INDEPENDENCE REALTY TRUST, INC
Form S-11/A
January 21, 2014
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As filed with the Securities and Exchange Commission on January 21, 2014

Registration No. 333-192403

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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(215) 243-9000

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

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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	¨

CALCULATION OF REGISTRATION FEE

Title of securities to be registered	**Amount to be Registered[(2)]**	**Proposed Maximum Offering Price Per Share[(1)]**	**Proposed maximum aggregate offering price[(1)(2)]**	**Amount of registration fee[(1)(3)]**
Common Stock, par value $0.01 per share	7,475,000	$8.79	$65,705,250	$8,463

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(a) under the Securities Act.

(2) Includes 975,000 shares the underwriters have the option to purchase from the registrant within 30 days of the date of the prospectus included in this registration statement.

(3) Pursuant to Rule 457(p) under the Securities Act, filing fees aggregating $61,101 have already been paid with respect to unsold securities registered pursuant to a registration statement on Form S-11 (File No. 333-160093) and were carried forward in connection with the filing of a registration statement Form S-11 (File No. 333-188577) (the First Registration Statement). Pursuant to the filing of the First Registration Statement, the registrant previously registered shares of common stock for which a filing fee of $6,902 was due, all of which was offset against the registration fee previously paid. Pursuant to Rule 457(p) under the Securities Act, the balance of these filing fees already paid, $54,199, is being carried forward.

Pursuant to the initial filing of this registration statement on November 19, 2013, the registrant previously registered shares of common stock with a proposed maximum offering price of $50,000,000, for which a filing fee of $6,440 was due and all of which was offset against the registration fees previously paid. The registrant is increasing the proposed maximum aggregate offering price by $15,705,250 to $65,705,250 as a result of which an additional registration fee in the amount of $2,023 is due, all of which is being offset against the registration fees previously paid.

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.

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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 January 21, 2014

Independence Realty Trust, Inc.

6,500,000 Shares

Common Stock

We are a Maryland corporation that owns 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 beneficially owns approximately 59.8% of our common stock prior to consummation of this offering, and our apartment properties are externally managed by a majority-owned subsidiary of RAIT. As of the date of this prospectus, we own ten apartment properties.

We are offering 6,500,000 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 option referred to below.

RAIT has informed us that it may purchase up to $10.0 million in shares of our common stock in this offering, at the public offering price, for which no underwriting discounts and commissions will be paid to the underwriters; however, RAIT is under no obligation to purchase any shares in this offering.

Our common stock is traded on the NYSE MKT under the symbol IRT. The closing sale price on January 16, 2014, was $8.79 per share.

We elected to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2011. Shares of any class or series of our capital stock, including 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 stock, including, subject to certain exceptions, an ownership limit that prohibits any person from beneficially or constructively owning more than 9.8% in value or in number of shares, whichever is more restrictive, of any class or series of our capital stock, including our common stock. See Description of Stock Restrictions on Ownership and Transfer.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 17 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
Public offering price	$	$

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 the right to purchase up to an additional 975,000 shares of our common stock at the public offering price, less the underwriting discount, within 30 days after the date of this prospectus.

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.

The underwriters expect to deliver the shares on or about , 2014.

Book-Running Manager

Deutsche Bank Securities

Joint-Lead Managers

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

The date of this prospectus is , 2014

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PROSPECTUS SUMMARY

This summary highlights some of the information contained elsewhere or incorporated by reference 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 carefully the entire prospectus, including the more detailed information set forth under the heading Risk Factors, the historical and pro forma financial statements and related notes, the documents incorporated by reference herein and the other documents to which we refer herein and therein, 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, d.b.a. RAIT Residential, a Delaware limited liability company, as RAIT Residential or our property manager. Unless otherwise indicated, the information included in this prospectus assumes: (i) 6,500,000 shares of our common stock are sold in this offering at a public offering price per share of $8.79, which was the closing sale price of our common stock on the NYSE MKT on January 16, 2014, (ii) no exercise by the underwriters of their option to purchase additional shares of our common stock and (iii) RAIT does not purchase shares of our common stock in this offering.

Our Company

We are a Maryland corporation that owns 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 multi-strategy commercial real estate company organized as an internally managed REIT with approximately $3.6 billion of assets under management as of September 30, 2013. RAIT invests primarily in commercial mortgages and, to a lesser extent, apartment properties. We 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;
- are located in submarkets that we do not expect will experience substantial new apartment construction in the foreseeable future;
- in appropriate circumstances, present opportunities for repositioning or updating through capital expenditures; and
- present opportunities to apply tailored marketing and management strategies to attract and retain residents and enable rent increases.

As of December 31, 2013, we owned ten apartment properties containing an aggregate of 2,790 apartment units located in seven states, with an average occupancy of 94.5% and an average monthly effective rent per occupied apartment unit of $769. See Management s Discussion and Analysis Historical Performance of Our Apartment Properties. Subsequent to September 30, 2013, we have entered into purchase agreements to acquire six additional apartment properties

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containing an aggregate of 2,028 apartment units for an aggregate purchase price of $94.0 million, including the assumption of existing mortgage debt with an outstanding principal balance of $46.0 million as of January 16, 2014. See Recent Developments.

We were formed in 2009. RAIT is currently our largest stockholder and beneficially owns approximately 59.8% of the outstanding shares of our common stock prior to consummation of this offering. RAIT has informed us that it may purchase up to $10.0 million in shares of our common stock in this offering at the public offering price; however, RAIT is under no obligation to purchase any shares in this offering. Each of our apartment properties is managed by RAIT Residential, a majority owned subsidiary of RAIT. See Certain Relationships and Related Party Transactions.

Since our formation, we have sold our common stock in two public offerings. From June 2011 to April 2013, we engaged in a registered continuous offering carried out in a manner consistent with offerings of non-listed REITs and sold 348,300 shares of our common stock for aggregate gross proceeds of $3.5 million, including $0.5 million from unaffiliated investors. On August 16, 2013, we completed an underwritten public offering of 4,000,000 shares of our common stock for total gross proceeds of approximately $34.0 million and our common stock commenced trading on the NYSE MKT.

Recent Developments

On October 25, 2013, we entered into a $20.0 million secured revolving credit agreement, or the Secured Credit Facility, with The Huntington National Bank. We expect to use borrowings under the Secured Credit Facility to acquire properties, for capital expenditures and for general corporate purposes. The facility has a 3-year term, bears interest at a defined daily fluctuating London Interbank Offered Rate, or LIBOR, plus 2.75% and contains customary representations and warranties, events of default and financial and other covenants. As of January 16, 2014, there was approximately $2.5 million outstanding under the credit facility and $17.5 million in borrowing capacity available, subject to borrowing base requirements. See Management s Discussion and Analysis of Financial Condition and Results of Operations Outstanding Indebtedness Secured Credit Facility.

We acquired The Crossings on November 22, 2013 for a purchase price of $23.0 million, which was funded with available cash. On November 26, 2013, we obtained $2.5 million of secured mortgage financing with respect to the property under the Secured Credit Facility. The Crossings, located in Jackson, Mississippi, was built between 1976 and 1980 and was significantly updated in 2006 with over $8.0 million spent by the seller. The property contains 52 two-story buildings housing 432 units, consisting of 144 one bedroom, two bathroom units, 200 two bedroom, one-and-a-half bathroom units and 88 three bedroom, two bathroom units. An additional building is home to the leasing office and clubhouse.

Subsequent to September 30, 2013, we have entered into purchase agreements for the six apartment properties described below, which we intend to acquire. We cannot provide any assurances that we will complete either of these acquisitions and the closing of each acquisition is subject to customary terms and conditions.

Oklahoma Portfolio. The Oklahoma portfolio consists of five properties and 1,658 units, consisting of 1,048 one bedroom, one bathroom units, 40 two bedroom, one bathroom units, 537 two bedroom, two bathroom units, 32 three bedroom, two bathroom units and one bungalow house. The properties were constructed between 1984 and 1986 and

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have been owned by the seller since 2000. Four properties are located in Oklahoma City s northwest submarket and the fifth in Edmond, Oklahoma, a suburb of Oklahoma City. The seller has spent approximately $12 million to improve the portfolio since 2010. The improvements include new roofs and siding, windows, parking lots, interior flooring and HVAC units. On October 16, 2013, we entered into a purchase and sale agreement with Kola Investments, LLC, the seller, for the Oklahoma portfolio. Pursuant to the terms and conditions of the purchase agreement, the purchase price for the Oklahoma portfolio is $65 million payable as follows: (1) a deposit of $650,000; (2) the assumption by our operating partnership of a first lien mortgage secured by the five properties in this portfolio and having an outstanding principal balance of approximately $46.0 million at January 16, 2014; and (3) the balance of the purchase price, after customary adjustments, in cash. The first lien mortgage that is to be assumed accrues interest at a fixed rate equal to 5.6% per annum, will mature in April 2016 and $43.6 million will be due upon maturity. The mortgage is not permitted to be prepaid prior to April 1, 2016; however, the mortgage may be defeased and the collateral securing the mortgage loan released, subject to our compliance with customary conditions to defeasance. If we terminate the purchase and sale agreement, our deposit will be non-refundable. We intend to fund the cash portion of the purchase price for the Oklahoma portfolio with approximately $18.8 million of the net proceeds from this offering. We expect the closing of this acquisition to occur in the first quarter of 2014, subject to our receipt of the lender s consent to the assumption of the existing mortgage debt.

The Reserve at Eagle Ridge. The Reserve at Eagle Ridge, located in Waukegan, Illinois, has 370 apartment units, consisting of six studios, 130 one bedroom, one bathroom apartments, 156 two bedroom, one bathroom apartments and 78 two bedroom, two bathroom apartments with an average size of 817 square feet. The property was constructed in two phases in 2001 and 2004 and the last major renovation of the property was completed in 2008. On December 19, 2013, we entered into a purchase agreement with JRC/CSE Eagle Ridge JV, LLC for the acquisition of The Reserve at Eagle Ridge. Pursuant to the terms and conditions of the purchase agreement, the purchase price for the property is $29.0 million payable as follows: (1) a deposit of $500,000 comprised of an initial deposit of $250,000 paid at signing and an additional deposit of $250,000 to be paid after the expiration of the due diligence period on January 22, 2014, and (2) at the closing of the transaction, the balance of the purchase price, after customary adjustments, in cash. The seller has agreed to pay off and retire the seller s existing financing on the property at the closing of the acquisition. We may terminate the purchase agreement with or without cause prior to the expiration of the due diligence period. If we terminate the purchase agreement after the expiration of the due diligence period, our deposit will be non-refundable. We expect to fund $17.5 million of the purchase price with borrowings under the Secured Credit Facility and the remainder with proceeds from this offering.

On December 27, 2013, we entered into a loan agreement for an $8.6 million loan secured by a first mortgage our Berkshire Square property. The loan matures on January 1, 2021, bears interest at a fixed rate of 4.42% per annum, provides for monthly payments of interest only until February 2016 and for payments of principal and interest thereafter. We used a portion of the loan to repay an advance of approximately $8.0 million made with respect to the property pursuant to the Secured Credit Facility.

On January 15, 2014, our board of directors declared regular monthly dividends on our common stock for January, February and March 2014 of approximately $0.06 per share per month, totaling $0.18 per share for the quarter, an increase of 12.5% as compared to the dividends on our common stock for October, November and December of 2013. Our future distributions will be at the sole discretion of our board of directors. See Distribution Policy.

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 that have strong and stable occupancies and the ability to raise rental rates or that have the potential for repositioning through capital expenditures or tailored management strategies. We intend to achieve this objective by executing the following strategies:

Use RAIT s extensive experience lending to, owning and/or managing apartment properties, and its 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, as of December 31, 2013, owned 27 apartment properties. RAIT Residential 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 and access to off-market transactions, including relationships with the brokerage community, will provide us with a strong pipeline of acquisition opportunities. As of the date of this prospectus, we are evaluating and discussing the potential acquisition of apartment properties containing approximately 1,414 units, with an estimated aggregate purchase price of approximately $105.0 million. We do not have letters of intent or binding agreements to acquire any of these properties and, accordingly, we have determined that no acquisitions are probable as of the date of this prospectus. We 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 primarily in secondary and tertiary markets where there is strong demand for apartment units, little to no apartment development, stable resident bases and occupancy rates, positive net migration trends and strong employment drivers. 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 targeted management strategies. Both we and our advisor 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 growth. Our target profile for acquisitions currently is midrise/garden-style apartments with 150-500 units and good amenities that we can acquire at less than replacement cost in the $10 million to $35 million price range with a five to 15 year operating track record. We do not intend to limit ourselves to properties in this target profile and may make acquisitions outside of this profile or change our target profile whenever market conditions warrant.

Selectively use our capital to improve apartment properties where we believe the return on such capital is accretive to our stockholders. We have 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 we and our advisor believe will improve the physical plant or market positioning of particular apartment properties and generate increased income over time.

Our Portfolio

We hold fee title to all properties in our portfolio. The following table presents an overview of our portfolio as of December 31, 2013.

Property Name	Location	Acquisition Date	Year Built or Renovated(1)	Units(2)	Average Occupancy(3)	Average Monthly Effective Rent per Occupied Unit(4)
Belle Creek	Henderson, Colorado	4/29/2011	2011	162(5)	97.5%	$ 932
Berkshire Square	Indianapolis, Indiana	9/19/2013	2012	354	96.6	580
Centrepoint	Tucson, Arizona	12/16/2011	2006	320	91.6	817
Copper Mill	Austin, Texas	4/29/2011	2010	320	95.2	736
Crestmont	Marietta, Georgia	4/29/2011	2010	228	93.2	708
Cumberland Glen	Smyrna, Georgia	4/29/2011	2010	222	96.1	668
Heritage Trace	Newport News, Virginia	4/29/2011	2011	200	89.0	717
Runaway Bay	Indianapolis, Indiana	10/11/2012	2002	192	94.8	922
The Crossings	Jackson, Mississippi	11/22/2013	2006	432	96.1	787
Tresa at Arrowhead	Phoenix, Arizona	4/29/2011	2006	360	94.4	827
Total/Weighted Average				2,790	94.5%	$ 769

(1) All dates are for the year in which a significant 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; Berkshire Square 1970; Centrepoint 1995; Copper Mill 1983; Crestmont 1986; Cumberland Glen 1986; Heritage Trace 1971; The Crossings 1976 and Tresa at Arrowhead 1998.

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

(3) Average occupancy for each of our properties is calculated as (i) total units rented as of December 31, 2013 divided by (ii) total units available as of September 30, 2013, expressed as a percentage.

(4) Average monthly effective rent per occupied unit represents the average monthly rent for all occupied units for the nine months ended December 31, 2013.

(5) Includes 6,256 square feet of retail space in six units, of which 1,010 square feet of space is occupied by us for use as the leasing office. The remaining 5,246 square feet of space is 100% occupied by five tenants with an average monthly base rent of $1,487, or $15.40 per square foot per year. These five tenants are principally engaged in the following businesses: grocery, retail and various retail services.

Properties Under Contract

The following table presents an overview of the apartment properties we have under contract as of the date of this prospectus.

Property Name(1)	Location	Year Renovated(2)	Units(3)	Average Occupancy(4)	Average Monthly Effective Rent per Occupied Unit(5)
Oklahoma Portfolio:					
Augusta	Oklahoma City, Oklahoma	2011	197	90.4%	$ 726
Heritage Park	Oklahoma City, Oklahoma	2011	453	88.3	574
Invitational	Oklahoma City, Oklahoma	2011	344	93.0	683
Raindance	Oklahoma City, Oklahoma	2011	504	93.7	517
Windrush	Edmond, Oklahoma	2011	160	96.3	747
The Reserve at Eagle Ridge	Waukegan, Illinois	2008	370	96.5	920
Total/Weighted Average			2,028	93.0%	$ 695

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(1) We have entered into a binding acquisition agreement for each of these properties, subject to customary closing conditions, and believe, as of the date hereof, that the acquisition of each is probable. We cannot provide any assurances, however, that the acquisitions will be completed. We may terminate the purchase agreement for The Reserve at Eagle Ridge with or without cause prior to the expiration of the due diligence period on January 22, 2014, in which event any deposit would be returned to us. The due diligence period under the purchase and sale agreement for the Oklahoma portfolio has expired. After expiration of the applicable due diligence period, if we terminate either of these acquisitions without cause, the deposit for such acquisition will be non-refundable.

(2) All dates are for the year in which a renovation program was completed. The year construction was completed for each of the properties is: Augusta 1986; Heritage Park 1984; Invitational 1984; Raindance 1984; Windrush 1984; The Reserve at Eagle Ridge 2004.

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

(4) Average occupancy for each of the properties is calculated as (i) total units rented as of December 31, 2013 divided by (ii) total units available as of December 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 December 31, 2013, after giving effect to tenant concessions.

See Recent Developments for additional information regarding our properties under contract.

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 may fail to consummate our pending property acquisitions, which could have a material adverse impact on our results of operations, earnings and cash flow.
- 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.

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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 allocation of personnel to our activities, allocation of investment opportunities between us and RAIT, purchase or sale of apartment properties from or to RAIT or its affiliates and 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.

Although our common stock is currently listed on the NYSE MKT, we cannot assure that an active market for our common stock will exist in the future. In addition, the market price and trading volume of our common stock may be volatile.

If we fail to maintain our qualification as a REIT and no relief provisions apply, we will be subject to U.S. federal income tax on our taxable income, and our cash available for distribution to our stockholders would materially decrease.

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 65% 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, among others, the lending standards of government-sponsored enterprises, such as the Federal National Mortgage Association, or Fannie Mae, and the Federal Home Loan Mortgage Corporation, or 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.

We have no outstanding long-term indebtedness as of the date of this prospectus other than the existing mortgage financing secured by the apartment properties in our portfolio and the Secured Credit Facility, pursuant to which our operating partnership may borrow up to the lesser of (i) $20.0 million, (ii) 60% of the total acquisition costs of all properties acquired with advances under the Secured Credit Facility and (iii) an amount that would not cause our operating partnership to exceed a defined debt service coverage ratio.

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Structure of 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 REIT, or UPREIT, structure in which our properties are owned by our operating partnership directly or through subsidiaries. We are the sole general partner of, and we and a wholly-owned subsidiary own 100% of the limited partnership interests in, our operating partnership. 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 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, and direct and indirect holder of all limited partnership interests in our operating partnership, we have the exclusive power under the partnership agreement to manage and conduct its business. In the future, we may issue common units from time to time in connection with property acquisitions, as compensation or otherwise. Limited partners have certain limited approval and voting rights, as set forth in Description of Our Operating Partnership and Operating Partnership Agreement.

Independence Realty Advisors, LLC, our advisor and a wholly owned subsidiary of RAIT, was formed on March 26, 2009 and 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.

RAIT Residential, our property manager, was 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. In May 2009, RAIT acquired a 75% controlling equity interest in our property manager. Our property manager is a full-service apartment property management company that, as of December 31, 2013, employs approximately 300 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.

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Organizational Structure

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

(1) The table above assumes the sale of 6,500,000 shares of common stock in this offering. Although RAIT has expressed an interest in purchasing up to $10.0 million in shares of our common stock in this offering, it is under no obligation to do so and the table above assumes RAIT does not purchase any shares of our common stock in this offering.

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
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.

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Type of Compensation (Recipient)	**Determination of Amount**	**Payment**
Quarterly Base Management Fee (Advisor)(2)(3)(4)	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 (excluding the book values attributable to the eight properties in our portfolio that were acquired prior to August 16, 2013) before reserves for depreciation or other similar non-cash reserves. We will compute average gross real estate assets by taking the average of the book values of our properties (excluding the eight properties in our portfolio that were acquired prior to August 16, 2013) 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.
Quarterly Incentive Fee (Advisor)(2)(3)	We 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 a hurdle rate equal to 1.75% (7% annualized) of the cumulative gross proceeds from the issuance of our equity securities during 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 during 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.

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Type of Compensation (Recipient)	Determination of Amount	Payment
Reimbursement of Operating Expenses (Advisor)(3)	We 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 the cost of legal, accounting, financial, due diligence and other services that outside professionals or outside consultants would otherwise perform. We 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 RAIT Residential. Additionally, we may pay RAIT Residential 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) We estimate that the total expenses of this offering (exclusive of the underwriting discount and commissions) will be approximately $570,000.

(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.

(3) With respect to joint venture investments, the base management fee, incentive fee and reimbursement of operating expenses will be calculated based upon our pro-rata share of the joint venture s assets, FFO and operating expense reimbursements, respectively.

(4) The properties in our portfolio acquired prior to August 16, 2013 consist of Belle Creek, Centrepoint, Copper Mill, Crestmont, Cumberland Glen, Heritage Trace, Runaway Bay and Tresa at Arrowhead. These properties, with the exception of Runaway Bay, were contributed to us by RAIT in 2011.

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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:

- RAIT owns, and on completion of this offering will continue to own, a significant percentage of our outstanding shares of common stock, which gives RAIT the ability to exert significant influence over our company in a manner that may not be in the best interests of our other stockholders;
- 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 our advisor, its officers and their respective affiliates will face conflicts of interest relating to the purchase and leasing of properties (e.g., if RAIT or an affiliate has an existing direct or indirect investment in a property that would otherwise be suitable for us, RAIT or such affiliate, as the case may be, will have the right to acquire such property, directly or indirectly, without first offering us the opportunity to acquire the property), 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.

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 a 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. On January 15, 2014, our board of directors declared regular monthly dividends on our common stock for January, February and March 2014 of $0.06 per share per month, totaling $0.18 per share for the quarter. Our future distributions will be at the sole discretion of our board of directors. Our board of directors intends to continue to establish, on a quarterly basis, in advance, 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 stockholders, and we generally would 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 maintain our qualification 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 owning or constructively owning more than 9.8% in value or in number of shares, whichever is more restrictive, of any class or series of outstanding shares of our capital stock, including our common stock. Our board may, in its sole discretion, prospectively or retroactively, 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.

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.

The Offering

Common stock offered by us	6,500,000 shares(1)
Common stock to be outstanding after this offering	16,152,540 shares(2)
Use of proceeds	We intend to use approximately $11.5 million of the net proceeds of this offering to finance the acquisition of The Reserve at Eagle Ridge and approximately $18.8 million to finance the acquisition of the Oklahoma portfolio, which acquisitions are subject to standard closing conditions (see Prospectus Summary Recent Developments), 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.
NYSE MKT symbol	IRT
Restrictions on Ownership	Our charter generally prohibits any stockholder from beneficially or constructively owning more than 9.8% in value or in number of shares, whichever is more restrictive, of any class or series of outstanding shares of our capital stock, including our common stock. 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
Risk Factors	Investing in our common stock involves a high degree of risk. You should carefully consider the risk factors beginning on page 17 of this prospectus in conjunction with the other information included or incorporated by reference in this prospectus before purchasing our common stock.

(1) Excludes up to 975,000 shares of our common stock issuable upon the exercise of the underwriters option.

(2) Based on 9,652,540 shares of common stock outstanding on January 16, 2014 and excludes (i) up to 975,000 shares of our common stock issuable upon the exercise of the underwriters option and (ii) 791,000 shares of our common stock available for future issuance under our long-term incentive plan.

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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 September 30, 2013 and 2012 and for the nine months ended September 30, 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 nine months ended September 30, 2013 and for the year ended December 31, 2012 have been adjusted to give effect to: (i) the completion of this offering, (ii) the acquisition of The Crossings on November 22, 2013, (iii) the acquisition of Runaway Bay Apartments on October 11, 2012, (iv) the payment of cash dividends on our common stock in October, November and December 2013, which were declared by our board of directors on October 10, 2013, and in January, February and March 2014, which were declared by our board of directors on January 15, 2014, (v) the exchange by RAIT of 5,274,900 common units in our operating partnership for 5,274,900 shares of our common stock on May 7, 2013, (vi) borrowings drawn on our $20 million Secured Credit Facility, which we entered into on October 25, 2013, and the $8.6 million loan secured by Berkshire Square, which was drawn on December 27, 2013, and (vii) the application of the net proceeds from this offering in the manner set forth under Use of Proceeds, which includes the probable acquisition of The Reserve at Eagle Ridge and the Oklahoma portfolio.

The unaudited pro forma consolidated balance sheet as of September 30, 2013 is presented as if the transactions described in items (i), (ii), (iv), (vi) and (vii) had occurred on September 30, 2013. The unaudited pro forma consolidated statements of operations for the nine-month period ended September 30, 2013 and the year ended December 31, 2012 are presented as if the transactions had occurred on January 1, 2012. The transactions described in items (iii) and (v) were completed prior to September 30, 2013 and are reflected in our historical unaudited consolidated balance sheet as of September 30, 2013.

The unaudited pro forma consolidated financial statements included in this prospectus are presented for informational purposes only. The unaudited pro forma adjustments are based on information and assumptions that we consider reasonable and factually supportable. This information includes various estimates and assumptions and may not necessarily be indicative of the financial condition or results of operations that would have occurred if each of the transactions described in (i) through (vii) above occurred on the date or at the beginning of the period indicated or which may be obtained in the future. The unaudited pro forma consolidated balance sheet and statements of operations and accompanying notes should be read in conjunction with our historical consolidated financial statements and the statements of revenue and certain expenses of Runaway Bay, the combined statements of revenue and certain expenses of the Oklahoma portfolio, the statement of revenue and certain expenses of The Crossings and the statement of revenue and certain expenses of The Reserve at Eagle Ridge included elsewhere in this prospectus.

Since the information presented below is only a summary and does not provide all of the information contained in our unaudited pro forma 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 unaudited pro forma consolidated financial statements, including the related notes, which are included elsewhere in this prospectus.

	As of and for the Nine Month Periods Ended September 30,			As of and for the Years Ended December 31,				As of and for the Period from March 26, 2009 (inception) to December 31,
	2013		2012	2012		2011	2010	2009
	(unaudited) Pro Forma	(unaudited) Historical	(unaudited) Historical	(unaudited) Pro Forma	Historical	Historical	Historical	Historical
	(in thousands, except per share data)							
Operating Data:								
Total revenue	$ 30,460	$ 14,175	$ 12,117	$ 39,472	$ 16,629	$ 8,668	$ 5	$ 2
Total expenses	22,050	10,516	9,331	31,432	(16,202)	(9,038)	(1)	(1)
Net income (loss)	3,043	966	378	871	427	(370)	4	1
Net income (loss) allocable to common shares	3,043	307	(68)	871	(123)	(112)	4	1
Earnings (loss) per share:								
Basic	0.19	0.08	(0.26)	0.05	(0.45)	(5.60)	0.20	0.06
Diluted	0.19	0.08	(0.26)	0.05	(0.45)	(5.60)	0.20	0.06
Balance Sheet Data:								
Investments in real estate	$ 266,777	$ 151,860	$ 126,523		$ 141,282	$ 128,124	$	$
Total assets	296,667	172,025	132,611		146,197	131,352	209	206
Total indebtedness	167,069	92,284	82,175		92,413	82,175		
Total liabilities	170,595	95,810	84,559		95,346	84,294	2	3
Total equity	126,072	76,215	48,052		50,851	47,058	207	203
Other Data:								
Common shares outstanding	16,143,940	9,643,540	325,023	16,143,940	345,063	20,000	20,000	20,000
Limited partnership units outstanding			5,274,900		5,274,900	5,274,900		
Cash distributions declared per common share/unit		$ 0.47	$ 0.45		$ 0.60	$ 0.30		
FFO(1)		3,843	2,837		3,799	1,401		
Core FFO(1)		3,893	2,929		3,956	1,889		

(1) 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.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors in conjunction with the other information included or incorporated by reference 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 you could 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 included or incorporated by reference 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

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

Our ability to diversify our portfolio may 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 fail to consummate our pending property acquisitions, which could have a material adverse impact on our results of operations, earnings and cash flow.

We intend to use a significant portion of the net proceeds of this offering to fund a portion of the pending acquisition of the Oklahoma portfolio and The Reserve at Eagle Ridge (See Use of Proceeds). These acquisitions are subject to the satisfaction of various closing conditions, and there can be no assurance that these conditions will be satisfied or that the acquisitions will close on the terms described herein, or at all. If we fail to consummate these acquisitions, we will have issued a significant number of additional shares of our common stock without realizing a corresponding increase in earnings and cash flow from acquiring the properties involved in such acquisitions. In addition, we will have broad authority to use the net proceeds of this offering for other purposes, including the repayment of indebtedness, the acquisition of other properties that we may identify in the future or for other investments, which may not be initially accretive to our results of operations. As a result, failure to consummate one or more of the pending property acquisitions could have a material adverse impact on our financial condition, results of operations and the market price of our common stock.

We may suffer from delays in locating suitable investments 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 criteria. The current market for

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apartment properties that meet our investment criteria 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 if 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.

We may decide to borrow funds to satisfy our REIT minimum distribution 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

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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.

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 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 of RAIT or our advisor is materially detrimental to us. 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, which is 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, if our advisory agreement is terminated and we are unable to identify a suitable replacement to manage us, our ability to execute our business plan could be adversely affected.

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 became 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.

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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;

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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.

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 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. As of the date of this prospectus, we are insured under RAIT s directors and officers insurance policy as a subsidiary of RAIT. If RAIT owns less than 50% of our outstanding equity interests, whether as a result of this offering or otherwise, we will no longer be covered by RAIT s policy and, at that, time we expect that we would obtain our own directors and officers insurance policy. Obtaining such insurance will 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. We cannot assure you that internalizing our management functions will be beneficial to us or our stockholders. If we internalize our advisor, 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, 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.

If our advisor is acquired by a non-affiliated third party, we could incur significant costs and we could be in competition for the acquisition and leasing of properties with such third party or its affiliates.

If there is a change of control of our advisor (as defined in our advisory agreement), our advisory agreement provides that we may terminate the advisory agreement; however, we may incur substantial costs in connection with such a termination. If we terminate the advisory agreement upon a change of control of our advisor, unless a majority of our independent directors determines that such a change of control is materially detrimental to us, we must pay our advisor a termination fee payable in cash, shares of our common stock or any combination

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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. Furthermore, if our advisor is acquired by a non-affiliated third party, we could be in competition with such third party or its affiliates for the acquisition or leasing of properties. Moreover, such an acquisition 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 if the advisor is acquired by a non-affiliated third party, any termination by us could adversely impact our ability to execute our business plan if we are unable to identify a suitable replacement to manage us.

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.

We may have conflicts of interest with our advisor and other affiliates, which could result in investment decisions that are not in the best interests of our stockholders.

There are numerous conflicts of interest between our interests and the interests of our advisor, RAIT and their respective affiliates, including conflicts arising out of allocation of personnel to our activities, allocation of investment opportunities between us and RAIT, purchase or sale of apartment properties from or to RAIT or its affiliates and fee arrangements with our advisor that might induce our advisor to make investment decisions that are not in our best interests. Examples of these potential conflicts of interest include:

- RAIT owns, and on completion of this offering will continue to own, a significant percentage of our outstanding shares of common stock, which gives RAIT the ability to exert significant influence over our company in a manner that may not be in the best interests of our other stockholders;

- 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 our advisor, its officers and their respective affiliates will face conflicts of interest relating to the purchase and leasing of properties (e.g., if RAIT or an affiliate has an existing direct or indirect investment in a property that would otherwise be suitable for us, RAIT or such affiliate, as the case may be, will have the right to acquire such property, directly or indirectly, without first offering us the opportunity to acquire the property), 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 which could result in conflicts with respect to negotiation and enforcement of loan terms; and

- the possibility that we may acquire or merge with our advisor, resulting in an internalization of our management functions.

Any of these and other conflicts of interest between us and our advisor could have a material adverse effect on the returns on our investments, our ability to make distributions to stockholders and the trading price of our common stock. See Conflicts of Interest.

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 affected 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, property design and appearance, 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 make it difficult for us to respond to changing economic, financial, and investment conditions or changes in the operating performance of our properties, which could reduce our cash flows and adversely affect 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 homes 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 they result in our tenants or prospective tenants being unable to 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 and 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.

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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. 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. A 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 investors 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.

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.

RAIT may provide loan financing to us through the use of a securitization 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 servicer 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 arm s-length negotiations. Payment of these fees will reduce the amount of cash available for investment and for distribution to stockholders.

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

We acquired the apartment properties in our portfolio subject to all existing liabilities. Not all of the liabilities may have been known at the time of acquisition and we cannot assure you that all possible liabilities have been discovered as of the date of this prospectus. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims of tenants, vendors or other persons dealing with those properties before we acquired them, tax liabilities, and accrued but unpaid liabilities incurred in the ordinary course of business. As part of the sale or contribution to us of the apartment properties in our portfolio, the entities selling or contributing the properties made limited representations and warranties to us regarding these properties, and any properties that we acquire in the future may be acquired on the basis of similarly limited representations and warranties. Because of these limited warranties, we may have no recourse against such entities with respect to those unknown liabilities should they arise in the future.

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, and 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. 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.

We may be unable to secure funds for property improvements, which could reduce cash distributions to our stockholders.

When tenants do not renew their leases or otherwise vacate, we may be required to expend funds for capital improvements to the vacated apartment units in order to attract replacement tenants. In addition, we may require substantial funds to renovate an 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. 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 tenant 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 tenant leases will be for a term of one year or less. Because these leases generally permit the tenants 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.

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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 use 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. Competition may also result in overbuilding of apartment properties, causing an increase in the number of apartment units available which could potentially decrease our occupancy and apartment rental rates. We may also be required to expend substantial 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 net revenues generated by the 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.

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 and will do so if we complete the acquisition of the Oklahoma portfolio. 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.

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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 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.

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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
- 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.

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

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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. Our credit facility with The Huntington National Bank restricts our ability to encumber or otherwise transfer our interest in properties financed in whole or in part through the facility without the prior consent of the lender and includes other restrictions and requirements relating to the incurrence of debt, permitted investments, maintenance of insurance, the amendment of our charter documents and the charter documents of our operating partnership and its subsidiaries, mergers and sales of assets and transactions with affiliates. We expect that any other loan agreements we enter into will contain similar covenants and may also impose other restrictions and limitations. Any such covenants, restrictions or limitations may limit our ability to make distributions to you and 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

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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.

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. At December 31, 2013, we had $103.3 million of outstanding indebtedness, $40.6 million of which was floating-rate indebtedness and none of which was subject to interest rate hedges. To the extent that we use derivative financial instruments in the future 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, provided 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

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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 will not 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.

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,

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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, costs 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 subject 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. 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 and RAIT, including representations relating to the values of our and RAIT s assets and the sources of our and RAIT s income and representations related to our future conduct.

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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 generally would 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 our organization and current and proposed method of operation is intended to enable us to maintain our qualification to be taxed as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause our board of directors to revoke our REIT election. Even if we maintain our qualification to be taxed 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.

To maintain our qualification as a REIT, we must meet annual distribution requirements, which may result in our 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.

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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 capital 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 our 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, held in inventory or primarily for sale to customers in the ordinary course of business. 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, or holding non-qualifying REIT assets through a TRS, subject to certain limitations as described below. To the extent that we engage in such activities through a TRS, the income associated with such activities will be subject to full U.S. federal corporate income tax.

If RAIT failed to qualify as a REIT in its 2007 through 2011 taxable years, we would be prevented from qualifying as a REIT under applicable Treasury Regulations.

We elected to qualify as a REIT commencing with our taxable year ended December 31, 2011. However, under applicable Treasury Regulations, if RAIT failed to qualify as a REIT in its 2007 through 2011 taxable years, unless RAIT s failure to qualify as a REIT was subject to relief under U.S. federal tax laws, we would be prevented from electing to qualify as a REIT prior to the fifth calendar year following the year in which RAIT failed to qualify. RAIT received opinions of its counsel that it qualified as a REIT for each of those years.

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 a TRS, 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 a TRS, 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 TRSs 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 TRSs. We do not currently have a TRS but may form one in the future. A TRS will be subject to U.S. federal and state income tax on its taxable income. The after-tax net income of a TRS would be available for distribution to us. Further, we will incur a 100% excise tax on transactions with a TRS that are not conducted on an arm s length basis. For example, to the extent that the rent paid by a TRS exceeds an arm s length rental amount, such amount is potentially subject to the excise tax. We intend that all transactions between us and any TRS we form will be conducted on an arm s length basis, and, therefore, any amounts paid by any TRS we form to us will not be subject to the excise tax. However, no assurance can be given that no excise tax would arise from such transactions.

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 our best interest.

If our operating partnership is not treated as a partnership or disregarded entity for U.S. federal income tax purposes, its income may be subject to taxation.

We intend to maintain the status of our operating partnership as a partnership or disregarded entity for U.S. federal income tax purposes. However, if the IRS were to successfully challenge the status of our operating partnership as a partnership or disregarded entity for such purposes, it would be taxable as a corporation. In such event, this would reduce the amount of distributions that our operating partnership could make to us. This would also

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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 our 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 our 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 our 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 U.S. 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 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. withholding 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 U.S. Federal Income Taxation of U.S. Stockholders Taxation of Non-U.S. Stockholders.

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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 Material U.S. Federal Income Tax Considerations U.S. Federal Income Taxation of U.S. Stockholders 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 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

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

Although our common stock is currently listed on the NYSE MKT, we cannot assure you that an active trading market for our common stock will exist in the future. In addition, the market price and trading volume of our common stock may be volatile. As a result, you may not be able to sell your shares at or above the public offering price set forth on the front cover of the prospectus. 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

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

Stockholders have no rights to buy additional shares of stock if 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.

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Sales 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.

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 U.S. 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 U.S. 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.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements included in this prospectus and information incorporated herein by reference 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 our 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, anticipate, estimate, believe, continue, predict, potential or the negative of such terms a terminology.

The forward-looking statements included herein and information incorporated herein by reference 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, and Management s Discussion and Analysis of Financial Condition and Results of Operations ;
- 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, newly redeveloped 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;
- our ability to refinance or repay indebtedness as it comes due;
- 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 integrate new apartment properties and manage our growth;

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

the general level of interest rates;

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- 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 and information incorporated herein by reference, 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.

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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 $53.1 million (or approximately $61.2 million if the underwriters exercise their option in full) based on an assumed public offering price of $8.79, which was the last reported sales price of our common stock on the NYSE MKT on January 16, 2014 (assuming RAIT does not purchase any shares in this offering). We will contribute the net proceeds of this offering to our operating partnership in exchange for common units in our operating partnership.

We intend to use approximately $11.5 million of the net proceeds of this offering to finance the acquisition of The Reserve at Eagle Ridge and approximately $18.8 million to finance the acquisition of the Oklahoma portfolio, which acquisitions are subject to standard closing conditions (see Recent Developments), 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 cash, cash equivalents, U.S. government securities and other high-quality 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 and our intention not to be deemed an investment company under the Investment Company Act of 1940, as amended.

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MARKET PRICE INFORMATION

Our common stock has been listed and traded on the NYSE MKT under the symbol IRT since August 13, 2013. At the close of business on January 16, 2014, the closing price for our common stock was $8.79 per share and there were 24 holders of record, one of which is the holder for all beneficial owners who hold in street name.

Since our formation, we have sold our common stock in two public offerings. From June 2011 to April 2013, we engaged in a registered continuous offering carried out in a manner consistent with offerings of non-listed REITs and sold 348,000 shares of our common stock at a price of $10.00 per share. On August 16, 2013, we completed an underwritten public offering of our 4,000,000 shares of our common stock. The following table sets forth the range of high and low sales prices of our common stock by quarter since August 13, 2013, the date our common stock commenced trading on the NYSE MKT.

2013	**High**	**Low**
Third Quarter (August 13, 2013 through September 30, 2013)	$ 8.50	$ 7.90
Fourth Quarter (October 1, 2013 through December 31, 2013)	$ 8.99	$ 7.95
2014		
First Quarter (January 1, 2014 through January 16, 2014)	$ 9.28	$ 8.40

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 a 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. Except for dividends for January, February and March 2014, 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, our board of directors considers, 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, make taxable distributions of our securities 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.

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Prior to October 1, 2013, we 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. Thereafter, our board has established, and intends to continue to establish, on a quarterly basis, in advance, the dividend amount for our common stock for each month in the quarter. The distributions for each month in the three-month period are paid on or about the fifteenth day following the completion of each respective month. For 2011, 2012, and 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	
	Dividends Declared and Paid per Share	Total Dividends Paid
2011		
First Quarter	$	$
Second Quarter		
Third Quarter	0.15	2
Fourth Quarter	0.15	3
2012		
First Quarter	0.15	3
Second Quarter	0.15	49
Third Quarter	0.15	49
Fourth Quarter	0.15	48
2013		
First Quarter	0.15	50
Second Quarter	0.15	554
Third Quarter	0.16	1,330
Fourth Quarter	0.16	1,544

On January 15, 2014, we declared the following monthly dividends for January, February and March 2014:

Month	Record Date	Payment Date	Dividend Declared Per Share
January 2014	January 31, 2014	February 17, 2014	$ 0.06
February 2014	February 28, 2014	March 17, 2014	0.06
March 2014	March 31, 2014	April 15, 2014	0.06
			$ 0.18

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 nine month period ended September 30, 2013, including amounts paid to or allocable to non-controlling interests, we paid cash distributions of $3.3 million, as compared to cash flows from operations of $3.7 million and FFO of $3.8 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.

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Our board of directors intends to continue, on a quarterly basis, in advance, establishing 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.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2013:

- on an actual basis;

- on a pro forma basis to give effect to the payment of cash dividends on our common stock in October, November and December 2013, which were declared on October 10, 2013, the payment of cash dividends on our common stock in January, February and March 2014, which were declared on January 15, 2014, the acquisition of The Crossings on November 22, 2013, borrowings drawn on our $20 million Secured Credit Facility, which we entered into on October 25, 2013 and the $8.6 million loan secured by Berkshire Square, which was drawn on December 27, 2013; and

- on an as adjusted pro forma basis to give effect to the issuance and sale of 6,500,000 shares of our common stock in this offering at an assumed public offering price of $8.79 per share, which was the last reported sale price of our common stock on the NYSE MKT on January 16, 2014 (assuming RAIT does not purchase any shares in this offering) and the application of the estimated net proceeds from this offering in the manner set forth under Use of Proceeds, which includes the probable acquisitions of The Reserve at Eagle Ridge and the Oklahoma portfolio.

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 September 30, 2013 (in thousands) (unaudited)		
	Actual	Pro Forma	As Adjusted Pro Forma
Cash and cash equivalents	$ 16,526	$ 1,359	$ 24,168
Mortgage indebtedness	$ 92,284	$ 103,396	$ 167,069
Equity:			
Stockholders equity:			
Preferred stock, $0.01 par value per share, 50,000,000 shares authorized, no shares issued and outstanding, historical, pro forma and as adjusted pro forma			
Common shares, $0.01 par value per share, 300,000,000 shares authorized, 9,643,540 shares issued and outstanding, historical and pro forma, and shares issued and outstanding, as adjusted pro forma(1)	96	96	161
Additional paid in capital	78,182	78,182	131,253
Retained earnings (accumulated deficit)	(2,063)	(5,342)	(5,342)
Total equity	76,215	72,936	126,072
Total capitalization	$ 168,499	$ 176,332	$ 293,141

(1) Assumes no exercise by the underwriters of their option to purchase additional shares of our common stock. Excludes an aggregate of 9,000 shares issued to our independent directors in October 2013.

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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 elected to be taxed as a REIT for U.S. federal income tax purposes commencing with our 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.

As of September 30, 2013, we owned nine apartment properties containing an aggregate of 2,358 apartment units located in six states, with an average occupancy of 94.1% and an average monthly effective rent per occupied apartment unit of $789. See Historical Performance of our Apartment Properties. We refer to the nine properties in our portfolio as of September 30, 2013 as our September 2013 Portfolio. Subsequent to September 30, 2013, we acquired one apartment property, The Crossings, containing 432 apartment units and have entered into purchase agreements to acquire six additional apartment properties containing an aggregate of 2,028 apartment units. We expect that that acquisition of The Crossings and, upon completion, the acquisitions of The Reserve at Eagle Ridge and the Oklahoma portfolio will increase our revenues, expenses and net income. See the unaudited pro forma consolidated financial statements and notes thereto included elsewhere in this prospectus.

Historical Performance of Our Apartment Properties

The following table shows a summary of information about each of the properties in our September 2013 Portfolio:

	As of September 30, 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	$ 920	97.5%	$ 870	91.4%	$ 829	92.7%
Berkshire Square	N/A(4)	98.0				
Centrepoint	817	92.5	797	94.7	800	93.1
Copper Mill	728	97.5	703	94.1	656	94.9
Crestmont	705	93.9	701	93.4	674	90.1
Cumberland Glen	666	93.7	670	95.5	653	83.6
Heritage Trace	725	90.5	760	81.5	741	94.3
Runaway Bay	923	88.5	941	94.3		
Tresa at Arrowhead	827	94.7	784	91.1	766	90.9
Weighted Average	$ 789	94.1%	$ 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 because we acquired it in October 2012. Information is not presented for Berkshire Square for 2012 and 2011 because we acquired it in September 2013.
(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 31 of the applicable year or September 30, 2013 for the period then ended divided by (ii) total units available for rent as of December 31 of the applicable year or September 30, 2013 for the period then ended, respectively, expressed as a percentage.

(4) We do not report average effective rent per unit in the month of acquisition as it is not representative of a full month of operations.

Results of Operations

Nine-Month Period Ended September 30, 2013 Compared to the Nine-Month Period Ended September 30, 2012

Our total revenue increased $2.1 million to $14.2 million for the nine-month period ended September 30, 2013 from $12.1 million for the nine-month period ended September 30, 2012. The increase is primarily attributable to a property we acquired on October 11, 2012 along with improved occupancy and rental rates.

Our expenses increased $1.2 million to $10.5 million for the nine-month period ended September 30, 2013 from $9.3 million for the nine-month period ended September 30, 2012. Expenses were comprised primarily of property operating expenses which increased $0.9 million to $6.8 million for the nine-month period ended September 30, 2013 from $5.9 million for the nine-month period ended September 30, 2012 and depreciation and amortization which increased $0.6 million to $3.1 million from $2.5 million for the nine-month period ended September 30, 2012. The increase is primarily attributable to a property we acquired on October 11, 2012. We incurred asset management fees during the nine-months ended September 30, 2013 and 2012 of $0.2 million. 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 nine-month periods ended September 30, 2013 and 2012 of $0.4 million and $0.7 million, respectively. During the nine-months ended September 30, 2013, our advisor reimbursed $0.1 million of transfer agent costs that were incurred from January 2013 through May 2013. This reimbursement reduced our general and administrative expenses during the nine-month period ended September 30, 2013.

Our advisor waived $0.5 million and $0.6 million of asset management fees for the nine-month periods ended September 30, 2013 and 2012, respectively. If our advisor had not waived the asset management in such periods, such fees would have reduced net income (loss) allocable to common shares by $0.2 million and $0.1 million for the nine-month periods ended September 30, 2013 and 2012, respectively.

Our interest expense increased $0.3 million to $2.7 million for the nine-month period ended September 30, 2013 from $2.4 million for the nine-month period ended September 30, 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 5.6%.

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.

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

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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 nine month periods ending September, 2013 and 2012 (unaudited; in thousands, except share and per share information):

	For the Nine-Month Period Ended September 30, 2013		For the Nine-Month Period Ended September 30, 2012	
	Amount	**Per Share**	**Amount**	**Per Share**
FFO:				
Net income (loss)	$ 966	$ 0.15	$ 378	$ 0.07
Adjustments:				
Income allocated to preferred shares	(10)	0.00	(12)	
Income allocated to preferred units	(220)	(0.03)		
Real estate depreciation and amortization	3,107	0.49	2,471	0.45
FFO	$ 3,843	$ 0.61	$ 2,837	$ 0.52
Weighted-average shares diluted(a)	6,309,900	6,309,900	5,531,783	5,531,783
Core FFO:				
Funds From Operations	$ 3,843	$ 0.61	$ 2,837	$ 0.52
Adjustments:				
Acquisition fees and expenses	50	0.01	92	0.01
Core FFO	$ 3,893	$ 0.62	$ 2,929	$ 0.53
Weighted-average shares diluted(a)	6,309,900	6,309,900	5,531,783	5,531,783

(a) Weighted-average shares diluted includes 5,274,900 common units in our operating partnership that were exchanged for common stock on May 7, 2013 and exchangeable for common stock as of September 30, 2012.

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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
FFO:				
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
FFO	$ 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 FFO:				
FFO	$ 3,799	$ 0.68	$ 1,401	$ 0.34
Adjustments:				
Acquisition fees and expenses	157	0.03	488	0.12
Core FFO	$ 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 common units in our operating partnership that were 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 September 2013 Portfolio for the next 12 months. We expect that the capital we expect to raise in this offering, together with borrowings we may obtain and the future acquisitions we expect to make, will 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

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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 $16.5 million as of September 30, 2013;

cash generated from operating activities;

our $20 million Secured Credit Facility;

proceeds from the sale of our common stock pursuant to this offering; and

if required, proceeds from future borrowings and offerings.

Since our formation, we have sold our common stock in two public offerings. From June 2011 to April 2013, we engaged in a registered continuous offering carried out in a manner consistent with offerings of non-listed REITs and sold 348,300 shares of our common stock for aggregate gross proceeds of $3.5 million, including $0.5 million from unaffiliated investors. On August 16, 2013, we completed an underwritten public offering of 4,000,000 shares of our common stock for $8.50 per share for total gross proceeds of approximately $34.0 million and listed our common stock for trading on the NYSE MKT. The net proceeds of our underwritten offering were approximately $31.1 million after deducting underwriting discounts and commissions and offering expenses. We used a portion of the net proceeds from the August 2013 public offering to acquire additional properties, to redeem all of our and our operating partnership s outstanding preferred securities and for general corporate purposes, and at September 30, 2013, approximately $15.7 million of these proceeds were included in our cash and cash equivalents on our balance sheet. We used all of such proceeds for the acquisition of The Crossings. As of the date of this prospectus, we have no plans for any material renovations with respect to any of properties in our portfolio. We will depend on the net proceeds of this underwritten offering and any future offerings in which we engage, our Secured Credit Facility, and the proceeds of any 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 no more than approximately 65% 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. During the period following this offering, we may employ greater leverage in order to more quickly build a diversified portfolio of assets.

On October 25, 2013, we entered into our Secured Credit Facility to be used to acquire properties, capital expenditures and for general corporate purposes. The Secured Credit Facility has a 3-year term, bears interest at a defined daily fluctuating LIBOR plus 2.75% and contains customary financial covenants. See Outstanding Indebtedness Secured Credit Facility.

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Outstanding Indebtedness

Mortgage Indebtedness

The following table contains summary information concerning the mortgage debt that encumbered the properties in our September 2013 Portfolio as of September 30, 2013 (dollars in thousands):

Property	Outstanding Principal As of September 30, 2013	Outstanding Principal As of December 31, 2012	Current Interest Rate	Maturity Date	Amount Due At Maturity
Belle Creek Apartments	$ 10,575	$ 10,575	2.4%(1)	April 28, 2021	$ 10,575
Centrepoint Apartments	17,600	17,600	3.7(2)	January 1, 2019	16,287
Copper Mill Apartments	7,314	7,350	5.7(3)	May 1, 2021	6,482
Crestmont Apartments	6,717	6,750	5.7(3)	May 1, 2021	5,952
Cumberland Glen Apartments	6,867	6,900	5.7(3)	May 1, 2021	6,085
Heritage Trace Apartments	5,473	5,500	5.7(3)	May 1, 2021	4,850
Runaway Bay Apartments	10,238	10,238	3.6(4)	November 1, 2022	8,232
Tresa at Arrowhead	27,500	27,500	2.4(1)	April 28, 2021	27,500
Total /Weighted Average	$ 92,284	$ 92,413	3.7%		

(1) Floating rate at 225 basis points over 30-day LIBOR. As of September 30, 2013, 30-day LIBOR was 0.18%. Interest only payments are due monthly. 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) Fixed rate. Interest only payments are due monthly. Beginning February 1, 2015, principal and interest payments are 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) Fixed rate. Interest only payments are due monthly. Beginning May 1, 2013, principal and interest payments 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) Fixed rate. Interest only payments are due monthly. Beginning December 1, 2013, principal and interest payments are 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.

The weighted average interest rate of our mortgage indebtedness was 3.7% as of September 30, 2013. As of September 30, 2013, RAIT held $38.1 million of our debt while $54.2 million was held by third parties. As of December 31, 2012, RAIT held $38.1 million of our debt while $54.3 million was held by third parties. For the nine months ended September 30, 2013 and 2012, we paid approximately $722,000 and $724,000 respectively, of interest to RAIT.

On December 27, 2013, we entered into a loan agreement for an $8.6 million loan secured by a first mortgage on our Berkshire Square property. We used a portion of the loan to repay an advance of approximately $8.0 million made with respect to the property pursuant to our

Secured Credit Facility. The loan bears interest at a fixed rate of 4.42% per annum, provides for monthly payments of interest only until February 2016 and for payments of principal and interest thereafter. The loan matures on January 1, 2021 and $7.5 million will be due upon maturity. Prior to placement of the loan into a securitization, or if the placement of the loan into a securitization does not occur within the first year of the loan term, prepayment of the loan in full but not in part is permitted, along with payment of additional consideration which during the defined yield maintenance period is equal to the Federal Home Loan Mortgage Corporation s defined yield maintenance prepayment premium, subject to a minimum of 1% of the loan amount. If the loan is placed into a securitization within the first year of the loan term, the loan cannot thereafter be prepaid or defeased for two years following such placement of the loan into a securitization. Thereafter, the loan may be defeased pursuant to the terms of the note and loan agreement. The loan may be prepaid in full without additional consideration during the last three months of the loan term.

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.

Pursuant to the terms and conditions of the purchase and sale agreement for the Oklahoma portfolio, a portion of the purchase price for the Oklahoma portfolio is to be satisfied, subject to receipt of the lender s consent, by the assumption by our operating partnership of a first lien mortgage secured by the five properties in this portfolio and having an outstanding principal balance of approximately $46.0 million at January 16, 2014, the date of the purchase and sale agreement. The first lien mortgage that is to be assumed accrues interest at a fixed rate equal to 5.6% per annum, will mature in April 2016 and $43.6 million will be due upon maturity. The mortgage is not permitted to be prepaid prior to April 1, 2016; however, the mortgage may be defeased and the collateral securing the mortgage loan released, subject to our compliance with customary conditions to defeasance.

As of September 30, 2013, our total mortgage indebtedness had an aggregate outstanding principal balance of $92.3 million and a weighted average interest rate of 3.7%. On a pro forma basis, including the mortgage indebtedness on our Berkshire Square property incurred in December 2013 and the first lien mortgage to be assumed in connection with the probable acquisition of the Oklahoma portfolio, as of September 30, 2013, our total mortgage indebtedness would have an aggregate outstanding principal balance of $147.1 million and a weighted average interest rate of 4.3%.

Secured Credit Facility

On October 25, 2013, our operating partnership entered into the Secured Credit Facility with The Huntington National Bank. Subject to the terms and conditions of the credit agreement, our operating partnership may borrow up to the lesser of $20.0 million, 60% of the total acquisition costs of all properties, or the borrowing base properties, acquired with advances under the Secured Credit Facility or an amount that would not cause the operating partnership to exceed the debt service coverage ratio (as defined in the credit agreement). Advances under the Secured Credit Facility bear interest at a daily fluctuating LIBO (as defined in the Secured Credit Facility) rate plus 2.75% per annum or a prime commercial rate (as defined in the Secured Credit Facility). Each advance against a specific borrowing base property must be repaid in full within six months after the property first becomes a borrowing base property. Our operating partnership must also make mandatory principal payments from time to time if, due to any reduction in net operating income at a borrowing base property, the debt service coverage ratio is no longer satisfied for the pool of borrowing base properties to the extent necessary to remain in compliance with such ratio. All outstanding advances must be paid by October 26, 2016, the maturity date; however, our operating partnership will have the option to extend the credit agreement for 12 months upon its satisfaction of defined conditions. The Secured Credit Facility is secured by the equity of any of our operating partnership s subsidiaries that own any borrowing base properties and guaranteed by those subsidiaries and by us.

The credit agreement contains customary representations and warranties, conditions precedent to each advance and covenants, including, without limitation, restrictions and requirements relating to permitted investments, maintenance of insurance, our qualification as a REIT, the amendment of our charter documents and the charter documents of our operating partnership and its subsidiaries, mergers and sales of assets, the incurrence of liens and transactions with affiliates. The credit agreement also requires that (i) all of our recourse indebtedness is secured indebtedness; (ii) our outstanding variable rate indebtedness does not exceed 40% of our total asset value; and (ii) that we maintain the following: (A) a minimum adjusted tangible net worth of $75 million plus 75% of the net proceeds from certain equity contributions and sales, (B) a ratio of total funded indebtedness to total asset value of less than 65%, (C) a ratio of adjusted total EBITDA to fixed charges of less than 1.35 to 1.00 and (D) an aggregate amount of recourse indebtedness, excluding obligations under the credit agreement, not in excess of 5% of total asset value. The credit agreement contains events of default (subject to certain materiality thresholds and grace periods) customary for this type of credit facility, including payment defaults, covenant breaches, failure to pay defined material indebtedness, bankruptcy or insolvency proceedings and certain changes of control or changes of management.

As of January 16, 2014, there was approximately $2.5 million outstanding under the Secured Credit Facility, collateralized by The Crossings, and $17.5 million in borrowing capacity available, subject to borrowing base requirements.

Cash Flows

As of September 30, 2013 and 2012, we maintained cash and cash equivalents of approximately $16.5 million and $3.6 million, respectively. Our cash and cash equivalents were generated from the following activities (dollars in thousands):

	For the Nine-Month Period Ended September 30,	
	2013	**2012**
Cash flow from operating activities	$ 3,726	$ 2,841
Cash flow from investing activities	(14,076)	(992)
Cash flow from financing activities	24,343	662
Net change in cash and cash equivalents	13,993	2,511
Cash and cash equivalents at beginning of period	2,533	1,107
Cash and cash equivalents at end of period	$ 16,526	$ 3,618

Our increased cash inflow from operating activities during the nine-month period ended September 30, 2013 is due to the acquisition of Runaway Bay located in Indianapolis, Indiana on October 11, 2012 along with improved occupancy and rental rates for the other properties in our September 2013 Portfolio.

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Our increased cash outflow from investing activities during the nine-month period ended September 30, 2013 is due to the acquisition of Berkshire Square located in Indianapolis, Indiana on September 19, 2013.

The increased cash flow from our financing activities during the nine-month period ended September 30, 2013 is substantially due to the completion of our August 2013 public offering.

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 Year 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)	
Cash flows from financing activities	13,870	17,490	
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 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. Effective August 19, 2013, all Series B preferred units of our operating partnership were redeemed for $3.5 million in cash.

Contractual Commitments

The table below summarizes our contractual obligations as of September 30, 2013 (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	$ 92,284	$ 505	$ 1,653	$ 1,925	$ 88,201
Interest payments on outstanding debt obligations(a)	25,184	3,450	6,900	6,900	7,934
Total	$ 117,468	$ 3,955	$ 8,553	$ 8,825	$ 96,135

(a) All variable-rate indebtedness assumes a 30-day LIBOR rate of 0.18% as of September 30, 2013.

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The following table sets forth, for each of the properties in our portfolio, for the year ended December 31, 2012 unless otherwise stated, 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
Berkshire Square(4)	2,456	10,794						13,250
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
The Crossings(5)	4,600	17,988						22,588
Cumberland Glen	3,100	13,114	101	52	14	3	37	16,421
Heritage Trace	2,673	10,691	112	115	96	42	25	13,754
Runaway Bay	3,079	12,358		4				15,441
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.
(4) The information presented for Berkshire Square is as of September 19, 2013, the date this property was acquired.
(5) The information presented for The Crossings is as of November 22, 2013, the date this property was acquired.

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

Property Name(1)	Assessed Value	2012 Realty Taxes	2012 Realty Tax Rate(2)
Belle Creek	$ 893,920	$ 146,849	$ 16.43
Berkshire Square(3)	4,412,650	108,507	2.46
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
The Crossings(4)	11,275,000	228,214	2.02
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.
(3) This property was acquired on September 19, 2013. The information for Berkshire Square is for the year ended December 31, 2012.
(4) This property was acquired on November 22, 2013. The information for The Crossings is for the year ended December 31, 2012.

Terms of Leases and Tenant Characteristics

The leases for our portfolio typically follow standard forms customarily used between landlords and tenants in the geographic area in which the relevant property is located. Under

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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.

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.

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. The adoption of this standard did not have a material effect on our consolidated financial statements.

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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 September 30, 2013, our only interest rate sensitive assets or liabilities related to our $92.3 million of outstanding indebtedness, of which $38.1 million is floating-rate and $54.2 million is fixed-rate indebtedness. As of December 31, 2012, our only interest rate sensitive assets or liabilities related to our $92.4 million of outstanding indebtedness. As of December 31, 2011, our only interest rate sensitive assets or liabilities related to our $82.2 million of outstanding 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 may use interest rate derivative contracts. As of September 30, 2013 and December 31, 2012 and 2011, we did not have any interest rate derivatives in effect.

As of September 30, 2013, the fair value of our $54.2 million of fixed-rate indebtedness was $54.6 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 September 30, 2013. A 100 basis point increase in market

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interest rates would decrease the fair value of our outstanding fixed-rate indebtedness by $3.2 million. A 100 basis point decrease in market interest rates would increase the fair value of our outstanding fixed-rate indebtedness by $3.4 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. For our floating rate indebtedness, a 100 basis point increase in rates would decrease net income by $0.2 million and a 100 basis point decrease in rates, subject to a natural floor of 0%, would increase net income by $0.2 million for the nine-months ended September 30, 2013.

As of December 31, 2012, the fair value of our outstanding 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 outstanding fixed-rate indebtedness by $3.8 million. A 100 basis point decrease in market interest rates would increase the fair value of our outstanding 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.

Competition

For information regarding competition, see Item 1, Business Competition in our Annual Report on Form 10-K for the year ended December 31, 2012, which is incorporated by reference herein.

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.

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OUR 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 Prospectus Summary 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	51	Chairman of the Board of Directors, Chief Executive Officer and President
James J. Sebra	38	Chief Financial Officer and Treasurer
William C. Dunkelberg	70	Independent Director
Robert F. McCadden	56	Independent Director
DeForest B. Soaries, Jr.	62	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 28-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. Dr. Dunkelberg serves as a Professor Emeritus in the College of Liberal Arts at Temple University in Philadelphia, Pennsylvania after having served as Professor of Economics from 1987 to his retirement in 2012 and 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 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 annual re-election;
- of the four persons who serve on our board of directors, 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 Maryland General Corporation Law, or the MGCL; and
- we do not have a stockholder rights plan.

Board Committees

We currently have a standing audit committee, compensation committee and nominating and corporate governance committee. All of our standing committees 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;

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- 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 is also 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

Our board of directors has established a compensation committee that consists of our three independent directors, Messrs. Dunkelberg, McCadden and Soaries. Mr. Soaries is the compensation committee chairman. Our compensation committee operates pursuant to a written charter adopted by our board of directors. Among other things, the principal functions of the compensation committee 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

Our board of directors has established a nominating and corporate governance committee, which consists of our three independent directors, Messrs. Dunkelberg, McCadden and Soaries.

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Mr. Dunkelberg is the nominating and corporate governance committee chairman. Our nominating and corporate governance committee operates pursuant to a written charter adopted by our board of directors. Among other things, the principal functions of the nominating and corporate governance committee 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.

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.

Our board of directors has delegated oversight of compliance with our code of ethics to our audit committee, including the review of related party transactions and the granting of waivers to the code of business conduct and ethics. In the event that the audit committee grants any waivers to the code of business conduct and ethics for any of our 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. Currently, our compensation committee is evaluating what compensation

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should be for service on the board committees for 2014 other than the audit committee. In October 2013, we issued 3,000 shares of our common stock to each of our directors pursuant to our independent directors compensation plan, which operates as a sub-plan of our long-term incentive plan described below. 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. 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 and individuals affiliated with our advisor with equity and equity-based awards or other types of awards in accordance with our long-term incentive plan. Awards that may be granted under our long-term incentive plan include unrestricted stock, restricted stock, restricted stock units, deferred stock units, options, stock appreciation rights, performance awards, dividend equivalents, other stock based awards and any other right or interest relating to stock or cash (collectively referred to herein as awards). Our compensation committee will determine if and when any of our officers or individuals affiliated with our advisor will receive such awards. As of the date of this prospectus, we have not granted any shares of our common stock to our officers or individuals affiliated with our advisor as compensation or otherwise. Additionally, our officers or such individuals affiliated with our advisor 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 long-term incentive plan to:

- furnish incentives to employees, officers, directors, consultants and directors of our company, our advisor, its affiliates and other entities that provide services to use 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 to directors, officers, employees of, and certain consultants to, our company, our advisor, its affiliates or other entities that provide services to us. As of the date of this prospectus, there were 791,000 shares of common stock available for future issuance under the long-term incentive plan. Our compensation committee is considering issuing awards to participants in our long-term incentive plan, which may include our officers and persons affiliated with our advisor, aggregating approximately 120,000 shares of common stock, in the form of SARs and restricted stock, during the first quarter of 2014. Some of the types of awards which may be made under the long-term incentive plan are described more fully below:

Unrestricted Stock. Awards of unrestricted shares fully vest and become non-forfeitable on the grant date.

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Restricted Stock, Restricted Stock Units and Deferred Stock Units. Restricted stock, restricted stock unit and deferred stock unit 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 typically are forfeited with respect to any unvested shares upon the termination of the recipient s employment or other relationship with us. Restricted stock, restricted stock units and deferred stock units may not, in general, be sold or otherwise transferred until restrictions are removed and the shares have vested. Holders of restricted stock may receive cash distributions prior to the time that the restrictions on the restricted shares have lapsed. A recipient shall have all the rights of a stockholder with respect to restricted stock, and shall have none of the rights of a stockholder with respect to restricted stock units and deferred stock units until shares of stock are paid in settlement of the restricted stock units or deferred stock units. Any distributions payable in shares of our common stock will be subject to the same restrictions as the underlying restricted stock.

Stock Appreciation Rights. Upon exercise of stock appreciation rights, the holder has the right to receive for each underlying share the excess of the fair market value per share of our common stock over the base price of the stock appreciation right. The methods of exercise and settlement, form of consideration and other terms or conditions of any stock appreciation rights will be determined by the compensation committee.

Options. Options give the holder the right buy a set number of shares of our stock at a stated exercise price. The compensation committee will determine the time and conditions of exercise, payment, vesting, exercise term and any other terms and conditions of options granted under the long-term incentive plan.

Dividend Equivalents. Dividend equivalents entitle the grantee to receive dividend payments with respect to shares subject to an award. Dividend equivalents may be paid when accrued or be deemed to have been reinvested in additional shares. Unless otherwise provided in the grant agreement, dividend equivalents will be paid or distributed no later than the fifteenth day of the third month following the later of (i) the calendar year in which the corresponding dividends were paid to stockholders, or (ii) the first calendar year in which the grantee s right to such dividend equivalents is no longer subject to a substantial risk of forfeiture.

Performance Awards. Any award granted under the long-term incentive plan may include performance-based vesting criteria, on terms and conditions determined by the compensation committee. The compensation committee has complete discretion to designate the provisions of such performance awards. The compensation committee may establish performance goals based on any criteria, including objectives relating to performance of our company, any affiliate or a division thereof, or objectives relating to the grantee s performance. In certain circumstances set forth in the long-term incentive plan, compensation the committee may modify performance goals as it deems appropriate.

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.

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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.

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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.

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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. All of our officers are employees of RAIT or its affiliates, and we do not have any employees.

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

Name	Age	Position and Office
Scott F. Schaeffer	51	Chief Executive Officer and Manager
Farrell M. Ender	37	President
James J. Sebra	38	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 October 2007 and as Vice President of RAIT from October 2002 through October 2007. 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.

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Our Advisory Agreement

Duties of Our Advisor. Our 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.

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
- any investment that is inconsistent with the publicly disclosed investment guidelines as in effect from time to time, or, if none are then publicly disclosed, as otherwise adopted by the board from time to time.

For these purposes, equity means our cash on hand, exclusive of the proceeds of any debt financing incurred or to be incurred in connection with the relevant investment.

Our advisor is required to refrain from any action that, in its sole judgment, or in the sole judgment of our board of directors, made in good faith:

- would adversely affect our qualification as a REIT under the Code, unless the board of directors had determined that REIT qualification is not in the best interests of us and our stockholders;

would subject us to regulation under the Investment Company Act of 1940, as amended;

is contrary to or inconsistent with our investment guidelines; or

would violate any law, rule, regulation or statement of policy of any governmental body or agency having jurisdiction over us or our shares of common stock, or otherwise not be permitted by our charter or bylaws.

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Reimbursement of Expenses. Our advisory agreement requires that we pay directly or reimburse our advisor for documented offering expenses and operating expenses paid or incurred by our advisor in connection with the services it provides us under the agreement, as described under Prospectus Summary Compensation to Our Advisor and Our Property Manager ; provided, that any expenses payable by us or reimbursable to our advisor pursuant to the agreement will not be in amounts greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm s length basis. Our advisor will prepare a statement documenting all expenses incurred during each month, and will deliver such statement to us within 15 days after the end of each month. Such expenses will be reimbursed by us no later than the fifteenth business day immediately following the date of delivery of such statement of expenses to us.

Quarterly Base Management Fee. Our advisory agreement requires that we pay our advisor a quarterly base management fee, as described under Prospectus Summary Compensation to Our Advisor and Our Property Manager. The base management fee is payable quarterly in arrears in cash, unless our advisor elects, in its sole discretion, to receive all or a portion of such fee in shares of our common stock, subject to the limitations set forth below under Limitations on Receiving Shares. The number of shares issued to our advisor as payment for the quarterly basement management fee will be equal to the dollar amount of the portion of such fee that is payable in shares divided by the volume-weighted average closing price of our shares of common stock for the ten trading days prior to the end of the quarter for which such fee will be paid, which we refer to as the fee VWAP. Our advisor will compute each installment of the base management fee within 15 business days after the end of the quarter with respect to which such installment is payable. A copy of the computations made by our advisor to calculate such installment will thereafter, for informational purposes only, promptly be delivered to our board of directors and, upon such delivery, payment of such installment of the base management fee shown therein will be due and payable no later than 20 business days after the end of the quarter with respect to which such installment is payable.

Quarterly Incentive Fee. Our advisory agreement requires that we pay our advisor a quarterly incentive fee, as described under Prospectus Summary Compensation to Our Advisor and Our Property Manager. The incentive fee is payable quarterly in arrears in cash, unless our advisor elects, in its sole discretion, to receive all or a portion of such fee in shares of our common stock, subject to the limitations set forth below under Limitations on Receiving Shares. The number of shares issued to our advisor as payment for the incentive fee will be equal to the dollar amount of the portion of such fee that is payable in shares divided by the fee VWAP. Our advisor will compute each installment of the incentive fee within 30 days after the end of each quarter with respect to which such installment is payable. A copy of the computations made by our advisor to calculate such installment will thereafter promptly be delivered to our board of directors, and payment of such incentive fee will be due and payable no later than 5 business days after the date of delivery to our board of directors of such computations. The incentive fee amount may be increased or decreased, if our advisor agrees and if a majority of our independent directors determines in the exercise of reasonable discretion that the amount so calculated is not equitable based upon facts and circumstances that may include, without limitation, dividend payments, market conditions, managerial performance or other factors.

Term of the Advisory Agreement. The advisory agreement has a term of four years, which commenced May 7, 2013, and will be automatically renewed for additional one-year terms on each anniversary of the advisory agreement unless terminated by our advisor or by us. We may terminate the advisory agreement only for (i) cause (as defined in the advisory agreement) or (ii) for a change of control of our advisor or RAIT (as defined in the advisory agreement), if our independent directors determine that the change of control is materially detrimental to us, and, for either (i) or (ii), upon the affirmative vote of our independent directors or the affirmative vote of the holders of not less than a majority of the outstanding shares of our common stock. Our advisor may terminate the advisory agreement for good reason or for a company change of control (each as defined in the advisory agreement). 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. The termination fee is payable in cash unless our advisor elects, in its sole discretion, to receive all or a portion of the termination fee in shares of our common stock, subject to the limitations set forth below under Limitations on Receiving Shares. The number of shares issued to our advisor as payment for the termination fee will be equal to the dollar amount of the portion of such fee that is payable in shares divided by the fee VWAP for the ten trading days prior to the termination date. See Prospectus Summary Compensation to Our Advisor and Our Property Manager.

Limitations On Receiving Shares. The ability of our advisor to receive shares of our common stock as payment for of all or a portion of the base management fee, incentive fee or termination fee due under the terms of our advisory agreement is subject to the following limitations: (i) the ownership of such shares of common stock by our advisor not violating the ownership limitations set forth in our charter, after giving effect to any exception from such ownership limitations that our board of directors may grant to our advisor or its affiliates; and (ii) our compliance with all applicable restrictions under the U.S. federal securities laws and the rules of the NYSE MKT. To the extent that payment of any fee in shares of our common stock would result in a violation of the ownership limits set forth in our charter (taking into account any applicable waiver or any restrictions imposed under the U.S. federal securities laws or the rules of the NYSE MKT), all or a portion of such fee payable to our advisor will be payable in cash to the extent necessary to avoid such violation.

Liability and Indemnification of Advisor. Under the advisory agreement, we are also required to indemnify the advisor and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding with respect to the advisor s acts or omissions.

Other Activities of Advisor and its Affiliates. The advisor and its affiliates expect to engage in other business ventures, and as a result, their resources will not be dedicated exclusively to our business. However, pursuant to the advisory agreement, the advisor must devote sufficient resources to our administration to discharge its obligations. The advisor may assign the advisory agreement to an affiliate upon approval of a majority of the independent directors. We may assign or transfer the advisory agreement to a successor entity.

Potential Acquisition of our Advisor. Many REITs which are listed on a national stock exchange are considered self-managed, since the employees of such a REIT perform all significant management functions. In contrast, REITs that are not self-managed, like us, typically engage a third party, such as our advisor, to perform management functions on its behalf. Our independent directors may determine that we should become self-managed through the acquisition of our advisor, which we refer to as an internalization transaction. See Risk Factors 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.

Our Property Manager

RAIT Residential, 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. In May 2009, RAIT acquired 75% controlling equity interest in our property manager. Our property manager is a full-service apartment property management company that, as of December 31, 2013, employs approximately 300 staff and professionals and manages approximately 10,600 apartment units for RAIT and third parties. RAIT Residential provides property management services to us under the terms of management agreements entered into on a property-by-property basis. 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. Its telephone number is (312) 924-1601.

The management agreements can be amended by written instrument executed by the party against whom the amendment is asserted. Such management agreements can be terminated at any time for negligence or misconduct in the performance of the property manager s duties and will terminate upon written notice from our operating partnership to the property manager. The management agreements will also terminate upon our property manager s bankruptcy, receivership, reorganization or similar financial difficulties relating to its insolvency.

Conflicts of Interest

We are entirely dependent upon our advisor and our property manager for our day-to-day management and do not have any independent employees. Our executive officers, one of whom is also the chairman of our board of directors, serve as officers and/or directors of RAIT and its affiliates, and RAIT owns, and will continue to own following completion of this offering, a significant percentage of the outstanding shares of our common stock. As a result, conflicts of interest may arise between our advisor, RAIT and our property manager, on the one hand, and us on the other. Certain of these conflicts of interest are set forth below. For additional information regarding conflicts of interest, see Risks Relating to Conflicts of Interest in Exhibit 99.1 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, which is incorporated by reference herein.

RAIT s ownership of a significant percentage of the outstanding shares of our common stock could give RAIT the ability 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 an exception for RAIT and its subsidiaries to own, in the aggregate, up to 100% of our outstanding common stock. As of January 16, 2014, RAIT beneficially owned 5,764,900 shares of our common stock, which represented approximately 59.8% of our outstanding common stock. Upon completion of this offering, RAIT will continue to own, directly or indirectly, a significant percentage of our outstanding common stock, will continue to 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 effectively prevent the approval of certain matters submitted to our stockholders for approval such as charter amendments, certain mergers and other extraordinary transactions. see Description of Stock Stockholder Voting.

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 the cumulative gross proceeds from the issuance of our equity securities during such quarter. 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

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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 (excluding the eight properties in our portfolio that were acquired prior to August 16, 2013), 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.

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 currently owns one property in the same market as our Tresa at Arrowhead property and two properties in the same market as The Crossings, a property that we expect to acquire, (see Certain Conflict Resolution Measures below) and, although its primary focus is providing debt financing rather than acquiring apartment properties, as of September 30, 2013 it had approximately $116.6 million available for investment. RAIT and/or its affiliates may in the future 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.

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PRINCIPAL STOCKHOLDERS

The following table provides, as of January 16, 2014, information regarding the number and percentage of shares of our common stock beneficially owned by each director, each executive officer, all directors and executive officers as a group and any person known to us to be the beneficial owner of more than 5% of the outstanding shares of our common stock. As of January 16, 2014, we had 9,652,540 shares of common stock outstanding held by 24 stockholders of record, one of which is the holder for all beneficial owners who hold in street name. Beneficial ownership includes outstanding shares and shares which are not outstanding, but that any person has the right to acquire within 60 days after January 16, 2014. However, any such shares which are not outstanding are not deemed to be outstanding for the purpose of computing the percentage of outstanding shares beneficially owned by any other person. Except as otherwise provided, the person named in the table has sole voting and investing power with respect to all shares beneficially owned by him. The address where each beneficial owner may be contacted is Cira