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## **American Realty Investors, Inc. Reports Third Quarter 2009 Results**

Dallas (November 13, 2009) – American Realty Investors, Inc. (NYSE:ARL), a Dallas-based real estate investment company, reported a net loss applicable to common shares of (\$46.3) million or (\$4.13) per diluted earnings per share, for the nine months ended September 30, 2009, as compared to a net income applicable to common shares of \$38.3 million or \$3.64 per diluted earnings per share for the same period ended 2008.

In addition, the Company reported a net loss applicable to common shares of (\$10.2) million or (\$.92) per diluted earnings per share, as compared to a net loss applicable to common shares of (\$8.5) million or (\$.80) per diluted earnings per share for the three months ended September 30, 2009, as for the same period ended 2008.

### ***Comparison of the three months ended September 30, 2009 as compared to the same period ended 2008***

Property operating expenses decreased by \$2.1 million as compared to prior year period which by segment is a decrease in the apartment portfolios of \$0.3 million, commercial portfolio of \$1.2 million, hotel portfolio of \$0.5 million and land and other portfolio of \$0.1 million. Within the apartment portfolio, decreases came from same properties, which decreased \$0.7 million, and developed properties increased by \$0.4 million. Within the commercial properties, the same properties decreased \$2.4 million and the acquired properties increased \$1.2 million.

Other income decreased \$2.5 million as compared to the prior year period. The majority of the decrease is from the gains on our disposition of our investment in the Korean REIT in 2009.

Earnings from unconsolidated subsidiaries increased \$2.8 million as compared to the prior year period. The increase is attributable to the lack of activity within the entities. In the prior year period, these entities had large non-recurring gains from the sale of properties.

Discontinued operations for the three months ended September 30, 2009, relates to four properties sold, a shopping center and office building held for sale. The gains from the sales are included in the 2009 discontinued operations. In addition, we recognized the deferred gain on the sale of a building sold 2002 and the deferred gain from collection of two note receivables in accordance with the requirements per SFAS No. 66. The discontinued operations for 2008 relates to 31 income producing properties of which 27 were sold in 2008 consisting of 20 apartments, three commercial buildings, four hotels. There were three apartments and one commercial property sold, and an office building and a shopping center held for sale during 2009.

### ***Comparison of the nine months ended September 30, 2009 as compared to the same period ended 2008***

Rental and other property revenues increased by \$5.8 million as compared to the prior year period which by segment was an increase in the apartment portfolio of \$9.5 million and an increase in the commercial portfolio of \$2.1 million, offset by a decrease in the hotel portfolio of \$3.5 million, a decrease in the land portfolio of \$1.6 million and a decrease in the other portfolio of \$0.7 million. Within the apartment portfolio, the increase was attributable to a \$10.8 million from developed properties in the lease up phase and \$0.9 million from newly acquired properties, offset by a \$2.2 million decrease in the same property portfolio. Within the commercial portfolio, the increase was attributable to a \$3.3 million increase from newly acquired properties and a \$1.2 million decrease from the same properties.

Property operating expenses decreased by \$6.3 million as compared to the prior year period which by segment is an increase in the apartment portfolios of \$1.6 million, a decrease in the commercial properties of \$1.5 million, hotel portfolio of \$1.8 million and land and other portfolio of \$4.6 million. Within the apartment portfolio, increases came from developed properties, which increased by \$2.1 million and same properties decreased \$0.5 million. Within the commercial properties, the same properties decreased \$3.0 million and the acquired properties increased \$1.5 million.

Depreciation and amortization increased \$3.7 million as compared to the prior year period which by segment was an increase in the apartment portfolio of \$2.9 million and an increase in the commercial portfolio of \$0.8 million. Within the apartment portfolio, the developed properties increased \$2.9 million. Within the commercial portfolio, the acquired properties increased \$0.8 million.

Interest income decreased by \$3.5 million as compared to the same period ended 2008. The decrease is due to the receipt of cash on the receivables from Unified Housing Foundation, Inc. The notes are excess cash flow notes. Interest on the notes is recorded as cash is received. Less cash was received in the current period as compared to the prior period.

Earnings from unconsolidated subsidiaries decreased \$2.5 million as compared to prior year period. The decrease is attributable to the lack of activity within the entities. In the prior year period, these entities had large non-recurring gains from the sale of properties.

Provision on impairment of notes receivable, investment in real estate partnerships, and real estate assets increased by \$18.6 million as compared to the prior year period. Based upon the company's estimates of the fair market value of the investments, impairments were recorded resulting in a loss in the investment portfolio of \$18.0 million. Based upon ARL's estimates of fair market value of its real estate assets, impairments were recorded in land we currently hold. Further, the Company incurred a \$9.6 million loss for land that was sold in the third quarter. As of September 30, 2009, the land that was sold was impaired to reflect the reduced value. In the prior year period, we posted a provision for doubtful collections on our receivables of \$5.0 million and a \$7.0 million reserve for certain investments within our portfolio.

Discontinued operations for the nine months ended September 30, 2009, relates to four properties sold, a shopping center and office building held for sale. The gains from the sales are included in the 2009 discontinued operations. In addition, we recognized the deferred gain on the sale of a building sold 2002 and the deferred gain from collection of two note receivables in accordance with the requirements per SFAS No. 66. The discontinued operations for 2008 relates to 31 income producing properties of which 27 were sold in 2008 consisting of 20 apartments, three commercial buildings, four hotels. There were three apartments and one commercial property sold, and an office building and a shopping center held for sale during 2009.

***About American Realty Investors, Inc.***

American Realty Investors, Inc., a Dallas-based real estate investment company, holds a diverse portfolio of equity real estate located across the U.S., including office buildings, apartments, hotels, shopping centers and developed and undeveloped land. We invest in real estate through direct equity ownership and partnerships nationwide. For more information, go to ARL's web site at [www.amrealtytrust.com](http://www.amrealtytrust.com).

**AMERICAN REALTY INVESTORS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(unaudited)

|  | <u>September 30,</u><br><u>2009</u>                        | <u>December 31,</u><br><u>2008</u> |
|--|--|------------------------------------|
|  | (dollars in thousands, except share and par value amounts) |                                    |
| <b>Assets</b>  |  |                                    |
| Real estate, at cost   | \$ 1,728,106   | \$ 1,712,506                       |
| Real estate held for sale at cost, net of depreciation   | 5,375  | 10,333                             |
| Real estate subject to sales contracts at cost, net of depreciation  | 53,780   | 55,100                             |
| Less accumulated depreciation  | (191,384)  | (164,537)                          |
| Total real estate  | <u>1,595,877</u>   | <u>1,613,402</u>                   |
| Notes and interest receivable  |  |                                    |
| Performing   | 100,499  | 68,845                             |
| Non-performing   | 3,135  | 20,032                             |
| Less allowance for estimated losses  | (11,836)   | (11,874)                           |
| Total notes and interest receivable  | <u>91,798</u>  | <u>77,003</u>                      |
| Cash and cash equivalents  | 1,825  | 6,042                              |
| Restricted cash  | -  | 271                                |
| Investments in securities  | -  | 2,775                              |
| Investments in unconsolidated subsidiaries and investees   | 15,765   | 27,113                             |
| Other assets   | 106,570  | 115,547                            |
| Total assets   | <u>\$ 1,811,835</u>  | <u>\$ 1,842,153</u>                |
| <b>Liabilities and Shareholders' Equity</b>  |  |                                    |
| Liabilities:   |  |                                    |
|  | \$1,336,237  | \$1,311,935                        |
| Notes and interest payable   |  |                                    |
| Notes related to assets held-for-sale  | 4,646  | 7,722                              |
| Notes related to subject to sales contracts  | 62,021   | 62,972                             |
| Stock-secured notes payable  | 13,923   | 14,026                             |
| Affiliate payables   | 2,819  | 23,018                             |
| Accounts payable and other liabilities   | 149,756  | 124,902                            |
|  | <u>1,569,402</u>   | <u>1,544,575</u>                   |
| Commitments and contingencies:   |  |                                    |
| Shareholders' equity:  |  |                                    |
| Preferred Stock, \$2.00 par value, authorized 15,000,000 shares, issued and outstanding Series A, 3,390,913 shares in 2009 and in 2008 (liquidation preference \$33,909), including 900,000 shares in 2009 and 2008 held by subsidiaries | 4,979  | 4,979                              |
| Common Stock, \$.01 par value, authorized 100,000,000 shares; issued 11,874,138 shares in 2009 and in 2008   | 114  | 114                                |
| Treasury stock at cost; 637,072 shares in 2009 and 2008, which includes 276,972 shares held by TCI (consolidated) as of 2009 and 2008  | (5,954)  | (5,954)                            |
| Paid-in capital  | 91,646   | 92,609                             |
| Retained earnings  | 73,266   | 119,599                            |
| Accumulated other comprehensive income   | 2,185  | 4,331                              |
| Total American Realty Investors, Inc. shareholders' equity   | <u>166,236</u>   | <u>215,678</u>                     |
| Non-controlling interest   | 76,197   | 81,900                             |
| Total equity   | <u>242,433</u>   | <u>297,578</u>                     |
| Total liabilities and equity   | <u>\$ 1,811,835</u>  | <u>\$ 1,842,153</u>                |

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

|  | For the Three Months Ended<br>September 30,                |                   | For the Nine Months Ended<br>September 30, |                  |
|--|--|-------------------|--|------------------|
|  | 2009   | 2008              | 2009                                       | 2008             |
|  | (dollars in thousands, except share and per share amounts) |                   |  |                  |
| <b>Revenues:</b>   |  |                   |  |                  |
| Rental and other property revenues   | \$ 46,939  | \$ 46,367         | \$ 141,244                                 | \$ 135,421       |
| <b>Expenses:</b>   |  |                   |  |                  |
| Property operating expenses  | 27,791   | 29,905            | 82,122                                     | 88,463           |
| Depreciation and amortization  | 6,851  | 5,875             | 22,991                                     | 19,340           |
| General and administrative   | 4,694  | 3,107             | 9,709                                      | 10,876           |
| Advisory fee to affiliate  | 3,090  | 3,847             | 11,706                                     | 11,742           |
| Total operating expenses   | <u>42,426</u>  | <u>42,734</u>     | <u>126,528</u>                             | <u>130,421</u>   |
| Operating income   | 4,513  | 3,633             | 14,716                                     | 5,000            |
| <b>Other income (expense):</b>   |  |                   |  |                  |
| Interest income  | 583  | 2,389             | 4,279                                      | 7,824            |
| Other income   | 77   | 2,546             | 4,148                                      | 4,612            |
| Mortgage and loan interest   | (22,126)   | (21,071)          | (66,707)                                   | (65,794)         |
| Earnings from unconsolidated subsidiaries and investees                    | 410  | (2,399)           | 43   | 2,576            |
| Gain on foreign currency translation                                       | 464  | (480)             | 542  | (480)            |
| Provision on impairment of notes receivable and real estate assets         | -  | -                 | (30,639)                                   | (12,000)         |
| Litigation settlement  | (1,438)  | (66)              | (1,120)                                    | 785              |
| Total other expenses   | <u>(22,030)</u>  | <u>(19,081)</u>   | <u>(89,454)</u>                            | <u>(62,477)</u>  |
| Loss before gain on land sales, non-controlling interest, and taxes        | (17,517)   | (15,448)          | (74,738)                                   | (57,477)         |
| Gain on land sales   | 3,397  | 1,172             | 11,605                                     | 5,337            |
| Loss from continuing operations before tax                                 | (14,120)   | (14,276)          | (63,133)                                   | (52,140)         |
| Income tax benefit   | 1,056  | 1,615             | 3,421                                      | 34,818           |
| Net loss from continuing operations  | <u>(13,064)</u>  | <u>(12,661)</u>   | <u>(59,712)</u>                            | <u>(17,322)</u>  |
| Discontinued operations:   |  |                   |  |                  |
| Income (loss) from discontinued operations                                 | (11)   | 4,945             | 162  | (14,678)         |
| Gain on sale of real estate from discontinued operations                   | 3,027  | 245               | 10,141                                     | 115,379          |
| Income tax expense from discontinued operations                            | (1,056)  | (1,816)           | (3,606)                                    | (35,245)         |
| Net income (loss)  | (11,104)   | (9,287)           | (53,015)                                   | 48,134           |
| Less: net income (loss) attributable to non-controlling interests          | 1,527  | 1,459             | 8,548                                      | (8,001)          |
| Net income (loss) attributable to American Realty Investors, Inc.          | (9,577)  | (7,828)           | (44,467)                                   | 40,133           |
| Preferred dividend requirement   | (622)  | (623)             | (1,866)                                    | (1,869)          |
| Net income (loss) applicable to common shares                              | <u>\$ (10,199)</u>   | <u>\$ (8,451)</u> | <u>\$ (46,333)</u>                         | <u>\$ 38,264</u> |
| <b>Earnings per share - basic</b>  |  |                   |  |                  |
| Loss from continuing operations  | \$ (1.09)  | \$ (1.12)         | \$ (5.54)                                  | \$ (1.68)        |
| Discontinued operations  | 0.17   | 0.32              | 1.41                                       | 5.32             |
| Net income (loss) applicable to common shares                              | <u>\$ (0.92)</u>   | <u>\$ (0.80)</u>  | <u>\$ (4.13)</u>                           | <u>\$ 3.64</u>   |
| <b>Earnings per share - diluted</b>  |  |                   |  |                  |
| Loss from continuing operations  | \$ (1.09)  | \$ (1.12)         | \$ (5.54)                                  | \$ (1.68)        |
| Discontinued operations  | 0.17   | 0.32              | 1.41                                       | 5.32             |
| Net income (loss) applicable to common shares                              | <u>\$ (0.92)</u>   | <u>\$ (0.80)</u>  | <u>\$ (4.13)</u>                           | <u>\$ 3.64</u>   |
| Weighted average common share used in computing earnings per share         | 11,237,066   | 10,575,107        | 11,237,066                                 | 10,490,041       |
| Weighted average common share used in computing diluted earnings per share | 11,237,066   | 10,575,107        | 11,237,066                                 | 10,490,041       |
| <b>Amounts attributable to American Realty Investors, Inc.</b>             |  |                   |  |                  |
| Loss from continuing operations  | \$ (11,536)  | \$ (11,202)       | \$ (60,342)                                | \$ (15,747)      |
| Income from discontinued operations  | 1,959  | 3,374             | 15,875                                     | 55,880           |
| Net income (loss)  | <u>\$ (9,577)</u>  | <u>\$ (7,828)</u> | <u>\$ (44,467)</u>                         | <u>\$ 40,133</u> |