholders bear the risk that our future issuances of debt or equity securities or our incurrence of other borrowings may negatively affect the trading price of our common stock.

We may use a portion of the net proceeds from this offering to make distributions to our stockholders, which would, among other things, reduce our cash available to acquire properties and may reduce the returns on your investment in our common stock.

Prior to the time we have fully invested the net proceeds of this offering, we may fund distributions to our stockholders out of the net proceeds of these offerings, which would reduce the amount of cash we have available to acquire properties and may reduce the returns on your investment in our common stock. The use of these net proceeds for distributions to stockholders could adversely affect our financial results. In addition, funding distributions from the net proceeds of this offering may constitute a return of capital to our stockholders, which would have the effect of reducing each stockholder s tax basis in our common stock.

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements included in this prospectus that are not historical facts (including any statements concerning investment objectives, other plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto) are forward-looking statements. These statements reflect our current views about out plans, intentions, expectations, strategies and prospects, which are based on information currently available to us and on certain assumptions we have made. We caution that forward-looking statements are not guarantees. Actual events or our investments and results of operations could differ materially from those expressed or implied in any forward-looking statements. Forward-looking statements are typically identified by the use of terms such as may, should, expect, could, intend, plan, anti estimate, believe, continue, predict, potential or the negative of such terms and other comparable terminology.

The forward-looking statements included herein are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements and may be affected by a variety of risks and other factors, including, among others:

- the factors included in this prospectus, including those set forth under the headings Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Our Business and Properties;
- the competitive environment in which we operate;
- real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for tenants in such markets;
- decreased rental rates or increasing vacancy rates;
- our ability to lease units in newly acquired or newly constructed apartment properties;
- potential defaults on or non-renewal of leases by tenants;
- our ability to obtain financing for and complete acquisitions under contract;
- acquisition risks, including failure of such acquisitions to perform in accordance with projections;
- the timing of acquisitions and dispositions;
- potential natural disasters such as hurricanes;
- national, international, regional and local economic conditions;

our ability to pay future distributions at the dividend rates set forth in this prospectus;

the general level of interest rates;

potential changes in the law or governmental regulations that affect us and interpretations of those laws and regulations, including changes in real estate and zoning or tax laws, and potential increases in real property tax rates;

financing risks, including the risks that our cash flows from operations may be insufficient to meet required payments of principal and interest and we may be unable to refinance our existing debt upon maturity or obtain new financing on attractive terms or at all;

lack of or insufficient amounts of insurance;

our ability to maintain our qualification as a REIT;

litigation, including costs associated with prosecuting or defending claims and any adverse outcomes; and

possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us or a subsidiary owned by us or acquired by us.

Any of the assumptions underlying forward-looking statements could be inaccurate. You are cautioned not to place undue reliance on any forward-looking statements included in this prospectus. All forward-looking statements are made as of the date of this prospectus and the risk that actual results will differ materially from the expectations expressed in this prospectus will increase with the passage of time. Except as otherwise required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements after the date of this prospectus, whether as a result of new information, future events, changed circumstances or any other reason. In light of the significant uncertainties inherent in the forward-looking statements included in this prospectus, the inclusion of such forward-looking statements should not be regarded as a representation by us or any other person that the objectives and plans set forth in this prospectus will be achieved.

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds we will receive from this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $ million (or approximately $ million if the underwriters overallotment option is exercised in full), assuming a public offering price of $ per share, which is the midpoint of the range set forth on the cover of this prospectus. We will contribute the net proceeds of this offering to our operating partnership in exchange for units of our operating partnership.

We intend to use approximately $3.6 million of the net proceeds of this offering to redeem all of our Series A preferred stock and all of the Series B preferred units of our operating partnership (which Series B preferred units are owned by a wholly-owned subsidiary of RAIT; see Certain Relationships and Related Party Transactions), and the balance to acquire additional properties in the ordinary course of business in a manner consistent with our investment objectives and strategies and, to a lesser extent, for general corporate purposes and working capital. Pending the permanent use of the net proceeds of this offering, we intend to invest the net proceeds in interest-bearing, short-term investment-grade securities, money-market accounts or other investments that are consistent with our intention to maintain our qualification as a REIT.

Table of Contents

DISTRIBUTION POLICY

We intend to continue to qualify as a REIT for U.S. federal income tax purposes. The Code generally requires that a REIT annually distribute at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain, and imposes tax on any taxable income retained by a REIT, including capital gains.

To satisfy the requirements for qualification as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular monthly distributions of all or substantially all of our REIT taxable income, determined without regard to dividends paid, to our stockholders out of assets legally available for such purposes. Our board of directors has not yet determined the rate for our future dividends, and all future distributions will be at the sole discretion of our board of directors. When determining the amount of future distributions, we expect that our board of directors will consider, among other factors, (i) the amount of cash generated from our operating activities, (ii) our expectations of future cash flows, (iii) our determination of near-term cash needs for acquisitions of new properties, general property capital improvements and debt repayments, (iv) our ability to continue to access additional sources of capital, (v) the requirements of Maryland law, (vi) the amount required to be distributed to maintain our status as a REIT and to reduce any income and excise taxes that we otherwise would be required to pay and (vii) any limitations on our distributions contained in our credit or other agreements.

We cannot assure you that we will generate sufficient cash flows to make distributions to our stockholders or that we will be able to sustain those distributions. If our operations do not generate sufficient cash flow to allow us to satisfy the REIT distribution requirements, we may be required to fund distributions from working capital, borrow funds, sell assets or reduce such distributions. In addition, while we have no intention to do so, prior to the time we have fully invested the net proceeds of this offering, we may fund our distributions out of the net proceeds of this offering, which could adversely impact our results of operations. Our distribution policy enables us to review the alternative funding sources available to us from time to time. Our actual results of operations will be affected by a number of factors, including the revenues we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, please see Risk Factors.

Historically, we have calculated our distributions based upon daily record dates and distribution amounts so that our stockholders would be entitled to be paid distributions beginning with the day their shares were purchased. For the months of April, May and June of 2013, our board of directors authorized and we declared distributions on our common stock at a rate of $0.00171233 per share per day ($0.0513699, $0.05308223 and $0.0513699 per share per month for each of April, May and June 2013, respectively). The distributions for each month in the period are aggregated and paid on or before the fifteenth day following the completion of each respective month. For 2011 and 2012, and the quarter ended March 31, 2013, we have declared and paid the following dividends (expressed on a quarterly basis) on our common stock (dollars in thousands except per share and per unit data):

		Common Shares		**Limited Partnership Common Units**[(1)]	
		Dividends Declared and Paid per Share	Total Dividends Paid	Distributions Declared and Paid per Unit	Total Distributions Paid
2011	First Quarter	$	$	$	$
	Second Quarter				
	Third Quarter	0.15	2	0.15	412
	Fourth Quarter	0.15	3	0.15	605
2012	First Quarter	$ 0.15	$ 3	$ 0.15	$ 760
	Second Quarter	0.15	49	0.15	796
	Third Quarter	0.15	49	0.15	795
	Fourth Quarter	0.15	48	0.15	653
2013	First Quarter	$ 0.15	$ 50	$ 0.15	$ 866

(1) Represents distributions paid to RAIT and its affiliates on common units held by them. On May 7, 2013, all such common units were exchanged for shares of our common stock.

We evaluate our distribution coverage, including amounts paid to or allocable to our non-controlling interests, based on our cash flow from operations and FFO. For the three month period ended March 31, 2013, including amounts paid to or allocable to non-controlling interests, we paid cash distributions of $0.9 million, as compared to cash flows from operations of $1.4 million and FFO of $1.3 million. For the year ended December 31, 2012, including amounts paid to or allocable to non-controlling interests, we paid cash distributions of $3.2 million as compared to cash flow from operations of $4.5 million and FFO of $3.8 million. FFO is a non-GAAP financial measure. For a definition of FFO and a reconciliation of FFO to net income (loss), see Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures Funds from Operations and Core Funds from Operations.

Following completion of this offering, our board of directors intends to, on a quarterly basis, in advance, establish the dividend amount for our common stock for each month in the quarter. Distributions will be paid monthly in arrears. The record date for each monthly distribution will be the last business day of such month and the payment date for each distribution will be the ninth day of the subsequent month (or, if such day is not a business day, the first business day following the ninth day of such month), or such other date as our board of directors may determine in its discretion.

Table of Contents

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2013:

on an actual basis;

on an as adjusted basis to give effect to (i) the exchange by RAIT of 5,274,900 common units for 5,274,900 shares of our common stock on May 7, 2013; and (ii) the termination of RAIT NTR Holdings, LLC s 100 special units of our operating partnership on May 7, 2013; and

on an as further adjusted basis to give effect to this offering and the application of the net proceeds as set forth under Use of Proceeds.

You should read the table below in conjunction with our Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	As of March 31, 2013 (in thousands) (unaudited)		
	Actual	**As Adjusted**	**As Further Adjusted**
Cash and cash equivalents	$ 2,728	$ 2,728	$
Total indebtedness	$ 92,413	$ 92,413	$
Equity:			
Stockholders equity:			
Preferred stock, $0.01 par value per share, 50,000,000 shares authorized, 125 shares issued and outstanding, historical and 0 shares issued and outstanding, as adjusted and as further adjusted	0	0	
Common shares, $0.01 par value per share, 300,000,000 shares authorized, 356,558 shares issued and outstanding, historical, and 5,631,458 shares issued and outstanding, as adjusted, and shares issued and outstanding, as further adjusted	4	56	
Additional paid in capital	3,591	47,264	
Retained earnings (Accumulated Deficit)	(448)	(1,415)	
Total stockholders equity	3,147	45,905	
Noncontrolling interests	47,225	3,500	
Total equity	50,372	49,405	
Total capitalization	**$ 145,547**	**$ 145,547**	**$**

34

Table of Contents

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The selected consolidated financial and operating data set forth below as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The audited consolidated financial statements as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 have been audited by Grant Thornton LLP, an independent registered public accounting firm. The summary financial and operating data set forth below as of March 31, 2013 and 2012 and for the three months ended March 31, 2013 and 2012 have been derived from our unaudited financial statements included elsewhere in this prospectus. We were formed on March 26, 2009 and commenced operations on April 29, 2011 when we acquired six apartment properties from RAIT. As a result, we had no material operations for the period from March 26, 2009 (date of inception) to April 29, 2011. The consolidated financial and operating data set forth below as of December 31, 2009 and for the period from March 26, 2009 (date of inception) to December 31, 2009 have been derived from our audited consolidated financial statements not included in this prospectus.

Our unaudited selected pro forma consolidated financial statements and operating information as of and for the three months ended March 31, 2013 and for the year ended December 31, 2012 have been adjusted to give effect to the completion of this offering and certain other transactions and the application of the net proceeds from this offering (each as described in the unaudited pro forma consolidated financial statements included elsewhere in this prospectus) as of January 1, 2012 for the operating data and as of March 31, 2013 for the balance sheet data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

Since the information presented below is only a summary and does not provide all of the information contained in our historical consolidated financial statements, including the related notes, you should read it together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements, including the related notes, which are included elsewhere in this prospectus.

	As of and for the Three Month Period Ended March 31, 2013		2012	As of and for the Years Ended December 31, 2012		2011	2010	As of and for the Period from March 26, 2009 (inception) to December 31, 2009
	(unaudited)			(unaudited)				
	Pro Forma	Historical	Historical	Pro Forma	Historical	Historical	Historical	Historical
	(in thousands, except per share data)							
Operating Data:								
Total revenue	$	$ 4,688	$ 3,990	$	$ 16,629	$ 8,668	$ 5	$ 2
Total expenses		(3,460)	(3,037)		(16,202)	(9,038)	(1)	(1)
Net income (loss)		340	153		427	(370)	4	1
Net income (loss) allocable to common shares		4	(26)		(123)	(112)	4	1
Earnings (loss) per share:								
Basic	$	$ 0.00	$ (0.21)	$	$ (0.45)	$ (5.60)	$ 0.20	$ 0.06
Diluted	$	$ 0.00	$ (0.21)	$	$ (0.45)	$ (5.60)	$ 0.20	$ 0.06
Balance Sheet Data:								
Investments in real estate		$ 140,607	$ 127,564		$ 141,282	$ 128,124	$	$
Total assets		145,547	133,753		146,197	131,352	209	206
Total indebtedness		92,413	82,175		92,413	82,175		
Total liabilities		95,175	84,283		95,346	84,294	2	3
Total equity		50,372	49,470		50,851	47,058	207	203

	As of and for the Three Month Period Ended March 31,	As of and for the years ended December 31,	As of and for the period

	2013		2012	2012		2011	2010	from March 26, 2009 (inception) to December 31, 2009
		(unaudited)		(unaudited)				
	Pro Forma	Historical	Historical	Pro Forma	Historical	Historical	Historical	Historical
	(in thousands, except share, unit and per share/unit data)							
Other Data:								
Common shares outstanding		356,558	320,000		345,063	20,000	20,000	20,000
Limited partnership units outstanding[1]		5,274,900	5,274,900		5,274,900	5,274,900		
Cash distributions declared per common share/unit		$ 0.15	$ 0.15		$ 0.60	$ 0.30	$	$
Funds from operations[2]	$	$ 1,284	$ 973	$	$ 3,799$	$ 1,401	$ 4	$ 1
Core funds from operations[2]	$	$ 1,284	$ 1,000	$	$ 3,956	$ 1,889	$ 4	$ 1

(1) Includes 100 special limited partnership units. These units were terminated on May 7, 2013 in connection with the exchange by RAIT of the common units it held in our operating partnership for shares of our common stock.

(2) For definitions and reconciliations of FFO and Core FFO to net income (loss), as well as a statement disclosing the reasons why our management believes that FFO and Core FFO provide useful information to investors and, to the extent material, any additional purposes for which our management uses FFO and Core FFO, see Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures Funds from Operations and Core Funds from Operations.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We were formed on March 26, 2009 as a Maryland corporation and have elected to be taxed as a REIT beginning with the taxable year ended December 31, 2011. We are externally managed by our advisor, an indirect, wholly owned subsidiary of RAIT. We conduct our operations through our operating partnership, of which we are the sole general partner.

We own and operate a portfolio of apartment properties located throughout the United States. Our primary business objective is to maximize stockholder value by increasing cash flows at our existing apartment properties and acquiring additional properties either with strong and stable occupancies and the ability to raise rental rates or potential for repositioning through capital expenditures.

We currently own eight apartment properties containing an aggregate of 2,004 apartment units in Arizona, Colorado, Georgia, Indiana, Texas and Virginia. We refer to these apartment properties as our existing portfolio. As of March 31, 2013, our existing portfolio had an average occupancy of 94% and an average monthly effective rent per occupied apartment unit of $791.

Results of Operations

Three-Month Period Ended March 31, 2013 Compared to the Three-Month Period Ended March 31, 2012

Our total revenue increased $0.7 million to $4.7 million for the three-month period ended March 31, 2013 from $4.0 million for the three-month period ended March 31, 2012. The increase is attributable to $0.5 million of revenue associated with a property we acquired on October 11, 2012 and $0.2 million of revenue related to improved occupancy and rental rates.

Our expenses increased $0.5 million to $3.5 million for the three-month period ended March 31, 2013 from $3.0 million for the three-month period ended March 31, 2012. Expenses were comprised primarily of property operating expenses, which increased $0.3 million to $2.2 million from $1.9 million for the three-month period ended March 31, 2012 and depreciation and amortization, which increased $0.2 million to $1.0 million from $0.8 million for the three-month period ended March 31, 2012. The increase is primarily attributable to expenses associated with a property we acquired on October 11, 2012. We incurred certain general and administrative expenses related to audit and other professional fees, trustee fees and other federal and state filing fees during the three-month periods ended March 31, 2013 and 2012 of $0.3 million and $0.3 million, respectively.

Our advisor waived $0.2 million of asset management fees for each of the three-month periods ended March 31, 2013 and 2012. If our adviser had not waived the asset management fee in such periods, such fees would have reduced net income (loss) allocable to common shares by $12,434 and $4,544 for the three-months ended March 31, 2013 and 2012, respectively.

Our interest expense increased $0.1 million to $0.9 million for the three-month period ended March 31, 2013 from $0.8 for the three-month period ended March 31, 2012. The increase is attributable to the mortgage indebtedness used to finance the acquisition of a property on October 11, 2012.

Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

Our total revenue increased $7.9 million to $16.6 million for the year ended December 31, 2012 from $8.7 million for the year ended December 31, 2011. The increase is primarily attributable to the seven properties we acquired in 2011 and present for a full year in 2012.

Our expenses increased $5.6 million to $12.9 million for the year ended December 31, 2012 from $7.3 million for the year ended December 31, 2011. Expenses were comprised primarily of property operating expenses which increased $3.6 million to $8.1 million from $4.5 million for the year ended December 31, 2011 and depreciation and amortization which increased $1.7 million to $3.5 million from $1.8 million for the year ended December 31, 2011. The increases are primarily attributable to the seven properties we acquired in 2011, which were present for a full year in 2012. We incurred certain general and administrative expenses related to audit and other professional fees, directors fees and other federal and state filing fees during the years ended December 31, 2012 and 2011 of $1.2 million and $0.6 million, respectively.

Our advisor waived $0.8 million and $0.5 million of asset management fees for the years ended December 31, 2012 and 2011, respectively. If our adviser had not waived the asset management fee in such periods, such fees would have reduced net income (loss) allocable to common shares by $40,688 and $2,392 for the years ended December 31, 2012 and 2011, respectively.

Our interest expense increased $1.6 million to $3.3 million for the year ended December 31, 2012 from $1.7 million for the year ended December 31, 2011. The increase is primarily attributable to the mortgage indebtedness used to finance the seven properties we acquired in 2011, which were present for a full year in 2012.

Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

We generated $8.7 million of revenue during the year ended December 31, 2011 as a result of the acquisition of six properties in April 2011 and one property in December 2011. Prior to the April acquisition, we did not own any revenue-producing assets and, as such, the financial information for the year ended December 31, 2011 is not comparable to the financial information for the year ended December 31, 2010. Our revenue for the year ended December 31, 2010 was comprised of interest income on short-term loans to a pre-RAIT former sponsor in the aggregate principal amount of $200,000. These loans had a weighted average interest rate of 5.8%.

We incurred $7.3 million of expenses during the year ended December 31, 2011, comprised primarily of property operating expenses of $4.5 million, acquisition expenses of $0.5 million and depreciation and amortization of $1.8 million. As discussed above, these expenses relate to the acquisition and ownership of the seven properties we acquired in 2011. We incurred certain general and administrative expenses related to audit and other professional fees, directors fees and other federal and state filing fees during the year ended December 31, 2011 of $0.6 million. We did not incur any expenses during the year ended December 31, 2010.

During the year ended December 31, 2011, we incurred $1.7 million of interest expense associated with the $82.2 million of mortgage indebtedness used to finance the seven properties we acquired in 2011.

Non-GAAP Financial Measures

Funds from Operations and Core Funds from Operations

We believe that FFO and Core FFO, each of which is a non-GAAP measure, are additional appropriate measures of the operating performance of a REIT and us in particular. We compute FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT, as net income or loss allocated to common shares (computed in accordance with GAAP), excluding real estate-related depreciation and amortization expense, gains or losses on sales of real estate and the cumulative effect of changes in accounting principles.

Table of Contents

Core FFO is a computation made by analysts and investors to measure a real estate company s operating performance by removing the effect of items that do not reflect ongoing property operations, including acquisition expenses, expensed costs related to the issuance of shares of our common stock and equity-based compensation expenses, from the determination of FFO. We incur acquisition expenses in connection with acquisitions of real estate properties and expense those costs when incurred in accordance with U.S. GAAP. As these expenses are one-time and reflective of investing activities rather than operating performance, we add back these costs to FFO in determining Core FFO.

Our calculation of Core FFO differs from the methodology used for calculating Core FFO by certain other REITs and, accordingly, our Core FFO may not be comparable to Core FFO reported by other REITs. Our management utilizes FFO and Core FFO as measures of our operating performance, and believes they are also useful to investors, because they facilitate an understanding of our operating performance after adjustment for certain non-cash items, such as depreciation and amortization expenses, and acquisition expenses and pursuit costs that are required by GAAP to be expensed but may not necessarily be indicative of current operating performance and that may not accurately compare our operating performance between periods. Furthermore, although FFO, Core FFO and other supplemental performance measures are defined in various ways throughout the REIT industry, we also believe that FFO and Core FFO may provide us and our investors with an additional useful measure to compare our financial performance to certain other REITs. We also use Core FFO for purposes of determining the quarterly incentive fee, if any, payable to our advisor. See Our Advisor, Our Property Manager and Related Agreements Our Advisory Agreement Quarterly Incentive Fee.

Neither FFO nor Core FFO is equivalent to net income or cash generated from operating activities determined in accordance with GAAP. Furthermore, FFO and Core FFO do not represent amounts available for management s discretionary use because of needed capital replacement or expansion, debt service obligations or other commitments or uncertainties. Neither FFO nor Core FFO should be considered as an alternative to net income as an indicator of our operating performance or as an alternative to cash flow from operating activities as a measure of our liquidity.

Set forth below is a reconciliation of net income (loss) to FFO and Core FFO for the three month periods ending March 31, 2013 and 2012 (unaudited; in thousands, except share and per share information):

	For the Three-Month Period Ended March 31, 2013		For the Three-Month Period Ended March 31, 2012	
	Amount	**Per Share**	**Amount**	**Per Share**
Funds From Operations:				
Net income (loss)	$ 340	$ 0.06	$ 153	$ 0.03
Adjustments:				
Income allocated to preferred shares	(4)	(0.00)		
Income allocated to preferred units	(88)	(0.02)		
Real estate depreciation and amortization	1,036	0.18	820	0.15
Funds From Operations	$ 1,284	$ 0.23	$ 973	$ 0.18
Weighted-average shares diluted(a)	5,620,810	5,620,810	5,400,395	5,400,395
Core Funds From Operations:				
Funds From Operations	$ 1,284	$ 0.23	$ 973	$ 0.18
Adjustments:				
Acquisition fees and expenses			27	0.00
Core Funds From Operations	$ 1,284	$ 0.23	$ 1,000	$ 0.18
Weighted-average shares diluted(a)	5,620,810	5,620,810	5,400,395	5,400,395

(a) Weighted-average shares diluted includes 5,274,900 limited partnership units that are exchangeable for common stock as of March 31, 2013 and 2012.

Set forth below is a reconciliation of net income (loss) to FFO and Core FFO for the years ended December 31, 2012 and 2011 (in thousands, except share and per share information):

	For the Year Ended December 31, 2012		For the Year Ended December 31, 2011	
	Amount	Per Share	Amount	Per Share
Funds From Operations:				
Net income (loss)	$ 427	$ 0.08	$ (370)	$ (0.09)
Adjustments:				
Income allocated to preferred shares	(15)	(0.00)		
Income allocated to preferred units	(79)	(0.01)		
Real estate depreciation and amortization	3,466	0.62	1,771	0.43
Funds From Operations	$ 3,799	$ 0.68	$ 1,401	$ 0.34
Weighted-average shares diluted(a)	5,550,284	5,550,284	4,146,260	4,146,260
Core Funds From Operations:				
Funds From Operations	$ 3,799	$ 0.68	$ 1,401	$ 0.34
Adjustments:				
Acquisition fees and expenses	157	0.03	488	0.12
Core Funds From Operations	$ 3,956	$ 0.71	$ 1,889	$ 0.46
Weighted-average shares diluted(a)	5,550,284	5,550,284	4,146,260	4,146,260

(a) Weighted-average shares diluted includes 4,046,700 and 5,274,900 limited partnership units that are exchangeable for common stock as of December 31, 2011 and 2012, respectively.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, pay distributions and other general business needs.

We believe our available cash balances, other financing arrangements and cash flows from operations will be sufficient to fund our liquidity requirements with respect to our existing portfolio for the next 12 months. We expect to raise capital in this offering,

Table of Contents

increase our borrowings and make future acquisitions, which would have a significant impact on our future results of operations. In general, we expect that our income and expenses related to our portfolio will increase in future periods as a result of anticipated future acquisitions of real estate. Should our liquidity needs exceed our available sources of liquidity, we believe that we could sell assets to raise additional cash. We may not be able to obtain additional financing when we desire to do so or on terms and conditions acceptable to us. If we fail to obtain additional financing, our ability to maintain or grow our business will be constrained.

Our primary cash requirements are to:

- make investments and fund the associated costs;
- repay our indebtedness;
- pay our operating expenses, including fees paid to our advisor and our property manager; and
- distribute a minimum of 90% of our REIT taxable income (determined without regard to the deduction for dividends paid and excluding net capital gain) and to make investments in a manner that enables us to maintain our qualification as a REIT.

We intend to meet these liquidity requirements primarily through:

- the use of our cash and cash equivalent balance of $2.7 million as of March 31, 2013;
- cash generated from operating activities;
- proceeds from the sale of our common stock pursuant to this offering; and
- if required, proceeds from future borrowings and offerings.

Through April 8, 2013, we had sold shares of our common stock pursuant to a registered continuous offering carried out in a manner consistent with offerings of non-listed REITs. Our board of directors subsequently determined that it would be in our best interest to sell our common stock in an underwritten offering as set forth in this prospectus, and terminate our continuous offering. Through March 31, 2013, we had raised $3.3 million, including $0.3 million from unaffiliated investors, in net proceeds from our continuous offering. We will depend on the net proceeds of this offering, and any future offerings in which we engage, together with the proceeds of debt financings, to meet our investment objectives of acquiring, owning and operating a portfolio of apartment properties. We will seek to enhance our growth through the use of prudent amounts of leverage. In general, we intend to limit our aggregate leverage to 70% of the combined initial purchase price of all of our real estate properties. During the period following this offering, we may employ greater leverage in order to more quickly build a diversified portfolio of assets.

Cash Flows

As of March 31, 2013 and 2012, we maintained cash and cash equivalents of approximately $4.2 million and $0.2 million, respectively. Our cash and cash equivalents were generated from the following activities (dollars in thousands):

	For the Three-Month Periods Ended March 31	
	2013	2012
	(unaudited)	
Cash flow from operating activities	$ 1,381	$ 1,164
Cash flow from investing activities	(270)	(392)
Cash flow from financing activities	(916)	2,335
Net change in cash and cash equivalents	195	3,107
Cash and cash equivalents at beginning of period	2,533	1,107
Cash and cash equivalents at end of period	$ 2,728	$ 4,214

Our increased cash inflow from operating activities during the three-month period ended March 31, 2013 is due to the acquisition of a property on October 11, 2012 along with improved occupancy and rental rates.

The cash inflow from our financing activities during the three-month period ended March 31, 2012 is substantially due to the issuance of 300,000 shares of our common stock for an aggregate of $3.0 million in cash.

As of December 31, 2012 and 2011, we maintained cash and cash equivalents of $2.5 million and $1.1 million, respectively. Our cash and cash equivalents were generated from the following activities (dollars in thousands):

	For the Years Ended December 31		
	2012	2011	2010
Cash flows from operating activities	$ 4,484	$ 2,196	$ 3
Cash flows from investing activities	(16,928)	(18,788)	0
Cash flows from financing activities	13,870	17,490	0
Net change in cash and cash equivalents	1,426	898	3
Cash and cash equivalents at beginning of period	1,107	209	206
Cash and cash equivalents at end of period	$ 2,533	$ 1,107	$ 209

Our increased cash inflow from operating activities during the year ended December 31, 2012 is primarily attributable to the acquisition of seven properties in 2011 that were present for a full year in 2012 and our acquisition of Runaway Bay Apartments in 2012.

The cash inflow from our financing activities during the year ended December 31, 2012 is substantially due to the issuance to RAIT by our operating partnership of 350 Series B preferred units for $3.5 million and debt borrowings to fund the acquisition of Runaway Bay Apartments of $10.2 million.

Table of Contents

Contractual Commitments

The table below summarizes our contractual obligations as of December 31, 2012 (dollars in thousands):

		Payment due by Period			
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Principal payments on outstanding debt obligations	$ 92,413	$ 213	$ 1,370	$ 1,855	$ 88,975
Interest payments on outstanding debt obligations(a)	29,103	3,814	6,639	6,885	11,765
Total	$ 121,516	$ 4,027	$ 8,009	$ 8,740	$ 100,740

(a) All variable-rate indebtedness assumes a 30-day LIBOR rate of 0.21% as of December 31, 2012.

Critical Accounting Estimates and Policies

We consider the accounting policies discussed below to be critical to an understanding of how we report our financial condition and results of operations because their application places the most significant demands on the judgment of our management.

Our financial statements are prepared on the accrual basis of accounting in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition

Minimum rents are recognized on an accrual basis, over the terms of the related leases on a straight-line basis. Any above-market lease values and the capitalized below-market lease values are amortized as an adjustment to rental income over the lease term. Recoveries from residential tenants for utility costs are recognized as revenue in the period that the applicable costs are incurred.

Investments in Real Estate

Allocation of Purchase Price of Acquired Assets

We account for acquisitions of properties in accordance with FASB ASC Topic 805, Business Combinations . The fair value of the real estate acquired is allocated to the acquired tangible assets, consisting of land, building and tenant improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases for acquired in-place leases and the value of tenant relationships, based in each case on their fair values. Purchase accounting is applied to assets and liabilities associated with the real estate acquired. Transaction costs and fees incurred related to acquisitions are expensed as incurred. Transaction costs and fees incurred related to the acquisition of a joint venture interest, accounted for under the equity method of accounting, are capitalized as part of the cost of the investment.

Upon the acquisition of properties, we estimate the fair value of acquired tangible assets (consisting of land, building and improvements) and identified intangible assets and liabilities (consisting of above and below-market leases, in-place leases and tenant relationships), and assumed debt at the date of acquisition, based on the evaluation of information and estimates available at that date. Based on these estimates, we allocate the initial purchase price to the applicable assets and liabilities. As final information regarding fair value of the assets acquired and liabilities assumed is received and estimates are refined, appropriate adjustments will be made to the purchase price allocation, in no case later than twelve months of the acquisition date.

In determining the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in-place lease values are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the differences between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining term of the lease. The capitalized above-market lease values and the capitalized below-market lease values are amortized as an adjustment to rental income over the lease term.

The aggregate value of in-place leases is determined by evaluating various factors, including an estimate of carrying costs during the expected lease-up periods, current market conditions and similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses, and estimates of lost rental revenue during the expected lease-up periods based on current market demand. Management also estimates costs to execute similar leases including leasing commissions, legal and other related costs. The value assigned to this intangible asset is amortized over the remaining lease terms.

Impairment of Long-Lived Assets

Management evaluates the recoverability of its investment in real estate assets, including related identifiable intangible assets, in accordance with FASB ASC Topic 360, Property, Plant and Equipment. This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that recoverability of the assets is not assured.

Table of Contents

Management evaluates the long-lived assets on an ongoing basis and records an impairment charge when there is an indicator of impairment. The estimated cash flows used for the impairment analysis and the determination of estimated fair value are based on our plans for the respective assets and our views of market and economic conditions. The estimates consider matters such as current and historical rental rates, occupancies for the respective and/or comparable properties, and recent sales data for comparable properties. Changes in estimated future cash flows due to changes in our plans or views of market and economic conditions could result in recognition of impairment losses, which, under the applicable accounting guidance, could be substantial.

Recent Accounting Pronouncements

In December 2011, the FASB issued an accounting standard classified under FASB ASC Topic 360, Property, Plant, and Equipment. This accounting standard amends existing guidance to resolve the diversity in practice about whether the guidance for real estate sales applies to a parent that ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary s nonrecourse debt. This accounting standard is effective for fiscal years, and interim periods with those years, beginning on or after June 15, 2012. Management does not expect that the adoption of this standard will have a material impact on our consolidated financial statements.

Quantitative and Qualitative Disclosures About Market Risk

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. We may be exposed to interest rate changes primarily as a result of long-term debt used to maintain liquidity, fund capital expenditures and expand our real estate investment portfolio and operations. Market fluctuations in real estate financing may affect the availability and cost of funds needed to expand our investment portfolio. In addition, restrictions upon the availability of real estate financing or high interest rates for real estate loans could adversely affect our ability to dispose of real estate in the future. We seek to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. We may use derivative financial instruments to hedge exposures to changes in interest rates on loans secured by our assets. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. With regard to variable rate financing, our advisor assesses our interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. Our advisor maintains risk management control systems to monitor interest rate cash flow risk attributable to both our outstanding and forecasted debt obligations as well as our potential offsetting hedge positions. While this hedging strategy is designed to minimize the impact on our net income and funds from operations from changes in interest rates, the overall returns on your investment may be reduced. We currently have limited exposure to financial market risks.

We may also be exposed to credit risk in derivative contracts we may use. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. If the fair value of a derivative contract is positive, the counterparty will owe us, which creates credit risk for us. If the fair value of a derivative contract is negative, we will owe the counterparty and, therefore, do not have credit risk. We seek to minimize the credit risk in derivative instruments by entering into transactions with high-quality counterparties.

Interest Rate Risk and Sensitivity

Interest rates may be affected by economic, geo-political, monetary and fiscal policy, market supply and demand and other factors generally outside our control, and such factors may be highly volatile. A change in market interest rates applicable to the fixed portion of our indebtedness affects the fair value, but it has no effect on interest incurred or cash flows. A change in market interest rates applicable to the variable portion of our indebtedness affects the interest incurred and cash flows, but does not affect the fair value.

As of December 31, 2012, our only interest rate sensitive assets or liabilities related to our $92.4 million of indebtedness. As of December 31, 2011, our only interest rate sensitive assets or liabilities related to our $82.2 million of indebtedness. We monitor interest rate risk routinely and seek to minimize the possibility that a change in interest rates would impact the interest incurred and our cash flows. To mitigate such risk, we will use interest rate derivative contracts. As of December 31, 2012 and 2011, we did not have any interest rate derivatives in effect as all of our interest rate sensitive liabilities were fixed rate.

Table of Contents

As of December 31, 2012, the fair value of our fixed-rate indebtedness was $95.8 million. The fair value estimate of our fixed rate debt was estimated using a discounted cash flow analysis utilizing rates we would expect to pay for debt of a similar type and remaining maturity if the loans were originated at December 31, 2012. A 100 basis point increase in market interest rates would decrease the fair value of our fixed-rate indebtedness by $3.8 million. A 100 basis point decrease in market interest rates would increase the fair value of our fixed-rate indebtedness by $4.1 million. As we expect to hold our fixed rate instruments to maturity and the amounts due under such instruments would be limited to the outstanding principal balance and any accrued and unpaid interest, we do not expect that fluctuations in interest rates, and the resulting change in fair value of our fixed rate instruments, would have a significant impact on our operations.

Table of Contents

OUR BUSINESS AND PROPERTIES

Overview

We are a Maryland corporation that owns well-located apartment properties in geographic submarkets that we believe support strong occupancy and have the potential for growth in rental rates. We seek to provide stockholders with attractive risk-adjusted returns, with an emphasis on distributions and capital appreciation. We are externally advised by a wholly-owned subsidiary of RAIT (NYSE: RAS), a REIT that invests primarily in commercial mortgages and, to a lesser extent, apartment properties. We have elected to be taxed as a REIT under the Code, commencing with our taxable year ended December 31, 2011.

We acquire and operate apartment properties that:

- have stable occupancy rates and resident bases;
- are located in submarkets that we do not expect to experience substantial new apartment construction in the foreseeable future;
- in appropriate circumstances, have opportunities for repositioning or updating through capital expenditures; and
- provide opportunities to apply tailored marketing and management strategies designed to attract and retain residents and enable rent increases.

As of the date of this prospectus, we own eight apartment properties containing an aggregate of 2,004 apartment units in Arizona, Colorado, Georgia, Indiana, Texas and Virginia. We refer to these apartment properties as our existing portfolio. As of March 31, 2013, our existing portfolio had an average occupancy of 94% and an average monthly effective rent per occupied apartment unit of $791.

We may make adjustments to our portfolio at any time based on, among other things, prevailing real estate market conditions and the availability of attractive investment opportunities.

We believe the probability of meeting our investment objectives will be maximized through the careful selection and underwriting of assets. When considering an investment, we will generally evaluate the following:

- the performance and risk characteristics of the investment;
- how the investment will fit within our portfolio objectives; and
- the expected returns of the investment relative to the risk characteristics of that investment and to other investment alternatives.

We were formed in 2009. Affiliates of RAIT contributed seven of the eight properties in our existing portfolio to our operating partnership in exchange for 5,111,500 common units in our operating partnership, and acquired an additional 163,200 common units for cash to fund closing costs in connection with the contributions. In 2012, we purchased the eighth property in our existing portfolio from an unaffiliated third party. On May 7, 2013, RAIT exchanged all of its common units for 5,274,900 shares of our common stock. RAIT is currently our largest stockholder and, as of the date of this prospectus, holds approximately 99.1% of the outstanding shares of our common stock. Each of our apartment properties is managed by Jupiter, a majority owned subsidiary of RAIT. See Certain Relationships and Related Party Transactions.

Our Business Objectives and Strategy

Our primary business objective is to maximize stockholder value by increasing cash flows at our existing apartment properties and acquiring additional properties either with strong and stable occupancies and the ability to raise rental rates or with the potential for repositioning through capital expenditures. We intend to achieve this objective by executing the following strategies:

Use RAIT s and Jupiter s extensive experience lending to, owning and/or managing apartment properties, and their networks of contacts in the apartment industry, to acquire additional apartment properties. RAIT has provided debt financing for apartment owners and operators since 1997 and currently owns 26 apartment properties. Jupiter manages over 10,600 apartment units in 17 states (including those owned by us). We believe these factors and RAIT s commercial real estate relationships will provide us with a strong pipeline of acquisition opportunities. As of June 11, 2013, we are evaluating and discussing the potential acquisition of apartment properties containing approximately 2,280 units, with an estimated aggregate purchase price of approximately $193 million. We do not have binding agreements to acquire any of these properties and, accordingly, cannot assure you that we will acquire any of these properties or that any actual acquisition price will not be significantly different from what we currently estimate.

Focus on properties in markets that have strong apartment demand, reduced competition from national apartment buyers and no substantial new apartment construction. In evaluating potential acquisitions, our advisor analyzes apartment occupancy and trends in rental rates, employment and new construction, among many other factors, and seeks to identify properties located in areas where there is strong demand for apartment units and little to no apartment construction projects that have been announced. We generally will see to avoid markets where we believe potential yields have decreased as a result of the acquisition and development efforts of large institutional buyers.

42

Table of Contents

Acquire properties that have operating upside through effective management. Our advisor and Jupiter have expertise in acquiring and/or managing under-performing properties and increasing the net operating income of such properties through more effective marketing and leasing, better management of rental rates and more efficient expense management. We will seek to acquire properties that we believe possess significant prospects for increased occupancy and rental revenue through more effective management and marketing.

Selectively utilize our capital to improve apartment properties where our advisor and Jupiter believe the return on such capital is accretive to our stockholders. Jupiter has significant experience allocating capital to value-added improvements of apartment properties to produce better occupancy and rental rates. We will selectively deploy our capital into revenue-enhancing capital projects that our advisor and Jupiter believe will improve the physical plant or market positioning of particular apartment properties.

However, we are not limited in the types of properties in which we may invest and, accordingly, we may also invest in apartment properties that have existing cash flow where, through limited capital expenditures, we can achieve enhanced returns, value-add as well as other property types, such as office, industrial and retail properties.

Our Market Opportunity

We believe that economic conditions will continue to favor apartment housing for the foreseeable future. Since 2008, the market for apartment housing has experienced high demand, low levels of new construction, strong occupancies and rising rental rates. Younger adults have experienced stricter mortgage underwriting standards and high levels of student loan debt, which has made home ownership financially more difficult. At the same time, apartment building permits are currently being issued at levels substantially below historical levels. According to the United States Census Bureau, or the Census Bureau, in 2011 the number of apartment building permits was approximately 45% of the number in 2005 (the peak year over the past decade), while trends over the past three years continue to fall well below the average of 297,000 permits per year over the past ten years. Moreover, financing for new construction remains tight, further constraining new construction.

We also believe that changing attitudes regarding home ownership and tighter underwriting standards imposed by mortgage lenders will continue to drive Americans to rent apartments rather than purchase homes. Following the housing crisis and resulting economic downturn of 2008 and 2009, home values in the United States declined precipitously, resulting in many Americans no longer viewing their homes as stable, appreciating assets tantamount to savings and leading many of them to choose to rent rather than own homes. The decline in home values has been coupled with a substantial tightening of lending standards by mortgage lenders in the United States. According to the Office of the Comptroller of the Currency, 40% of banks surveyed tightened their lending standards in 2011 over the previous year, versus 8% who reported easing lending standards. Since 2008, mortgage lenders have more stringently scrutinized the incomes and employment status of prospective home buyers and have required larger down payments and more ongoing scrutiny of borrowers.

Furthermore, certain demographic factors should continue to positively influence demand for existing apartment units. According to the Census Bureau, there are currently approximately 80 million echo boomers (those born after 1977 and before 1997) in the United States. In 2010, echo boomers surpassed baby boomers (those born after 1946 and before 1965) to become the United States largest generation and currently account for one-quarter of the United States population. Echo boomers are generally well educated, career-oriented and mobile, and many echo boomers carry significant amounts of student loan debt. These factors contribute to the high propensity of echo boomers to rent apartments, rather than buy homes.

Our Properties

The following table presents an overview of our apartment portfolio as of March 31, 2013.

Property Name	Location	Purchase Date	Year Built or Renovated[1]	Appraised Value[2]	Units[3]	Average Occupancy[4]	Average Monthly Effective Rent per Occupied Unit[5]
Belle Creek	Henderson, Colorado	4/29/11	2011	$ 17,000,000	162[6]	95.7%[6]	$ 896[6]
Centrepoint	Tucson, Arizona	12/16/11	2006	30,000,000	320	98.1	817
Copper Mill	Austin, Texas	4/29/11	2010	18,020,000	320	95.3	719
Crestmont	Marietta, Georgia	4/29/11	2010	15,500,000	228	94.3	705

Cumberland Glen	Smyrna, Georgia	4/29/11	2010	13,500,000	222	94.6	662
Heritage Trace	Newport News, Virginia	4/29/11	2010	11,800,000	200	80.0	751
Runaway Bay	Indianapolis, Indiana	10/11/12	2002	16,400,000	192	93.8	939
Tresa at Arrowhead	Phoenix, Arizona	4/29/11	2006	39,000,000	360	96.7	836
				$ 161,220,000	2,004	93.6%	$ 791

Table of Contents

(1) All dates are for the year in which a renovation program was completed, except for Runaway Bay, which is the year construction was completed. The year construction was completed for each of the other properties is: Belle Creek - 2002; Centrepoint - 1995; Copper Mill - 1984; Crestmont - 1987; Cumberland Glen - 1987; Heritage Trace - 1973; and Tresa at Arrowhead - 1998.

(2) Appraised values are as of April 2013. All such appraisals were made by CBRE, Inc.

(3) Units represents the total number of apartment units available for rent at December 31, 2012.

(4) Average occupancy for each of our properties is calculated as (i) total units rented as of March 31, 2013 divided by (ii) total units available as of March 31, 2013, expressed as a percentage.

(5) Average monthly effective rent per occupied unit represents the average monthly rent collected for all occupied units for the three months ended March 31, 2013, after giving effect to tenant concessions.

(6) Does not include 6,256 square feet of retail space in six units, of which 1,010 square feet of space is occupied by Jupiter for use as the leasing office. The remaining 5,246 square feet of space is 100% occupied by five tenants with a weighted average monthly base rent of $1,491, or $15.51 per square foot per year.

Description of Our Properties

Belle Creek. Belle Creek is located in the Northglenn/Thornton submarket of the Denver, Colorado metropolitan statistical area in the city of Henderson. Due to the area s convenient access, residential growth has been strong. The area has been designed with several neighborhood parks, and includes a community recreation center, which is free for residents. Belle Creek is a garden style, Class A apartment community with 156 units in eight three-story buildings on 31.9 acres. The unit mix includes 39 one-bedroom, one-bathroom units, 96 two-bedroom, two-bathroom units, and 21 three-bedroom, two-bathroom units, with an average unit size of 753 square feet. Unit amenities include washer and dryer connections, and in select units, private balconies or patios with an exterior storage room. Property amenities include a playground and a laundry facility, as well as 234 parking spaces. In addition to the residential units, Belle Creek contains 6,256 square feet of retail space in six units, including 1,010 square feet devoted to Belle Creek s leasing office which is rent free. As of March 31, 2013, the remaining 5,246 square feet of retail space was 100% occupied by five tenants, paying an average base rent of $1,564 per unit, or $16.50 per square foot.

Centrepoint**.** Centrepoint is located on an approximately 17.1 acre site in the north-northwest submarket of Tucson, Arizona, at the Ina Road exit of Interstate 10, eight miles west of downtown Tucson. Interstate 10 is the major east-west highway that connects Phoenix and Tucson. Ina Road is west Tucson s major retail corridor where the Foothills Mall is located. Centrepoint was constructed in 1995 and benefited from a capital improvement program from 2006 to 2011. The property is a garden-style, Class A apartment community with 23 two-story buildings and 320 units. The unit mix includes 148 one-bedroom, one-bathroom units, 144 two-bedroom, two-bathroom units and 28 three-bedroom, three-bathroom units, with an average unit size of 876 square feet. Unit amenities include a full size washer and dryer, a wood-burning fireplace in select units, walk-in closets and a private patio. Property amenities include a resort-style swimming pool with a sun deck, a fitness facility and a spa.

Copper Mill**.** Copper Mill is located in the Far North Central submarket of the Austin, Texas metropolitan statistical area. The area immediately surrounding Copper Mill is dominated by apartment use and, due to the built-out nature of the area, there is little land remaining for development. Primary access to Copper Mill is provided by Interstate 35, Highway 183 and MoPac Expressway. Interstate 35 is primarily an eight-lane, north-south thoroughfare, while the MoPac Expressway acts as a loop around the western portions of the metropolitan statistical area. Well-located interchanges and thoroughfares allow for a commute to the Austin central business district of approximately 15 minutes. Copper Mill underwent a capital improvement program from 2007 to 2011. Copper Mill is a garden style, Class B apartment community with 320 units in 23 two-story buildings on 13.6 acres. The unit mix includes 164 one-bedroom, one-bathroom units, 32 two-bedroom, one-bathroom units, and 124 two-bedroom, two-bathroom units, with an average unit size of 818 square feet. Unit amenities include private patios or balconies and, for select units, containing ceiling fans, vaulted ceilings, fireplaces and washer and dryer connections. Property amenities include gated entry, a clubhouse, two swimming pools and 326 open lot parking spaces.

Crestmont. Crestmont is located in the Marietta submarket of the Atlanta, Georgia metropolitan statistical area, approximately 15 miles northwest of the Atlanta central business district. The neighborhood is close to the main northwest thoroughfare of Interstate 75 that connects with the Atlanta Beltway (Interstate 285), which is approximately eight miles south of Crestmont. Crestmont underwent a capital improvement program from 2007 to 2011. Crestmont is a garden style, Class B apartment community with 228 units in 15 two- and three-story buildings on 19.4 acres. The unit mix includes 52 one-bedroom, one-bathroom units, and 176 two-bedroom, two-bathroom units, with an average unit size of 882 square feet. Unit amenities include private balconies or patios, and select units with fireplaces, ceiling fans, and washer and dryer connections. Property amenities include a leasing office, a swimming pool, two lighted tennis courts, a playground, a laundry room, a car wash and vacuum area and a maintenance shop.

Table of Contents

Cumberland Glen. Cumberland Glen is located in the Smyrna submarket of the Atlanta, Georgia metropolitan statistical area. Cumberland Glen has road frontage on Cobb Parkway and provides easy access to both Interstate 75 and Interstate 285, two of the area s main thoroughfares. Cumberland Glen underwent a capital improvement program from 2007 to 2011. Cumberland Glen is a garden style, class B apartment community with 222 units in 11 three-story buildings on 14.0 acres. The unit mix includes 114 one-bedroom, one-bathroom units, 48 two-bedroom, one-bathroom units, and 60 two-bedroom, two-bathroom units, with an average unit size of 976 square feet. Unit amenities include washer and dryer connections and, in select units, wood-burning fireplaces. Property amenities include a laundry facility, swimming pool, tennis courts, fitness center, privacy gates, car wash facility, Jacuzzi, as well as 442 surface parking spaces.

Heritage Trace. Heritage Trace is located in the Newport News submarket of the Norfolk, Virginia metropolitan statistical area. Heritage Trace is situated five minutes from Interstate 64, the primary north-south artery in the area, which provides access to the major employment centers of Fort Eustis Military Reservation and the United States Naval Weapons Station. Military employment comprises the greatest component of the employment base for the area. In addition, the Newport News-Williamsburg International Airport is less than one mile from Heritage Trace Apartments. The area surrounding Heritage Trace contains many small and large retail properties, allowing easy access to shopping and entertainment for residents. Heritage Trace underwent a capital improvement program from 2007 to 2011. Heritage Trace is a garden style, Class B apartment community with 200 units in 13 two-story buildings on 19.7 acres. The unit mix includes 96 one-bedroom, one-bathroom units, 52 two-bedroom, two and a half-bathroom units, and 52 three-bedroom, two-bathroom units, with an average unit size of 896 square feet. Property amenities include a leasing office, a swimming pool, a playground, laundry facilities and 400 surface parking spaces.

Runaway Bay. Runaway Bay is located in the town of Speedway in Marion County, a suburb of Indianapolis, Indiana. Speedway is an independent governmental unit within Indianapolis and operates its own school system. The town s strong tax base, anchored by the presence of the Indianapolis Motor Speedway, allows Speedway to provide residents with public amenities that are not available in most other parts of Indianapolis. Speedway and Marion County are part of the Indianapolis-Carmel MSA. The MSA has a current population of approximately 1.8 million, making it one of the 40 largest MSAs in the nation. Runaway Bay is a garden style, Class A apartment community with 192 units in 15 two-story buildings and one clubhouse/leasing office on 18.6 acres. The unit mix includes 24 one-bedroom, one-bathroom units, 120 two-bedroom, two-bathroom units and 48 three-bedroom, two-bathroom units, with an average unit size of 1,194 square feet. Unit amenities include full-size washer and dryer connections, walk-in closets and private patios/balconies. Property amenities include a resort-style swimming pool with a spa, 24-hour fitness facility, a clubhouse and a common area laundry facility.

Tresa at Arrowhead. Tresa is located in the Peoria/Sun City submarket of the Phoenix, Arizona metropolitan statistical area in the city of Glendale. Located to the north and the east of Tresa is the 4,000 acre master planned community of Arrowhead Ranch. This master planned community has been the driving force behind the retail, apartment and freeway development that has occurred in the area over the past decade. Located just south of Tresa is the Arrowhead Towne Center, a 1.3 million square foot regional mall surrounded by several power centers. Other retail and entertainment developments include the Peoria Sports Complex, a sporting and concert venue that is the spring training home of Major League Baseball s Padres and Mariners. Also close to Tresa are the Jobing.com Arena, home to the NHL s Phoenix Coyotes, and the University of Phoenix Stadium, home to the NFL s Arizona Cardinals. Bell Road, located one-half mile south of Tresa, is a major east-west artery from Sun City to Scottsdale. Due to the existing freeway and arterial road system, Tresa s neighborhood is now accessible from virtually any point in the metro-Phoenix area with a 30-45 minute drive. Tresa is a garden style, Class A apartment community with 360 units in 37 one- and two-story buildings on 20 acres. The unit mix includes 148 one-bedroom, one-bathroom units, 148 two-bedroom, two-bathroom units, and 64 three-bedroom, three-bathroom units, with an average unit size of 903 square feet. Unit amenities include private patios or balconies, full size washers and dryers, walk in closets, nine foot ceilings, and wood-burning stoves in select units. Project amenities include three pools and spas, a clubhouse/leasing center with a movie theatre and kitchen area, a full fitness center with a tanning bed and sauna, a business center, gated access, and open green areas. Tresa has 705 parking spaces, including 366 covered spaces, 231 open spaces and 108 detached garages.

We consider a Class A property to be one that is well designed, using above-average materials, workmanship and finish and is very well maintained, typically located in a principal regional population area and typically less than ten years old or which has been the subject of a significant renovation in the past ten years. We consider a Class B property to be one that has functional design, with standard materials, workmanship and finish, with average to good maintenance, typically located in a secondary population area and typically more than ten years old.

We believe that all of our properties are adequately covered by insurance and are suitable for their intended purpose. We are aware of no plans for any material renovations with respect to any of our properties.

Table of Contents

Historical Performance of Our Apartment Properties

The following table shows a summary of information about each of the properties in our existing portfolio:

	As of March 31, 2013		As of December 31, 2012		As of December 31, 2011	
Property(1)	Average Effective Rent(2)	Average Occupancy(3)	Average Effective Rent(2)	Average Occupancy(3)	Average Effective Rent(2)	Average Occupancy(3)
Belle Creek	$ 896	95.7%	$ 870	91.4%	$ 829	92.7%
Centrepoint	817	98.1	797	94.7	800	93.1
Copper Mill	719	95.3	703	94.1	656	94.9
Crestmont	705	94.3	701	93.4	674	90.1
Cumberland Glen	662	94.6	670	95.5	653	83.6
Heritage Trace	751	80.0	760	81.5	741	94.3
Runaway Bay	939	93.8	941	94.3		
Tresa at Arrowhead	836	96.7	784	91.1	766	90.9
	$ 791	93.6%	$ 757	92.0%	$ 721	91.4%

(1) Information is presented only for those fiscal years during which we owned the properties. Information for 2011 is not presented for Runaway Bay since we acquired it in October 2012.
(2) Average effective rent represents the average monthly rent collected for all occupied units for the applicable period, after giving effect to tenant concessions.
(3) Average occupancy for each of our properties is calculated as (i) total units rented as of December 31st of the applicable year or March 31, 2013 for the period then ended divided by (ii) total units available for rent as of December 31st of the applicable year or March 31, 2013 for the period then ended, respectively, expressed as a percentage.

The following table sets forth, for each of the properties in our existing portfolio for the year ended December 31, 2012, the components upon which we take depreciation (on a tax basis), including the claimed useful life and depreciation method (dollar amounts are presented in thousands):

	Depreciation Component							
	Land	Building(1)	Building Improvements(1)	Carpet and Flooring(2)	Land Improvements(3)	Furniture and Fixtures(2)	Equipment(2)	Total
	Useful Life							
	N/A	27.5 years	27.5 years	5 years	15 years	7 years	5 years	
Belle Creek	$ 1,890	$ 7,562	$ 201	$ 37	$ 18	$ 5	$ 13	$ 9,726
CentrePoint	5,620	22,480	157	80	70	6	11	$ 28,424
Copper Mill	3,472	13,888	110	53	71	9	47	$ 17,650
Crestmont	3,254	13,017	66	74	5	6	17	$ 16,439
Cumberland Glen	3,100	13,114	101	52	5	3	37	$ 16,412
Heritage Trace	2,673	10,691	112	115	96	42	25	$ 13,709
Runaway Bay	3,079	12,318		4				$ 15,401
Tresa at Arrowhead	7,080	28,320	144	122	56	42	31	$ 35,795

(1) Depreciated on a straight-line mid-month basis.
(2) Depreciated using a double declining balance method and a mid-year convention.
(3) Depreciated using a 150% declining balance method and a mid-year convention.

46

Table of Contents

The following table sets forth certain real estate tax information for each of our existing properties for the year ended December 31, 2012:

Property Name[(1)]	Federal Tax Basis	2012 Realty Taxes	2012 Realty Tax Rate[(2)]
Belle Creek	$ 893,920	$ 146,849	$ 16.43
CentrePoint	3,045,443	202,802	6.66
Copper Mill	11,016,673	266,498	2.42
Crestmont	4,208,000	132,354	3.15
Cumberland Glen	4,002,400	144,647	3.61
Heritage Trace	10,100,000	111,100	1.10
Runaway Bay	10,711,200	262,456	2.45
Tresa at Arrowhead	14,873,300	183,114	1.23

(1) To the extent we undertake certain capital improvements in the future, we may incur additional realty taxes.
(2) Per $100 of assessed value.

Outstanding Indebtedness

The following table contains summary information concerning the mortgage debt that encumbered the properties in our existing portfolio as of March 31, 2013 (dollars in thousands):

Property	Outstanding Principal	Interest Rate	Maturity Date
Belle Creek	$ 10,575	2.5%[(1)]	April 28, 2021
Centrepoint	17,600	3.7[(2)]	January 1, 2019
Copper Mill	7,350	5.7[(3)]	May 1, 2021
Crestmont	6,750	5.7[(3)]	May 1, 2021
Cumberland Glen	6,900	5.7[(3)]	May 1, 2021
Heritage Trace	5,500	5.7[(3)]	May 1, 2021
Runaway Bay	10,238	3.6[(4)]	November 1, 2022
Tresa at Arrowhead	27,500	2.5[(1)]	April 28, 2021
Total Portfolio	$ 92,413		

(1) Floating rate; interest only is payable monthly at a rate of 225 basis points over 30-day LIBOR. The interest rate of 2.50% is fixed for the first two years with an option to fix the interest rate after two years at 275 basis points over the respective swap rate then in effect. The mortgage loan is not permitted to be prepaid prior to April 29, 2016. Thereafter, the mortgage loan is generally prepayable in whole, but not in part, subject to the payment of a make-whole breakage amount, which is based on the aggregate interest shortfall that would exist on each subsequent monthly payment date through maturity, if any.
(2) Interest-only payments are required monthly at the indicated interest rate. Beginning February 1, 2015, payments of principal and interest will be required based on a 30-year amortization schedule. The mortgage loan is generally prepayable, subject to a prepayment premium based on the remaining amount of the loan and then-current rates, through June 2018.
(3) Beginning May 1, 2013, payments of principal and interest are required based on a 30-year amortization schedule. The mortgage loan is not permitted to be prepaid prior to February 2, 2021. However, the mortgage loan may be defeased and the collateral securing the mortgage loan released, subject to our compliance with customary conditions to defeasance.
(4) Interest-only payments are required monthly at the indicated interest rate. Beginning November 1, 2013, payments of principal and interest will be required based on a 30-year amortization schedule. The mortgage loan is generally prepayable, subject to a prepayment premium based on the remaining amount of the loan and then-current interest rates, through April 2022.

Table of Contents

The weighted average interest rate of our mortgage indebtedness was 3.8% as of March 31, 2013. For two of our properties, Belle Creek and Tresa at Arrowhead, the indebtedness was provided by an affiliate of RAIT. Each of our mortgages is a non-recourse obligation subject to customary exceptions. The loan agreements contain customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan, defaults in payments under any other security instrument covering any part of the property, whether junior or senior to the loan, and bankruptcy or other insolvency events.

Form of Property Ownership

We will typically hold (through wholly owned subsidiaries) fee title in the properties we acquire. However, subject to any required approvals, maintaining our status as a REIT and maintaining our exemption from registration as an investment company under the Investment Company Act, we may also invest in or acquire operating companies or other entities that own and operate assets that meet our investment objectives. We will consider doing so if we believe it to be more efficient to acquire an entity that already owns assets meeting our investment objectives than to acquire such assets directly. Also, we may enter into one or more joint ventures, tenant-in-common investments or other co-ownership arrangements for the acquisition or improvement of properties with third parties or affiliates of our advisor, including other real estate programs that may be sponsored by affiliates of our advisor.

Joint Venture Investments

We may enter into joint ventures, partnerships, tenant-in-common investments, other co-ownership arrangements with real estate developers, owners and other third parties, including affiliates of our advisor, for the acquisition, improvement and operation of properties. Any joint venture with affiliates of our advisor must be approved by a majority of our directors, including a majority of our independent directors not otherwise interested in the transaction. In determining whether to invest in a particular joint venture, our advisor will evaluate the investment that such joint venture owns or is being formed to own under the same criteria described elsewhere in this prospectus for our selection of real property investments.

We will establish the terms with respect to any particular joint venture agreement on a case-by-case basis after our board of directors considers all of the facts that are relevant, such as the nature and attributes of our other potential joint venture partners, the proposed structure of the joint venture, the nature of the operations, the liabilities and assets associated with the proposed joint venture and the size of our interest when compared to the interests owned by other partners in the venture. With respect to any joint venture investment, we expect to consider the following:

- ***Our ability to manage and control the joint venture.*** We will seek to obtain certain approval rights in joint ventures we do not control. For proposed joint ventures in which we are to share control with another entity, we will consider procedures to address decisions in the event of an impasse.

- ***Our ability to exit a joint venture.*** We will consider requiring buy/sell rights, redemption rights and/or forced liquidation rights to allow us to control the timing of our exit.

- ***Our ability to control transfers of interests held by other partners to the venture.*** We will consider requiring consent provisions, rights of first refusal, and/or forced redemption rights in connection with transfers.

Our Advisor s Approach to Evaluating Potential Investments

Our advisor s investment approach combines its experience with a structure that emphasizes thorough market research, local market knowledge, underwriting discipline, and risk management in evaluating potential investments:

- ***Market Research.*** Our advisor s investment team researches the acquisition and underwrites each transaction, utilizing both real-time market data and the transactional knowledge and experience of RAIT s or our advisor s network of professionals.

Local Market Knowledge. Our advisor, either directly or through its relationship with real estate professionals in the area, develops information concerning the locality in which a property is located to assess its competitive position.

Underwriting Discipline. Our advisor follows a disciplined process to evaluate a potential investment in terms of its income-producing capacity and prospects for capital appreciation, which includes a review of property fundamentals (including tenant/lease base, lease rollover, expense structure, occupancy, and property capital expenditure), capital markets fundamentals (including cap rates, interest rates and holding period) and market fundamentals (including rental rates, concession and occupancy levels at comparable properties), as well as projected delivery and absorption rates. Our advisor will strive to verify all assumptions by third-party research from credible sources, to the extent practical, in order to ensure consistency in the underwriting approach.

Risk Management. Risk management is a fundamental principle in our advisor s construction of our portfolio and in the management of each investment. Diversification of our portfolio by investment size and risk is critical to controlling portfolio-level risk.

Table of Contents

When evaluating potential acquisitions and dispositions, our advisor generally considers the following factors as applicable:

- strategically targeted markets;
- income levels and employment growth trends in the relevant market;
- employment and household growth and net migration of the relevant market s population;
- supply of undeveloped or developable real estate, local building costs and construction costs;
- the location, construction quality, condition and design of the property;
- the current and projected cash flow of the property and the ability to increase cash flow;
- the potential for capital appreciation of the property;
- purchase price relative to the replacement cost of the property;
- the terms of leases, including the potential for rent increases;
- the potential for economic growth and the tax and regulatory environment of the community in which the property is located;
- the occupancy and demand by residents for properties of a similar type in the vicinity;
- the prospects for liquidity through sale, financing or refinancing of the property;
- the benefits of integration into existing operations;
- competition from existing apartment properties and properties under development and the potential for the construction of new apartment properties in the area; and
- potential for opportunistic selling based on demand and price of high quality assets.

Terms of Leases and Tenant Characteristics

The leases for our apartment portfolio typically follow standard forms customarily used between landlords and tenants in the geographic area in which the relevant property is located. Under such leases, the tenant typically agrees to pay an initial deposit (generally one month s rent) and pays rent on a monthly basis. As landlord, we are directly responsible for all real estate taxes, sales and use taxes, special assessments, property-level utilities, insurance and building repairs, and other building operation and management costs. Individual tenants are responsible for the utility costs of their unit. Our lease terms generally range from six months to two years and average twelve months.

Our apartment tenant composition varies across the regions in which we operate, includes single and family renters and is generally reflective of the principal employers in the relevant region. For example, in our Norfolk, Virginia market, many of our tenants are employees of the U.S. military. Our apartment properties predominantly consist of one-bedroom and two-bedroom units, although some of our apartment properties also have three-bedroom units.

Tenant Creditworthiness

We execute new leases and lease renewals, expansions and extensions with terms in accordance with the prevailing market and sub-market conditions. We use a number of industry credit rating services to determine the creditworthiness of potential tenants. We have established leasing guidelines to use in evaluating prospective tenants and proposed lease terms and conditions. Historically, we have had a low rate of tenant delinquencies at our existing properties, which we measure weekly to determine accounts 30 days past due.

Property-Level Business Strategy

Our advisor s investment approach also includes active and aggressive management of each property acquired. Our advisor believes that active management is critical to creating value.

Prior to the purchase of a property, our property manager works closely with our advisor to develop a business strategy for the property. This includes a forecast of the action items to be taken and the capital needed to achieve the anticipated returns. Our advisor reviews such property-level business strategies quarterly to anticipate changes or opportunities in the market.

In an effort to keep properties in compliance with our underwriting standards and management strategies, our advisor will remain involved through the investment life cycle of each acquired property and will actively consult with our property manager throughout the holding period.

Table of Contents

Dispositions

Our advisor will evaluate the exit strategy of each asset in response to the performance of the individual asset, market conditions and our overall portfolio objectives.

Economic and market conditions may influence us to hold our investments for different periods of time. We may sell an asset before the end of the expected holding period if we believe that market conditions and asset positioning have maximized its value to us or the sale of the asset would otherwise be in the best interests of our stockholders.

We expect that third parties that acquire our properties will purchase them for cash. However, in some instances we may sell our properties by providing financing to purchases. It may be beneficial for us to provide financing to purchasers if providing such financing would accelerate the time in between signing and closing. Any such financing would be on terms consistent with the prevailing market conditions for similar financings.

Borrowing Policies

We intend to use prudent amounts of leverage in making our investments, which we define as having total indebtedness of no more than approximately 70% of the combined initial purchase price of all of the properties in our portfolio. However, we are not subject to any limitations on the amount of leverage we may use, and, accordingly, the amount of leverage we use may be significantly less or greater than we currently anticipate. By operating on a leveraged basis, we expect to have more funds available for property acquisitions and other purposes, which we believe will allow us to acquire more properties than would otherwise be possible, resulting in a larger and more diversified portfolio. See the Risk Factors section of this prospectus for more information about the risks related to operating on a leveraged basis.

The number of different investments we will acquire will be affected by numerous factors, including the amount of funds available to us. By operating on a leveraged basis, we will have more funds available for our investments. This will allow us to make more investments than would otherwise be possible, resulting in a larger and more diversified portfolio.

We may incur indebtedness in the form of bank borrowings, purchase money obligations to the sellers of properties we purchase, publicly and privately-placed debt instruments or financings from institutional investors or other lenders. This indebtedness may be unsecured or secured by mortgages or other interests in our properties, or may be limited to the particular property to which the indebtedness relates. We expect to incur non-recourse indebtedness; however, we may grant our lenders recourse to assets not securing the repayment of the indebtedness if we determine that it is beneficial for us to enter into such recourse loans. Further, such borrowings may also provide the lender with the ability to make margin calls and may limit the length of time which any given asset may be used as eligible collateral. The form of our indebtedness may be long-term or short-term, fixed or floating rate, or in the form of a revolving credit facility.

There is no limitation on the amount we may borrow for the purchase of any single property or other investment although our directors must determine that the amount of debt we incur is reasonable in relation to our assets. Our directors will generally review the reasonableness of our debt burden on a quarterly basis. In determining whether our borrowings are reasonable in relation to our net assets, we expect that our board of directors will consider many factors, including without limitation, the lending standards of government-sponsored enterprises, such as Fannie Mae and Freddie Mac, for loans in connection with the financing of apartment properties, the leverage ratios of publicly traded REITs with similar investment strategies, whether we have positive leverage (that is, the capitalization rates of our properties exceed the interest rates on the indebtedness of such properties) and general market conditions.

Other than the mortgage financing for our properties, we have no established financing sources as of the date of this prospectus. Although we expect our liability for the repayment of indebtedness to be limited to the value of the property securing the liability and the rents or profits derived therefrom, our use of leverage increases the risk of default on the mortgage payments and a resulting foreclosure of a particular property. To the extent that we do not obtain mortgage loans on our properties, our ability to acquire additional properties will be limited.

Table of Contents

When interest rates are high or financing is otherwise unavailable on a timely basis, we may purchase certain properties and other assets for cash with the intention of obtaining a loan for a portion of the purchase price at a later time. Our advisor will refinance properties during the term of a loan only under limited circumstances, such as when a decline in interest rates makes it beneficial to prepay an existing mortgage, an existing mortgage matures or an attractive investment becomes available and the proceeds from the refinancing can be used to purchase such investment. There are no formal restrictions on our advisor s ability to refinance properties. The benefits of the refinancing may include an increased cash flow resulting from reduced debt service requirements, an increase in distributions from proceeds of the refinancing and an increase in property ownership if refinancing proceeds are reinvested in real estate.

Regulation

Apartment properties are subject to various laws, ordinances and regulations, including regulations relating to common areas, such as swimming pools, activity centers, and recreational facilities. We believe that each of our properties has the necessary permits and approvals to operate its business.

Americans with Disabilities Act

Our properties must comply with Title III of the ADA, to the extent that such properties are public accommodations as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe that our properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in imposition of fines or an award of damages to private litigants. The obligation to make readily accessible accommodations is an ongoing one, and we will continue to assess our properties and make alterations as appropriate in this respect.

Fair Housing Act

The Fair Housing Act, its state law counterparts and the regulations promulgated by the U.S. Department of Housing and Urban Development and various state agencies, prohibit discrimination in housing on the basis of race or color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women and people securing custody of children under 18) or handicap (disability) and, in some states, financial capability. A failure to comply with these laws in our operations could result in litigation, fines, penalties or other adverse claims, or could result in limitations or restrictions on our ability to operate, any of which could materially and adversely affect us. We believe that we operate our properties in substantial compliance with the Fair Housing Act.

Environmental Matters

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under, or migrating from such property, including costs to investigate and clean up such contamination and liability for natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines, or other costs could exceed the value of the property and/or our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation and/or personal or property damage or materially adversely affect our ability to sell, lease or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures.

Independent environmental consultants have conducted Phase I Environmental Site Assessments at all of the properties in our portfolio using the American Society for Testing and Materials, or ASTM, Standard E 1527-05, or Standard E 1527-00. A Phase I Environmental Site Assessment is a report that identifies potential or existing environmental contamination liabilities. Site assessments are intended to discover and evaluate information regarding the environmental condition of the assessed property and surrounding properties. These assessments do not generally include soil samplings, subsurface investigations or an asbestos survey. None of the site assessments identified any known past or present contamination that we believe would have a material adverse effect on our business, assets or operations. However, the assessments are limited in scope and may have failed to identify all environmental conditions or concerns. A prior owner or operator of a property or historic operations at our properties, or operations and conditions at nearby properties, may have created a material environmental condition that is not known to us or the independent consultants preparing the site assessments. Material environmental conditions may have arisen after the review was completed or may arise in the future, and future laws, ordinances or regulations may impose material additional environmental liability.

Moreover, conditions identified in environmental assessments that did not appear material at that time, may in the future result in material liability.

Table of Contents

Environmental laws also govern the presence, maintenance and removal of hazardous materials in building materials (e.g. asbestos and lead), and may impose fines and penalties for failure to comply with these requirements or expose us to third party liability (e.g., liability for personal injury associated with exposure to asbestos). Such laws require that owners or operators of buildings containing hazardous materials properly manage and maintain certain hazardous materials, adequately notify or train those who may come into contact with certain hazardous materials, and undertake special precautions, including removal or other abatement, if certain hazardous materials would be disturbed during renovation or demolition of a building. In addition, the properties in our portfolio are subject to various federal, state, and local environmental and health and safety requirements, such as state and local fire requirements.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants or others if property damage or personal injury occurs. We are not presently aware of any material adverse indoor air quality issues at our properties.

The cost of future environmental compliance may materially and adversely affect us. See Risk Factors Risks Associated with Real Estate.

Insurance

We carry comprehensive general liability and property (including fire, extended coverage and rental loss) insurance covering all of the properties in our portfolio under a blanket insurance policy. We consider the policy specifications and insured limits to be in line with coverage customarily obtained by owners of similar properties and appropriate given the relative risk of loss and the cost of the coverage. Moreover, even if we do have coverage on a particular risk, it may not be sufficient to fully cover all of our losses. While we do maintain insurance against terrorism, earthquakes, hurricanes and flooding, there are certain types of losses, such as lease and other contract claims, acts of war and other acts of God that generally are not insured because such coverage is not available or it is not available at commercially reasonable rates. Moreover, we cannot predict whether all of the coverage that we currently maintain will be available to us in the future, or what the future costs or limitations on any coverage that is available to us will be.

Competition

In attracting and retaining residents to occupy our properties, we compete with numerous other housing alternatives. Our properties compete directly with other rental apartments as well as condominiums and single-family homes that are available for rent or purchase in the sub-markets in which our properties are located. Principal factors of competition include rent or price charged, attractiveness of the location and property and quality and breadth of services and amenities. If our competitors offer leases at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose potential tenants and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain tenants when our tenants leases expire.

The number of competitive properties relative to demand in a particular area has a material effect on our ability to lease apartment units at our properties and on the rents we charge. In certain sub-markets there exists an oversupply of single family homes and condominiums and a reduction of households, both of which affect the pricing and occupancy of our rental apartments. Additionally, we compete with other real estate investors, including other apartment REITs, pension and investment funds, partnerships and investment companies in acquiring, redeveloping and managing apartment properties. This competition affects our ability to acquire properties and the price that we pay in such acquisitions.

Employees

We are externally managed by our advisor pursuant to the advisory agreement between our advisor and us. All of our officers are employees of RAIT or its affiliates, and we do not have any employees.

Legal Proceedings

From time to time, we are party to various lawsuits, claims for negligence and other legal proceedings that arise in the ordinary course of our business. We are not currently a party, as plaintiff or defendant, to any legal proceedings which, individually or in the aggregate, would be expected to have a material effect on our business, financial condition, results of operations, or financial statements, taken as a whole, if determined adversely to us.

Table of Contents

Corporate Information

Our principal executive offices are located at Cira Centre, 2929 Arch Street, 17th Floor, Philadelphia, Pennsylvania 19104, our telephone number is (215) 243-9000, and our website address is *www.irtreit.com*. The contents of that website are not incorporated by reference or otherwise made part of this prospectus.

Table of Contents

OUR MANAGEMENT

Our General Management

We operate under the direction of our board of directors. Our board of directors is responsible for the overall management and control of our affairs. Our board of directors must approve all investment decisions involving the acquisitions of properties upon recommendations made by our advisor and in accordance with our investment guidelines, as set forth in Our Business and Properties Our Business Objectives and Strategy.

We currently have four directors, three of whom are independent directors under standards established by the SEC and the NYSE MKT. Directors are elected annually by our stockholders, and there is no limit on the number of times a director may be elected to office. Each director serves until the next annual meeting of stockholders or (if longer) until his or her successor is duly elected and qualifies.

Our board of directors has approved our objectives and strategies on investments and borrowing as described in this prospectus. The directors may establish further written objectives and strategies on investments and borrowings, or modify existing strategies and objectives, and will monitor our administrative procedures, investment operations and performance.

Our Directors and Officers

The following table sets forth information with respect to our directors and executive officers.

Name	Age	Position and Office
Scott F. Schaeffer	50	Chairman of the Board of Directors, Chief Executive Officer and President
James J. Sebra	37	Chief Financial Officer and Treasurer
William C. Dunkelberg	70	Independent Director
Robert F. McCadden	55	Independent Director
DeForest B. Soaries, Jr.	61	Independent Director

Scott F. Schaeffer has served as the chairman of our board of directors since January 2011 and our chief executive officer and president since February 2013. He has also served as the chief executive officer of RAIT since February 2009, its president since February 2008, its chairman since December 2010, its chief operating officer from February 2008 to February 2009, its co-president and co-chief operating officer from December 2006 to February 2008 and its president and chief operating officer from September 2000 to December 2006. Mr. Schaeffer served as the vice chairman of the board of directors of Resource America, Inc., a specialty finance company, from 1998 to 2000, the executive vice president of Resource America from 1997 to 1998, and a senior vice president of Resource America from 1995 to 1997. Mr. Schaeffer also served as President of Resource Properties, Inc., a wholly owned real estate subsidiary of Resource America, from 1992 to 2000. Mr. Schaeffer served as a director of Resource America until October 2002. Mr. Schaeffer was selected to serve on our board of directors primarily because of his substantial involvement in the acquisition and financing of apartment properties over his 26-year career in real estate. We believe that he is uniquely capable of committing our advisor s resources to help us identify, acquire and finance investments in apartment properties. Mr. Schaeffer holds a Bachelor of Science in Commerce from Rider University in Lawrenceville, New Jersey.

James J. Sebra has served as our chief financial officer since May 2012 and our treasurer since January 2011. Mr. Sebra has also served as the chief financial officer and treasurer of RAIT since May 2012 and as the senior vice president-finance and chief accounting officer of RAIT from May 2007 to May 2012. Mr. Sebra joined RAIT in connection with its acquisition of Taberna and served as Taberna s vice president and chief accounting officer from June 2005 until its acquisition on December 11, 2006. Prior to joining Taberna, Mr. Sebra served as the controller of Brandywine Realty Trust, a publicly held REIT, from 2004 to 2005. From 1998 to 2004, Mr. Sebra worked with Arthur Andersen LLP and KPMG LLP, public accounting firms, serving a variety of publicly held and privately held real estate companies and professional service firms. Mr. Sebra holds a Bachelor of Science in Accounting from Saint Joseph s University in Philadelphia and a Master of Business Administration from Villanova University in Philadelphia.

William C. Dunkelberg, Ph.D. has served as one of our independent directors since February 2011. Dr. Dunkelberg has served as the chairman of the board of directors since July 2005 and member of the audit committee since 2003 of Liberty Bell Bank, a publicly-traded commercial bank chartered in New Jersey. He has served as Professor of Economics in the College of Liberal Arts at Temple University in Philadelphia, Pennsylvania since 1987, where he previously served as Dean of the School of Business and Management from 1987 to 1994. He has served as chief economist for the National Federation of Independent Business, a nonprofit industry association representing small and independent businesses, since 1973. Dr. Dunkelberg was a consultant to the National

54

Table of Contents

Federation of Independent Business from 1970 until he accepted the position as chief economist. He has served as Economic Strategist for Boenning & Scattergood, an independent investment banking firm, since April 2009. He co-founded Wireless Energy Solutions, a private company, in July 2009, and continues to serve on its board of directors. He previously served as a member of the board of directors of NCO Group, Inc., a public provider of business process outsourcing solutions, from 2000 until the company was sold in November 2006. Dr. Dunkelberg holds a Bachelor of Arts, a Master of Economics and a Doctor of Philosophy in Economics, each from the University of Michigan in Ann Arbor. Dr. Dunkelberg was selected to serve on our board of directors primarily because of his expertise in economics and banking and his experience as a director of both public and private companies.

Robert F. McCadden has served as one of our independent directors since February 2011. Mr. McCadden has served as executive vice president and chief financial officer of Pennsylvania Real Estate Investment Trust, a publicly-traded REIT (NYSE: PEI), since 2004. He was a partner of KPMG LLP, a national accounting firm, from 2002 to 2004. Before joining KPMG LLP, Mr. McCadden joined Arthur Andersen LLP in 1979 and became partner in 1993. He continued as a partner of Arthur Andersen LLP, a national accounting firm, until he joined KPMG LLP in 2002. He is a member of the American Institute of Certified Public Accountants (AICPA), the Pennsylvania Institute of Certified Public Accountants (PICPA), NAREIT and the International Council of Shopping Centers (ICSC). Mr. McCadden is a Certified Public Accountant and holds a Bachelor of Business Administration from Temple University. Mr. McCadden was selected to serve on our board of directors because of his accounting and financial expertise and experience with public REITs.

DeForest B. Soaries, Jr., D.Min. has served as one of our independent directors since February 2011. Dr. Soaries has served as a director for the Federal Home Loan Bank of New York since January 2009, a position which he previously held from February to December 2003. In this capacity, he served on the affordable housing committee that reviews and approves housing development projects for government funding. Since 1990, he has served as the Senior Pastor of the First Baptist Church of Lincoln Gardens in Somerset, New Jersey, where he currently leads a congregation of 7,000 members. From 2004 to 2005, he served as the first chairman of the U.S. Election Assistance Commission (EAC), appointed by former President George W. Bush and confirmed by the U.S. Senate. From 1999 to 2002, Dr. Soaries served as Secretary of State of New Jersey. In this capacity, he served for three years on the Governor s Urban Coordinating Council that guided state policy on real estate development, most of which was apartment real estate development. Dr. Soaries was a professor at the Drew University Theological School in Madison, New Jersey from 1997 to 1999, Kean University in Union, New Jersey from 1993 to 1994 and Princeton Theological Seminary in Princeton, New Jersey from 1992 to 1993 and an assistant professor at Mercer County Community College in Trenton, New Jersey from 1989 to 1991. He has led the development, ownership, conversion and management of several apartment projects as a community development executive and is currently developing a mixed-use property with approximately 80 senior housing units. Dr. Soaries holds a Bachelor of Arts in Urban and Religious Studies from Fordham University in Bronx, New York, a Master of Divinity from Princeton and a Doctor of Ministry from United Theological Seminary in Dayton, Ohio. Dr. Soaries was selected to serve on our board of directors primarily because of his diverse background in banking, community development, apartment properties, government and as a director of the Federal Home Loan Bank of New York.

Corporate Governance Profile

We have structured our corporate governance in a manner we believe closely aligns our interests with those of our stockholders. Notable features of our corporate governance structure include the following:

- our board of directors is not staggered, with each of our directors subject to re-election annually;
- of the four persons who will serve on our board of directors immediately after the completion of this offering, three, or 75%, of our directors, have been determined by us to be independent for purposes of the NYSE MKT s corporate governance listing standards and Rule 10A-3 under the Exchange Act, as amended;
- we have opted out of the business combination and control share acquisition statutes in the MGCL; and
- we do not have a stockholder rights plan.

Board Committees

We currently have a standing audit committee and, upon the completion of this offering, our board of directors will establish two additional standing committees: a compensation committee and a nominating and corporate governance committee. All of our standing committees will consist solely of independent directors, the principal functions of which are briefly described below. Our board of directors may from time to time establish other committees to facilitate our management.

Audit Committee

Our board of directors has established an audit committee consisting of our three independent directors, William C. Dunkelberg, Robert F. McCadden and DeForest B. Soaries, Jr. Mr. McCadden is the audit committee chairman and an audit committee financial expert, as defined by applicable rules promulgated by the SEC and the NYSE MKT corporate governance listing standards. Our audit committee operates pursuant to a written charter adopted by our board of directors. Among other things, the principal functions of the audit committee are oversight related to:

- our accounting and financial reporting processes;
- the integrity of our consolidated financial statements and financial reporting process;
- our systems of disclosure controls and procedures and internal control over financial reporting;
- our compliance with financial, legal and regulatory requirements;
- the evaluation of the qualifications, independence and performance of our independent registered public accounting firm;
- the performance of our internal audit function; and
- our overall risk profile.

The audit committee will also be responsible for engaging an independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered public accounting firm, including all audit and non-audit services, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls. The audit committee also will prepare the audit committee report required by SEC regulations to be included in our annual proxy statement.

Compensation Committee

At or before completion of this offering, we will establish a compensation committee, which will consist of all of our independent directors, and will adopt a compensation committee charter that details the principal functions of the compensation committee. These functions will include:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to our chief executive officer s compensation, if any, evaluating our chief executive officer s performance in light of such goals and objectives and determining and approving the remuneration, if any, of our chief executive officer based on such evaluation;
- reviewing and approving the compensation, if any, of all of our other officers;
- reviewing our executive compensation policies and plans;
- overseeing plans and programs related to the compensation of the advisor, including fees payable to the advisor pursuant to the advisory agreement with our advisor;

- implementing and administering our incentive compensation equity-based remuneration plans, if any;
- assisting management in complying with our proxy statement and annual report disclosure requirements;
- producing a report on executive compensation to be included in our annual proxy statement; and
- reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors.

Nominating and Corporate Governance Committee

At or before completion of this offering, we will establish a nominating and corporate governance committee, which will consist of all of our independent directors, and will adopt a nominating and corporate governance committee charter that details the principal functions of the nominating and corporate governance committee. These functions will include:

- identifying and recommending to the full board of directors qualified candidates for election as directors and recommending nominees for election as directors at the annual meeting of stockholders;
- developing and recommending to the board of directors corporate governance guidelines and implementing and monitoring such guidelines;
- reviewing and making recommendations on matters involving the general operation of the board of directors, including board size and composition, and committee composition and structure;
- recommending to the board of directors nominees for each committee of the board of directors;

- annually facilitating the assessment of the board of directors performance as a whole and of the individual directors, as required by applicable law, regulations and the NYSE MKT corporate governance listing standards; and

- overseeing the board of directors evaluation of management.

Any waiver of the code of business conduct and ethics for our executive officers or directors must be approved by a majority of our independent directors, and any such waiver shall be promptly disclosed as required by law or NYSE MKT regulations.

Code of Business Conduct and Ethics

Our board of directors has established a code of business conduct and ethics. The code of business conduct and ethics has been designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;

- compliance with applicable governmental laws, rules and regulations;

- prompt internal reporting of violations of the code to appropriate persons identified in the code; and

- accountability for adherence to the code.

Waivers to the code of business conduct and ethics may only be granted by a majority of the independent directors of our board of directors. In the event that the independent directors grant any waivers to the code of business conduct and ethics for any of executive officers and directors, we will promptly disclose such waivers as required by law or NYSE MKT regulations.

Compensation of Directors

Our director compensation is designed with the goals of attracting and retaining highly qualified individuals to serve as independent directors and to fairly compensate them for their time and efforts. Our independent directors receive an annual fee of $30,000, payable quarterly, and are reimbursed for their out-of-pocket expenses in attending board and committee meetings. Our audit committee chairperson receives an additional annual fee of $10,000, payable quarterly. We also intend to issue to each of our independent directors 3,000 shares of our common stock annually pursuant to our independent directors compensation plan, which operates as a sub-plan of our long term incentive plan described below. An independent director is also entitled to receive his or her annual fee in the form of our common stock or a combination of common stock and cash, at his or her election.

Compensation of Officers

Because our advisory agreement provides that our advisor is responsible for managing our affairs, our officers have not received, nor do we expect they will in the future receive, any cash compensation from us for their services as our officers. Instead, we pay our advisor the fees described under Our Advisor, Our Property Manager and Related Agreements Advisory Agreement. We may, however, compensate our officers with restricted or unrestricted shares of our common stock in accordance with our long term incentive plan. Our board of directors (including a majority of our independent directors) will determine if and when any of our officers will receive restricted or unrestricted shares of our common stock. As of the date of this prospectus, we have not granted any shares of our common stock to our officers as compensation or otherwise. Additionally, our officers are officers of one or more of our affiliates and are compensated by those entities (including RAIT), in part, for their services rendered to us.

Long Term Incentive Plan

We adopted our amended and restated long term incentive plan to:

- furnish incentives to individuals chosen to receive shares to improve our operations and increase profits;
- encourage selected persons to accept or continue employment with our advisor and its affiliates; and
- increase the interest of our employees, officers and directors in our welfare through their participation in the growth in the value of our common shares.

The long term incentive plan provides us with the ability to grant awards of restricted or unrestricted shares to directors, officers, employees of, and certain consultants to, our company, our advisor, its affiliates or other entities that provide services to us. We authorized and reserved shares for future issuance under the long term incentive plan.

Awards of unrestricted shares will fully vest and become non-forfeitable on the grant date. Restricted share awards entitle the recipient to restricted shares from us under terms that provide for vesting over a specified period of time or upon attainment of pre-established performance objectives. Such awards would typically be forfeited with respect to any unvested shares upon the termination of the recipient s employment or other relationship with us. Restricted shares may not, in general, be sold or otherwise transferred

Table of Contents

until restrictions are removed and the shares have vested. Holders of restricted shares may receive cash distributions prior to the time that the restrictions on the restricted shares have lapsed. Any distributions payable in shares of our common stock will be subject to the same restrictions as the underlying restricted shares.

Limitation of Liability and Indemnification of Our Directors, Officers and Advisor

Maryland law permits us to include in our charter a provision limiting the liability of our directors and officers to us and our stockholders for money damages unless:

- the person actually received an improper benefit or profit in money, property or services; and
- the person is adjudged to be liable based on a finding that the person s action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding.

Our charter contains a provision which eliminates directors and officers liability to the maximum extent permitted by Maryland law.

The Maryland General Corporation Law requires us (unless our charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. Maryland law permits us to indemnify our present and former directors, officers, employees and agents against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the person was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty,
- the person actually received an improper personal benefit in money, property or services, or
- in the case of any criminal proceeding, the person had reasonable cause to believe that the act or omission was unlawful.

A court may order indemnification if it determines that the person is fairly and reasonably entitled to indemnification, even though the person did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification for an adverse judgment in a suit by a corporation or in its right, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses.

In addition, the Maryland General Corporation Law permits the advance of reasonable expenses to a director, officer, employee or agent of a corporation upon receipt of (a) a written affirmation by the person of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed if it is ultimately determined that the standard of conduct was not met.

Our charter authorizes us, to the maximum extent permitted by Maryland law, to obligate our company to indemnify any present or former director or officer or any individual who, while a director or officer and, at our request, serves or has served another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner, member, manager or trustee, against any claim or liability arising from that status and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. Our bylaws obligate us to provide such indemnification and advance of expenses. Our charter and bylaws also permit us to indemnify and advance expenses to any individual who served our predecessor in any of the capacities described above and any employee or agent of us or our predecessor.

We intend to purchase and maintain insurance on behalf of our directors and officers against any liability asserted against or incurred by them in their capacities with us or arising out of such status. Until we purchase our own insurance, our directors and officers are covered under RAIT s directors and officers liability insurance.

We have also entered into indemnification agreements with each of our directors and officers. The indemnification agreements require, among other things, that we indemnify our directors and advance all related expenses, to the maximum extent permitted by Maryland law and subject to reimbursement if it is subsequently determined that indemnification is not permitted.

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Table of Contents

OUR ADVISOR, OUR PROPERTY MANAGER AND RELATED AGREEMENTS

Our Advisor

We are externally managed and advised by our advisor pursuant to an advisory agreement. See Our Advisory Agreement. Our advisor is indirectly wholly owned by RAIT and our advisor s operations are managed by a board of managers selected by RAIT. Our advisor is located at Cira Centre, 2929 Arch Street, 17th Floor, Philadelphia, Pennsylvania 19104 and its telephone number is (215) 243-9000. Each of our officers is an officer of RAIT.

The following table sets forth information regarding our advisor s managers and executive officers.

Name	Age	Position and Office
Scott F. Schaeffer	50	Chief Executive Officer and Manager
Farrell M. Ender	37	President
James J. Sebra	37	Treasurer
Raphael Licht	45	Manager

The biographical summaries of Messrs. Schaeffer and Sebra are described in Our Management Our Directors and Officers. Below is a brief description of the other executive officers of our advisor.

Farrell M. Ender has served as the President of Independence Realty Advisors (IRA) since April 2013, as Senior Vice President of RAIT since May 2011 and as Vice President of RAIT from October 2002 through May 2011. His experience includes the acquisition, property management, construction management and disposition of apartment properties. In his capacity as Senior Vice President of RAIT, Mr. Ender was responsible for investing and structuring both debt and equity in commercial real estate properties for RAIT. During that time period Mr. Ender invested over $1.2 billion of which $833 million was directed into 65 apartment properties containing over 14,000 units. Mr. Ender served as Vice President in RAIT s underwriting department where he was responsible for performing due diligence and underwriting for approximately $300 million of investments over that time period. Prior to joining RAIT, from 1999 to 2002 Mr. Ender held various real estate positions at Wachovia/Maher Partners, The Staubach Company and Toll Brothers. Mr. Ender received a BBA with a major in finance from James Madison University.

Raphael Licht has served as a manager since February 2011. He has also served as the chief operating officer of RAIT since February 2009, its secretary since December 2006, and its chief legal officer and chief administrative officer from December 2006 to February 2009. Mr. Licht joined RAIT in connection with the Taberna acquisition and was Taberna s chief legal officer and secretary from March 2005 and Taberna s executive vice president and chief administrative officer from April 2006 until its acquisition on December 11, 2006. Mr. Licht also served as the chief legal officer of Cohen & Company, an investment banking firm, from 2001 to April 2006. From 2000 until 2001, Mr. Licht served as general counsel at iATM global.net Corporation, a joint venture between TRM Corporation and NCR Corporation to develop software for automated teller machines. From 1997 until 2000, Mr. Licht was an associate with Morgan Lewis & Bockius LLP, a law firm, specializing in structured finance and securitizations. From 1996 to 1997, Mr. Licht was an associate at Ledgewood, P.C., a law firm, specializing in real estate and securities law. Mr. Licht holds a Bachelor of Arts in Political Science from the University of Chicago and a Juris Doctor from Boston College Law School.

Our Advisory Agreement

Duties of Our Advisor. Our amended and restated advisory agreement provides that our advisor must manage our business and affairs in accordance with the policies and guidelines established by our board of directors and described in this prospectus, and that the advisor is under the supervision of our board of directors. The agreement requires our advisor to provide us with all services necessary or appropriate to conduct our business, including the following:

- locating, presenting and recommending to us real estate investment opportunities consistent with our investment policies, acquisition strategy and objectives, including our conflicts of interest policies;

structuring the terms and conditions of transactions pursuant to which acquisitions and dispositions of properties will be made;

acquiring properties on our behalf in compliance with our investment objectives and strategies;

arranging for the financing and refinancing of properties;

administering our bookkeeping and accounting functions;

serving as our consultant in connection with policy decisions to be made by our board of directors, managing our properties or causing our properties to be managed by another party;

monitoring our compliance with regulatory requirements, including the Securities Act and the Exchange Act and the rules and regulations promulgated thereunder, NYSE MKT standards and standards under the Code to maintain our status as a REIT; and

rendering other services as our board of directors deems appropriate.

Table of Contents

Our advisor must obtain the prior approval of our board of directors, in connection with:

- any investment for which the portion of the consideration paid out of our equity equals or exceeds $25,000,000, or