UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 001-35624

CENTERSPACE

(Exact name of registrant as specified in its charter)

North Dakota				**45-0311232**
(State or other jurisdiction of incorporation or organization)				(I.R.S. Employer Identification No.)
3100 10th Street SW	**Post Office Box 1988**	**Minot**	**ND**	**58702-1988**
(Address of principal executive offices)				(Zip code)

(701) 837-4738
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days.

Yes ☑ **No** ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☑ **No** ☐

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

Large Accelerated Filer	☑	**Accelerated filer**	☐	**Non-accelerated filer**	☐
Smaller Reporting Company	☐	**Emerging growth company**	☐		

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ **No** ☑

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares of Beneficial Interest, no par value	CSR	New York Stock Exchange
Series C Cumulative Redeemable Preferred Shares	CSR-PRC	New York Stock Exchange

The number of common shares of beneficial interest outstanding as of July 22, 2024, was 15,300,140.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements - Second Quarter - 2024:	3
Condensed Consolidated Balance Sheets June 30, 2024 (unaudited) and December 31, 2023	3
Condensed Consolidated Statements of Operations (unaudited) For the Three and Six Months ended June 30, 2024 and 2023	4
Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited) For the Three and Six Months ended June 30, 2024 and 2023	5
Condensed Consolidated Statements of Equity (unaudited) For the Three and Six Months ended June 30, 2024 and 2023	6
Condensed Consolidated Statements of Cash Flows (unaudited) For the Six Months ended June 30, 2024 and 2023	8
Notes to Condensed Consolidated Financial Statements (unaudited)	9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	23
Item 3. Quantitative and Qualitative Disclosures About Market Risk	37
Item 4. Controls and Procedures	38
Part II. Other Information	
Item 1. Legal Proceedings	39
Item 1A. Risk Factors	39
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	39
Item 3. Defaults Upon Senior Securities	39
Item 4. Mine Safety Disclosures	39
Item 5. Other Information	39
Item 6. Exhibits	41
Signatures	42

PART I

Item 1. Financial Statements.

CENTERSPACE AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	(in thousands, except per share data)	
	June 30, 2024	**December 31, 2023**
ASSETS	*(Unaudited)*	
Real estate investments		
Property owned	$ 2,428,290	$ 2,420,146
Less accumulated depreciation	(578,691)	(530,703)
Total real estate investments	1,849,599	1,889,443
Cash and cash equivalents	14,328	8,630
Restricted cash	1,084	639
Other assets	34,414	27,649
TOTAL ASSETS	$ 1,899,425	$ 1,926,361
LIABILITIES, MEZZANINE EQUITY, AND EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	$ 52,885	$ 62,754
Revolving lines of credit	48,000	30,000
Notes payable, net	299,490	299,459
Mortgages payable, net	584,193	586,563
TOTAL LIABILITIES	$ 984,568	$ 978,776
COMMITMENTS AND CONTINGENCIES (NOTE 10)		
SERIES D PREFERRED UNITS *(Cumulative convertible preferred units, $100 par value, 166 units issued and outstanding at June 30, 2024 and December 31, 2023, aggregate liquidation preference of $16,560)*	$ 16,560	$ 16,560
EQUITY		
Series C Preferred Shares of Beneficial Interest *(Cumulative redeemable preferred shares, no par value, $25 per share liquidation preference, 3,881 shares issued and outstanding at June 30, 2024 and December 31, 2023, aggregate liquidation preference of $97,036)*	93,530	93,530
Common Shares of Beneficial Interest *(Unlimited authorization, no par value, 15,057 shares issued and outstanding at June 30, 2024 and 14,963 shares issued and outstanding at December 31, 2023)*	1,167,055	1,165,694
Accumulated distributions in excess of net income	(579,139)	(548,273)
Accumulated other comprehensive loss	(749)	(1,119)
Total shareholders' equity	$ 680,697	$ 709,832
Noncontrolling interests – Operating Partnership and Series E preferred units	216,901	220,544
Noncontrolling interests – consolidated real estate entities	699	649
TOTAL EQUITY	$ 898,297	$ 931,025
TOTAL LIABILITIES, MEZZANINE EQUITY, AND EQUITY	$ 1,899,425	$ 1,926,361

See accompanying Notes to Condensed Consolidated Financial Statements.

CENTERSPACE AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS *(unaudited)*

	(in thousands, except per share data)			
	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2024	**2023**	**2024**	**2023**
REVENUE	$ 65,043	$ 64,776	$ 129,549	$ 132,673
EXPENSES				
Property operating expenses, excluding real estate taxes	18,108	17,872	36,872	39,214
Real estate taxes	7,081	7,174	13,386	14,755
Property management expense	2,222	2,247	4,552	4,815
Casualty loss	510	53	1,330	305
Depreciation and amortization	25,714	24,371	52,726	50,364
General and administrative expenses	4,216	4,162	8,839	11,885
TOTAL EXPENSES	$ 57,851	$ 55,879	$ 117,705	$ 121,338
Gain (loss) on sale of real estate and other investments	—	(67)	(577)	60,092
Loss on litigation settlement	—	(2,864)	—	(2,864)
Operating income	7,192	5,966	11,267	68,563
Interest expense	(9,332)	(8,641)	(18,539)	(18,960)
Interest and other income	477	295	817	344
NET INCOME (LOSS)	$ (1,663)	$ (2,380)	$ (6,455)	$ 49,947
Dividends to Series D preferred unitholders	(160)	(160)	(320)	(320)
Net (income) loss attributable to noncontrolling interests – Operating Partnership and Series E preferred units	561	712	1,640	(7,854)
Net income attributable to noncontrolling interests – consolidated real estate entities	(34)	(35)	(66)	(65)
Net income (loss) attributable to controlling interests	(1,296)	(1,863)	(5,201)	41,708
Dividends to preferred shareholders	(1,607)	(1,607)	(3,214)	(3,214)
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ (2,903)	$ (3,470)	$ (8,415)	$ 38,494
NET INCOME (LOSS) PER COMMON SHARE – BASIC	$ (0.19)	$ (0.23)	$ (0.56)	$ 2.57
NET INCOME (LOSS) PER COMMON SHARE – DILUTED	$ (0.19)	$ (0.23)	$ (0.56)	$ 2.55
Weighted average shares - basic	14,972	14,949	14,947	14,987
Weighted average shares - diluted	14,972	14,949	14,947	18,313

See accompanying Notes to Condensed Consolidated Financial Statements.

CENTERSPACE AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) *(unaudited)*

	(in thousands)			
	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2024	**2023**	**2024**	**2023**
Net income (loss)	$ (1,663)	$ (2,380)	$ (6,455)	$ 49,947
Other comprehensive loss:				
Loss on derivative instrument reclassified into earnings	173	159	370	297
Total comprehensive income (loss)	$ (1,490)	$ (2,221)	$ (6,085)	$ 50,244
Net comprehensive (income) loss attributable to noncontrolling interests – Operating Partnership and Series E preferred units	588	739	1,700	(7,804)
Net income attributable to noncontrolling interests – consolidated real estate entities	(34)	(35)	(66)	(65)
Comprehensive income (loss) attributable to controlling interests	$ (936)	$ (1,517)	$ (4,451)	$ 42,375

See accompanying Notes to Condensed Consolidated Financial Statements.

CENTERSPACE AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY *(unaudited)*

	(in thousands, except per share data)						
Six Months Ended June 30, 2023	**PREFERRED SHARES**	**NUMBER OF COMMON SHARES**	**COMMON SHARES**	**ACCUMULATED DISTRIBUTIONS IN EXCESS OF NET INCOME (LOSS)**	**ACCUMULATED OTHER COMPREHENSIVE LOSS**	**NONCONTROLLING INTERESTS**	**TOTAL EQUITY**
Balance at December 31, 2022	$ 93,530	15,020	$ 1,177,484	$ (539,422)	$ (2,055)	$ 220,759	$ 950,296
Net income attributable to controlling interests and noncontrolling interests				41,708		7,919	49,627
Amortization of swap settlements					297		297
Distributions - common shares and Units ($1.46 per share and Unit)				(21,868)		(1,408)	(23,276)
Distributions - Series C preferred shares ($0.8281250 per Series C share)				(3,214)			(3,214)
Distributions - Series E preferred units ($1.93750 per unit)						(3,394)	(3,394)
Share-based compensation, net of forfeitures		19	2,109				2,109
Redemption of Units for common shares		10	(1,021)			1,021	—
Redemption of Series E preferred units for common shares		25	(2,120)			2,120	—
Shares repurchased		(124)	(6,718)				(6,718)
Shares withheld for taxes			(179)				(179)
Other		(1)	(54)			(86)	(140)
Balance at June 30, 2023	$ 93,530	14,949	$ 1,169,501	$ (522,796)	$ (1,758)	$ 226,931	$ 965,408
Six Months Ended June 30, 2024							
Balance at December 31, 2023	$ 93,530	14,963	$ 1,165,694	$ (548,273)	$ (1,119)	$ 221,193	$ 931,025
Net loss attributable to controlling interests and noncontrolling interests				(5,201)		(1,574)	(6,775)
Amortization of swap settlements					370		370
Distributions - common shares and Units ($1.50 per share and unit)				(22,451)		(1,261)	(23,712)
Distributions - Series C preferred shares ($0.8281250 per Series C share)				(3,214)			(3,214)
Distributions - Series E preferred units ($1.93750 per unit)						(3,329)	(3,329)
Share-based compensation, net of forfeitures		13	1,481				1,481
Sale of common shares, net		110	7,320				7,320
Redemption of Units for common shares		33	(1,367)			1,367	—
Redemption of Series E preferred units for common shares		25	(1,220)			1,220	—
Shares repurchased		(88)	(4,703)				(4,703)
Shares withheld for taxes			(121)				(121)
Other		1	(29)			(16)	(45)
Balance at June 30, 2024	$ 93,530	15,057	$ 1,167,055	$ (579,139)	$ (749)	$ 217,600	$ 898,297

See accompanying Notes to Condensed Consolidated Financial Statements.

CENTERSPACE AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY *(unaudited)*

	(in thousands, except per share data)						
Three Months Ended June 30, 2023	**PREFERRED SHARES**	**NUMBER OF COMMON SHARES**	**COMMON SHARES**	**ACCUMULATED DISTRIBUTIONS IN EXCESS OF NET INCOME (LOSS)**	**ACCUMULATED OTHER COMPREHENSIVE LOSS**	**NONCONTROLLING INTERESTS**	**TOTAL EQUITY**
Balance at March 31, 2023	$ 93,530	15,032	$ 1,176,059	$ (508,420)	$ (1,917)	$ 228,553	$ 987,805
Net loss attributable to controlling interests and noncontrolling interests				(1,863)		(677)	(2,540)
Amortization of swap settlements					159		159
Distributions - common shares and Units ($0.73 per share and unit)				(10,906)		(702)	(11,608)
Distributions - Series C preferred shares ($0.4140625 per Series C share)				(1,607)			(1,607)
Distributions - Series E preferred units ($0.96875 per unit)						(1,690)	(1,690)
Share-based compensation, net of forfeitures		7	590				590
Redemption of Units for common shares		6	(324)			324	—
Redemption of Series E preferred units from common shares		9	(1,185)			1,185	—
Shares repurchased		(105)	(5,696)				(5,696)
Other			57			(62)	(5)
Balance at June 30, 2023	$ 93,530	14,949	$ 1,169,501	$ (522,796)	$ (1,758)	$ 226,931	$ 965,408
Three Months Ended June 30, 2024							
Balance at March 31, 2024	$ 93,530	14,912	$ 1,160,492	$ (564,951)	$ (922)	$ 218,936	$ 907,085
Net loss attributable to controlling interests and noncontrolling interests				(1,296)		(527)	(1,823)
Amortization of swap settlements					173		173
Distributions - common shares and Units ($0.75 per share and unit)				(11,285)		(622)	(11,907)
Distributions - Series C preferred shares ($0.4140625 per Series C share)				(1,607)			(1,607)
Distributions - Series E preferred units ($0.96875 per unit)						(1,658)	(1,658)
Share-based compensation, net of forfeitures		10	733				733
Sale of common shares, net		110	7,320				7,320
Redemption of Units for common shares		16	(969)			969	—
Redemption of Series E preferred units for common shares		9	(518)			518	—
Other			(3)			(16)	(19)
Balance at June 30, 2024	$ 93,530	15,057	$ 1,167,055	$ (579,139)	$ (749)	$ 217,600	$ 898,297

See accompanying Notes to Condensed Consolidated Financial Statements.

CENTERSPACE AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

	(in thousands)	
	Six Months Ended June 30,	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (6,455)	$ 49,947
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization, including amortization of capitalized loan costs	53,314	51,295
(Gain) loss on sale of real estate and other investments	577	(60,159)
Loss on litigation settlement	—	2,864
Share-based compensation expense	1,481	2,109
Other, net	1,916	391
Changes in other assets and liabilities:		
Other assets	1,748	2,866
Accounts payable and accrued expenses	(5,317)	(3,752)
Net cash provided by operating activities	$ 47,264	$ 45,561
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in mortgages and real estate related notes receivable	(13,147)	—
Net proceeds from sale of real estate and other investments	18,251	141,587
Proceeds from insurance	1,949	717
Payments for improvements of real estate investments	(35,586)	(25,072)
Other investing activities	117	14
Net cash provided by (used by) investing activities	$ (28,416)	$ 117,246
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from mortgages payable	—	90,000
Principal payments on mortgages payable	(3,125)	(22,796)
Proceeds from revolving lines of credit	58,556	62,279
Principal payments on revolving lines of credit	(40,556)	(156,790)
Principal payments on notes payable	—	(100,000)
Net proceeds from issuance of common shares	7,388	—
Repurchase of common shares	(4,703)	(6,718)
Distributions paid to common shareholders	(22,090)	(21,879)
Distributions paid to preferred shareholders	(3,214)	(3,214)
Distributions paid to Series D preferred unitholders	(320)	(320)
Distributions paid to noncontrolling interests – Operating Partnership and Series E preferred units	(4,596)	(4,809)
Other financing activities	(45)	(140)
Net cash used by financing activities	$ (12,705)	$ (164,387)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	6,143	(1,580)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF PERIOD	9,269	11,891
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	$ 15,412	$ 10,311
SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Accrued capital expenditures	$ 4,915	$ 4,638
Operating partnership units converted to common shares	(1,367)	(1,021)
Distributions declared but not paid to common shareholders	11,907	11,608
Series E preferred units converted to common shares	(1,220)	(2,120)
Retirement of shares withheld for taxes	121	179
Loss on litigation settlement	—	2,864
Involuntary conversion of assets	(900)	(1,060)
Non-cash interest income	336	—
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 16,762	$ 11,867

	(in thousands)		
Balance sheet description	**June 30, 2024**	**December 31, 2023**	**June 30, 2023**
Cash and cash equivalents	$ 14,328	$ 8,630	$ 9,745
Restricted cash	1,084	639	566
Total cash, cash equivalents and restricted cash	$ 15,412	$ 9,269	$ 10,311

See accompanying Notes to Condensed Consolidated Financial Statements.

CENTERSPACE AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*
June 30, 2024

NOTE 1 • ORGANIZATION

Centerspace, collectively with its consolidated subsidiaries ("Centerspace," "the Company," "we," "us," or "our"), is a North Dakota real estate investment trust ("REIT") focused on the ownership, management, acquisition, redevelopment, and development of apartment communities. As of June 30, 2024, Centerspace owned interests in 70 apartment communities consisting of 12,883 apartment homes.

NOTE 2 • BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Centerspace conducts a majority of its business activities through a consolidated operating partnership, Centerspace, LP, a North Dakota limited partnership (the "Operating Partnership"), as well as through a number of other consolidated subsidiary entities. The accompanying Condensed Consolidated Financial Statements include the Company's accounts and the accounts of all its subsidiaries in which it maintains a controlling interest, including the Operating Partnership. All intercompany balances and transactions are eliminated in consolidation.

The Condensed Consolidated Financial Statements also reflect the Operating Partnership's ownership of a joint venture entity in which the Operating Partnership has a general partner or controlling interest. This entity is consolidated into the Company's operations, with noncontrolling interests reflecting the noncontrolling partners' share of ownership, income, and expenses.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Centerspace's unaudited interim Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the applicable rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, certain disclosures accompanying annual consolidated financial statements prepared in accordance with GAAP are omitted. The year-end balance sheet data was derived from audited consolidated financial statements, but does not include all disclosures required by GAAP. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for the fair presentation of financial position, results of operations, and cash flows for the interim periods, have been included.

The current period's results of operations are not necessarily indicative of results which ultimately may be achieved for the year. The interim Condensed Consolidated Financial Statements and accompanying notes thereto should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on February 20, 2024.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain previously reported amounts have been reclassified to conform to the current financial statement presentation. These reclassifications had no impact on net income (loss) as reported in the Condensed Consolidated Statements of Operations, total assets, liabilities or equity as reported in the Condensed Consolidated Balance Sheets and the classifications within the Condensed Consolidated Statements of Cash Flows. Centerspace reclassified certain items within the disaggregated revenue table included in Note 2.

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Cash and cash equivalents include all cash and highly liquid investments purchased with maturities of three months or less. Cash and cash equivalents consist of bank deposits and deposits in a money market mutual fund. The Company is potentially exposed to credit risk for cash deposited with FDIC-insured financial institutions in accounts which, at times, may exceed

federally insured limits. Although past bank failures have increased the risk of loss in such accounts, the Company has not experienced any losses in such accounts.

As of June 30, 2024 and December 31, 2023, restricted cash consisted of $1.1 million and $639,000, respectively, in escrows held by lenders. Escrows include funds deposited with a lender for payment of real estate taxes and insurance and reserves to be used for replacement of structural elements and mechanical equipment at certain communities. The funds are under the control of the lender. Disbursements are made after supplying written documentation to the lender.

LEASES

As a lessor, Centerspace primarily leases multifamily apartment homes which qualify as operating leases with terms that are generally one year or less. Rental revenues are recognized in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") ASC 842, *Leases*, using a method that represents a straight-line basis over the term of the lease. For the three months ended June 30, 2024 and 2023, rental income represented approximately 98.3% and 98.1% of total revenues, respectively, and included gross market rent less adjustments for gain or loss to lease, concessions, vacancy loss, and bad debt. For the three months ended June 30, 2024 and 2023, other property revenues represented the remaining 1.7% and 1.9% of total revenues, respectively, and were primarily driven by other fee income, which is typically recognized when earned, at a point in time. For the six months ended June 30, 2024 and 2023, rental income represented approximately 98.2% and 98.1% of total revenues, respectively. For the six months ended June 30, 2024 and 2023, other property revenues represented the remaining 1.8% and 1.9% of total revenues, respectively.

Some of the Company's apartment communities have commercial spaces available for lease. Lease terms for these spaces typically range from three to fifteen years. The leases for commercial spaces generally include options to extend the lease for additional terms.

Many of the leases contain non-lease components for utility reimbursement from residents and common area maintenance from commercial tenants. Centerspace has elected the practical expedient to combine lease and non-lease components for all asset classes. The combined components are included in lease income and are accounted for under ASC 842.

The aggregate amount of future scheduled lease income on commercial operating leases, excluding any variable lease income and non-lease components, as of June 30, 2024, was as follows:

		(in thousands)
2024 (remainder)	$	952
2025		1,989
2026		1,857
2027		1,575
2028		1,192
Thereafter		6,433
Total scheduled lease income - commercial operating leases	$	13,998

REVENUES AND GAINS ON SALE OF REAL ESTATE

Revenue is recognized in accordance with the transfer of goods and services to customers at an amount that reflects the consideration to which the Company expects to be entitled for those goods and services.

Revenue streams that are included in revenues from contracts with customers include other property revenues such as application fees and other miscellaneous items. Centerspace recognizes revenue, for rental related items not included as a component of a lease, as earned.

The following table presents the disaggregation of revenue streams for the three and six months ended June 30, 2024 and 2023:

		(in thousands)			
		Three Months Ended June 30,		**Six Months Ended June 30,**	
Revenue Stream	**Applicable Standard**	**2024**	**2023**	**2024**	**2023**
Fixed lease income - operating leases	Leases	$ 60,394	$ 60,528	$ 120,428	$ 123,701
Variable lease income - operating leases	Leases	3,558	3,017	6,845	6,517
Other property revenue	Revenue from contracts with customers	1,091	1,231	2,276	2,455
Total revenue		$ 65,043	$ 64,776	$ 129,549	$ 132,673

In addition to lease income and other property revenue, the Company recognizes gains or losses on the sale of real estate when the criteria for derecognition of an asset are met, including when (1) a contract exists and (2) the buyer obtained control of the

nonfinancial asset that was sold. During the three months ended June 30, 2024, the Company did not recognize a gain or loss on the sale of real estate and other investments, compared to a loss of $67,000 during the three months ended June 30, 2023. During the six months ended June 30, 2024, the Company recognized a loss of $577,000 on the sale of real estate and other investments, compared to a gain of $60.1 million during the six months ended June 30, 2023. Any gain or loss on real estate dispositions is net of certain closing and other costs associated with the disposition.

IN-PLACE LEASE AMORTIZATION

The Company records in-place lease assets at the time of acquisition. The amortization periods reflects the average remaining term of in-place leases acquired, which are generally less than one year. During the three months ended June 30, 2024 and 2023, the Company recognized $37,000 and $49,000, respectively, of amortization expense related to intangibles. During the six months ended June 30, 2024 and 2023, the Company recognized $1.7 million and $893,000, respectively, of amortization expense related to intangibles, included within depreciation and amortization in the Condensed Consolidated Statements of Operations.

MARKET CONCENTRATION RISK

The Company is subject to increased exposure from economic and other competitive factors specific to markets where it holds a significant percentage of the carrying value of its real estate portfolio. As of June 30, 2024, Centerspace held more than 10% of the carrying value of its real estate portfolio in the Minneapolis, Minnesota and Denver, Colorado markets.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company evaluates long-lived assets, including real estate investments, for impairment indicators at least quarterly. The judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions, expected holding period of each property, and legal and environmental concerns. If indicators exist, the Company compares the estimated future undiscounted cash flows for the property against the carrying amount of that property. If the sum of the estimated undiscounted cash flows is less than the carrying amount, an impairment loss is generally recorded for the difference between the estimated fair value and the carrying amount. If the anticipated holding period for properties, the estimated fair value of properties, or other factors change based on market conditions or otherwise, the evaluation of impairment charges may be different and such differences could be material to the consolidated financial statements. The evaluation of estimated cash flows is subjective and is based, in part, on assumptions regarding future occupancy, rental rates, and capital requirements that could differ materially from actual results. Plans to hold properties over longer periods decreases the likelihood of recording impairment losses.

During the three and six months ended June 30, 2024 and 2023, the Company recorded no impairment charges.

VARIABLE INTEREST ENTITIES

Centerspace has determined that its Operating Partnership and each of its less-than-wholly owned real estate partnerships are variable interest entities (each, a "VIE"), as the limited partners or the functional equivalent of limited partners lack substantive kick-out rights and substantive participating rights. The Company is the primary beneficiary of the VIEs, and the VIEs are required to be consolidated on the balance sheet because the Company has a controlling financial interest in the VIEs and has both the power to direct the activities of the VIEs that most significantly impact the economic performance of the VIEs as well as the obligation to absorb losses or the right to receive benefits from the VIEs that could potentially be significant to the VIEs. Because the Operating Partnership is a VIE, all of the Company's assets and liabilities are held through a VIE.

REAL ESTATE RELATED NOTES RECEIVABLE

The Company has a tax increment financing note receivable ("TIF") with a principal balance of $5.4 million and $5.7 million at June 30, 2024 and December 31, 2023, respectively, which appears within other assets in the Condensed Consolidated Balance Sheets at fair value. The note bears an interest rate of 4.5% with payments due in February and August of each year.

In 2023, the Company originated a $15.1 million mezzanine loan for the development of an apartment community located in Inver Grove Heights, Minnesota. The mezzanine loan bears interest at 10.0% per annum. As of June 30, 2024 and December 31, 2023, the Company had funded $14.7 million and $1.6 million of the mezzanine loan, respectively. The loan matures in December 2027 unless extended to December 2028 in accordance with the terms of the mezzanine loan agreement. The loan is secured by a pledge of and first priority security interest against 100% of the membership interests in the mezzanine borrower and the agreement provides the Company with an option to purchase the development at a discount to future appraised value. The loan represents an investment in an unconsolidated variable interest entity. The Company is not the primary beneficiary of the VIE as Centerspace does not have the power to direct the activities which most significantly impact the entity's economic performance nor does Centerspace have significant influence over the entity. The note receivable appears within other assets in the Condensed Consolidated Balance Sheets at fair value.

ADVERTISING COSTS

Advertising costs are expensed as incurred and reported on the Condensed Consolidated Statements of Operations within the property operating expenses, excluding real estate taxes line item. During the three months ended June 30, 2024 and 2023, total advertising expense was $742,000 and $744,000, respectively. During the six months ended June 30, 2024 and 2023, total advertising expense was $1.5 million and $1.4 million, respectively.

SEVERANCE AND TRANSITION

On March 23, 2023, the Company entered into a Separation and General Release Agreement (the "Separation Agreement") in connection with the departure of former CEO, Mark Decker, Jr. During the six months ended June 30, 2023, the Company incurred total severance costs of $2.2 million for the cash severance and benefits for Mr. Decker, $737,000 in share-based compensation expense for the acceleration of certain equity awards, and $306,000 in other CEO transition related expenses.

INVOLUNTARY CONVERSION OF ASSETS

During the three and six months ended June 30, 2024, Centerspace recognized $137,000 and $755,000, respectively, in additional casualty loss resulting from updated loss estimates from six separate insurance events at apartment communities. Any insurance funds received will be recognized when received in accordance with ASC 610-30.

In April 2023, a portion of an apartment community was destroyed by fire. The Company recorded a write-down of the apartment community asset, in accordance with ASC 610-30 on involuntary conversion of non-monetary assets, totaling $1.3 million with an offsetting insurance receivable recorded within other assets on the Condensed Consolidated Balance Sheets. During the six months ended June 30, 2024, the claim was settled for $1.6 million, including remediation and other operating expenses.

NOTE 3 • NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares of beneficial interest ("common shares") outstanding during the period. Centerspace has issued restricted stock units ("RSUs") and incentive stock options ("ISOs") under the 2015 Incentive Plan, Series D Convertible Preferred Units ("Series D preferred units"), and Series E Convertible Preferred Units ("Series E preferred units"), which could have a dilutive effect on net income (loss) per share upon vesting of the RSUs, upon exercising of ISOs, or upon conversion of the Series D or Series E preferred units (refer to Note 4 for further discussion of the Series D and the Series E preferred units). The Company calculates diluted net income (loss) per share using the treasury stock method for RSUs and ISOs and the if converted method for Series D preferred units and Series E preferred units. Other than the issuance of RSUs, ISOs, Series D preferred units, and Series E preferred units, there are no outstanding options, warrants, convertible stock, or other contractual obligations requiring issuance of additional common shares that would result in a dilution of net income (loss). Under the terms of the Operating Partnership's Agreement of Limited Partnership, limited partners have the right to require the Operating Partnership to redeem their limited partnership units ("Units") any time following the first anniversary of the date they acquired such Units ("Exchange Right"). Upon the exercise of Exchange Rights, and in Centerspace's sole discretion, it may issue common shares in exchange for Units on a one-for-one basis.

The following table presents a reconciliation of the numerator and denominator used to calculate basic and diluted net income (loss) per share reported in the Condensed Consolidated Financial Statements for the three and six months ended June 30, 2024 and 2023.

	(in thousands, except per share data)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
NUMERATOR				
Net income (loss) attributable to controlling interests	$ (1,296)	$ (1,863)	$ (5,201)	$ 41,708
Dividends to preferred shareholders	(1,607)	(1,607)	(3,214)	(3,214)
Numerator for basic income (loss) per share – net income (loss) available to common shareholders	(2,903)	(3,470)	(8,415)	38,494
Noncontrolling interests – Operating Partnership and Series E preferred units [1]	—	—	—	7,854
Dividends to Series D preferred unitholders [2]	—	—	—	320
Numerator for diluted income (loss) per share	$ (2,903)	$ (3,470)	$ (8,415)	$ 46,668
DENOMINATOR				
Denominator for basic income (loss) per share weighted average shares	14,972	14,949	14,947	14,987
Effect of redeemable operating partnership units	—	—	—	967
Effect of Series D preferred units	—	—	—	228
Effect of Series E preferred units	—	—	—	2,111
Effect of dilutive restricted stock units and stock options	—	—	—	20
Denominator for diluted income (loss) per share	14,972	14,949	14,947	18,313
NET INCOME (LOSS) PER COMMON SHARE – BASIC	$ (0.19)	$ (0.23)	$ (0.56)	$ 2.57
NET INCOME (LOSS) PER COMMON SHARE – DILUTED	$ (0.19)	$ (0.23)	$ (0.56)	$ 2.55

(1) For the three and six months ended June 30, 2024 and the three months ended June 30, 2023, the impact of Units and Series E preferred units was excluded from the calculation of net income (loss) per common share - diluted as they were anti-dilutive.
(2) For the three and six months ended June 30, 2024 and the three months ended June 30, 2023, dividends to preferred unitholders are excluded from the calculation of net income (loss) per common share - diluted as they were anti-dilutive.

For the three months ended June 30, 2024, operating partnership units of 835,000, Series D preferred units of 228,000, as converted, Series E preferred units of 2.1 million, as converted, time-based RSUs of 32,000, and performance-based RSUs of 41,000 were excluded from the calculation of diluted net income (loss) per share because they were anti-dilutive as including these items would have improved net loss per share.

For the three months ended June 30, 2023, operating partnership units of 965,000, Series D preferred units of 228,000, as converted, Series E preferred units of 2.1 million, as converted, time-based RSUs and stock options of 24,000, and performance-based RSUs of 26,000 were excluded from the calculation of diluted income (loss) per share because they were anti-dilutive as including these items would have improved net loss per share.

For the six months ended June 30, 2024, operating partnership units of 845,000, Series D preferred units of 228,000, as converted, Series E preferred units of 2.1 million, as converted, time-based RSUs of 26,000, and performance-based RSUs of 41,000 were excluded from the calculation of diluted net income (loss) per share because they were anti-dilutive as including these items would have improved net loss per share.

For the six months ended June 30, 2023, performance-based RSUs of 26,000 were excluded from the calculation of diluted net income per share because they were anti-dilutive as including these items would have improved net income per share.

NOTE 4 • EQUITY AND MEZZANINE EQUITY

Operating Partnership Units. The Operating Partnership had 828,000 and 861,000 outstanding Units at June 30, 2024 and December 31, 2023, respectively.

Exchange Rights. Centerspace redeemed Units in exchange for common shares in connection with Unitholders exercising their exchange rights during the three and six months ended June 30, 2024 and 2023 as detailed in the table below.

	(in thousands)	
Three Months Ended June 30,	**Number of Units**	**Net Book Basis**
2024	16	$ 969
2023	6	$ 324
Six Months Ended June 30,		
2024	33	$ 1,367
2023	10	$ 1,021

Series E Preferred Units (Noncontrolling Interests). Centerspace had 1.7 million Series E preferred units outstanding on June 30, 2024 and December 31, 2023. Each Series E preferred unit has a par value of $100. The Series E preferred unit holders receive a preferred distribution at the rate of 3.875% per year. Each Series E preferred unit is convertible, at the holder's option, into 1.2048 Units. Centerspace has the option, at its sole election, to convert Series E preferred units into Units if its stock has traded at or above $83 per share for 15 of 30 consecutive trading days and it has made at least three consecutive quarters of distributions with a rate of at least $0.804 per Unit. The Series E preferred units have an aggregate liquidation preference of $170.4 million as of June 30, 2024. The holders of the Series E preferred units do not have voting rights.

	(in thousands)		
Three Months Ended June 30,	**Number of Series E Preferred Units Redeemed**	**Number of Common Shares Issued**	**Total Value**
2024	8	9	$ 518
2023	7	9	$ 1,185
Six Months Ended June 30,			
2024	21	25	$ 1,220
2023	20	25	$ 2,120

Common Shares and Equity Awards. Common shares outstanding on June 30, 2024 and December 31, 2023, totaled 15.1 million and 15.0 million, respectively. During the three and six months ended June 30, 2024, Centerspace issued approximately 9,723 and 13,465 common shares, respectively, with a total grant-date fair value of $584,000 and $1.0 million, respectively, as share-based compensation for employees and trustees under its 2015 Incentive Plan. During the three and six months ended June 30, 2023, Centerspace issued approximately 7,073 and 18,950 common shares, respectively, with a total grant-date fair value of $778,000 and $1.7 million, respectively, as share-based compensation for employees and trustees under its 2015 Incentive Plan. These shares vested based on performance and service criteria. Refer to Note 11 for additional details on share-based compensation.

Equity Distribution Agreement. Centerspace has an equity distribution agreement in connection with an at-the-market offering ("ATM Program") through which it may offer and sell common shares having an aggregate sales price of up to $250.0 million, in amounts and at times determined by management. Under the ATM Program, the Company may enter into separate forward sale agreements. The proceeds from the sale of common shares under the ATM Program may be used for general corporate purposes, including the funding of acquisitions, construction or mezzanine loans, community renovations, and the repayment of indebtedness. The table below provides details on the sale of common shares during the three and six months ended June 30, 2024 under the ATM Program. There were no sales of common shares under the ATM Program during the three and six months ended June 30, 2023. As of June 30, 2024, common shares having an aggregate offering price of up to $118.9 million remained available under the ATM Program.

	(in thousands, except per share amounts)		
Three and Six Months Ended June 30,	**Number of Common Shares**	**Net Consideration[1]**	**Average Net Price Per Share**
2024	110	$ 7,561	$ 68.77

(1) Total consideration is net of $115,000 in commissions during the three and six months ended June 30, 2024.

Share Repurchase Program. On March 10, 2022, the Board of Trustees approved a share repurchase program (the "Share Repurchase Program"), providing for the repurchase of up to an aggregate of $50.0 million of the Company's outstanding common shares. Under the Share Repurchase Program, the Company is authorized to repurchase common shares through open market purchases, privately-negotiated transactions, block trades or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Securities and Exchange Act of 1934, as amended. The repurchases have no time limit and may be suspended or discontinued completely at any time. The specific

timing and amount of repurchases will vary based on available capital resources or other financial and operational performance, market conditions, securities law limitations, and other factors. The table below provides details on the shares repurchased during the three and six months ended June 30, 2024 and 2023. As of June 30, 2024, the Company had $4.7 million remaining authorized for purchase under this program.

	(in thousands, except per share amounts)		
Three Months Ended June 30,	**Number of Common Shares**	**Aggregate Cost[1]**	**Average Price Per Share[1]**
2024	—	$ —	$ —
2023	105	$ 5,696	$ 54.51
Six Months Ended June 30,			
2024	88	$ 4,703	$ 53.62
2023	124	$ 6,718	$ 54.19

(1) Amount includes commissions.

Series C Preferred Shares. Series C preferred shares outstanding were 3.9 million shares at June 30, 2024 and December 31, 2023. The Series C preferred shares are nonvoting and redeemable for cash at $25.00 per share at Centerspace's option. Holders of these shares are entitled to cumulative distributions, payable quarterly (as and if declared by the Board of Trustees). Distributions accrue at an annual rate of $1.65625 per share, which is equal to 6.625% of the $25.00 per share liquidation preference ($97.0 million liquidation preference in the aggregate).

Series D Preferred Units (Mezzanine Equity). Series D preferred units outstanding were 165,600 preferred units at June 30, 2024 and December 31, 2023. The Series D preferred units have a par value price of $100 per preferred unit. The Series D preferred unit holders receive a preferred distribution at the rate of 3.862% per year. The Series D preferred units have a put option which allows the holder to redeem any or all of the Series D preferred units for cash equal to the issuance price. Each Series D preferred unit is convertible, at the holder's option, into 1.37931 Units. The Series D preferred units have an aggregate liquidation value of $16.6 million. Changes in the redemption value are based on changes in the trading value of common shares and are charged to common shares on the Condensed Consolidated Balance Sheets each quarter. The holders of the Series D preferred units do not have voting rights. Distributions to Series D unitholders are presented in the Condensed Consolidated Statements of Equity within net income (loss) attributable to controlling interests and noncontrolling interests.

NOTE 5 • DEBT

The following table summarizes the Company's secured and unsecured debt at June 30, 2024 and December 31, 2023.

	(in thousands)				
	June 30, 2024		**December 31, 2023**		
	Carrying Amount	**Weighted Average Interest Rate**	**Carrying Amount**	**Weighted Average Interest Rate**	**Weighted Average Maturity in Years at June 30, 2024**
Lines of credit [1]	$ 48,000	6.69 %	$ 30,000	6.74 %	1.25
Unsecured senior notes [2][4]	300,000	3.12 %	300,000	3.12 %	6.13
Unsecured debt	348,000		330,000		5.45
Mortgages payable - Fannie Mae credit facility [4]	198,850	2.78 %	198,850	2.78 %	7.06
Mortgages payable - other [3][4]	389,149	4.05 %	392,274	4.05 %	5.27
Secured debt	587,999		591,124		5.88
Subtotal	935,999	3.62 %	921,124	3.54 %	5.72
Premiums and discounts, net	(608)		(1,134)		
Deferred financing costs, net	(3,708)		(3,968)		
Total debt	$ 931,683		$ 916,022		

(1) Interest rates on lines of credit are variable and exclude any unused facility fees and amounts reclassified from accumulated other comprehensive income (loss) into interest expense from terminated interest rate swaps.
(2) Included within notes payable on the Condensed Consolidated Balance Sheets.
(3) Represents apartment communities encumbered by mortgages; 14 at June 30, 2024 and December 31, 2023.
(4) Interest rate is fixed.

As of June 30, 2024, 45 apartment communities were not encumbered by mortgages and were available to provide credit support for the unsecured borrowings. The Company's primary unsecured credit facility ("Unsecured Credit Facility" or "Facility") is a revolving, multi-bank line of credit, with the Bank of Montreal serving as administrative agent. The line of credit has total commitments and borrowing capacity of $250.0 million, based on the value of unencumbered properties. As of

June 30, 2024, there was $48.0 million outstanding on this line of credit, therefore the additional borrowing availability was $202.0 million. This unsecured credit facility matures in September 2025, with an option to extend maturity for up to two additional six-month periods and has an accordion option to increase borrowing capacity up to $400.0 million.

The Secured Overnight Financing Rate ("SOFR") is the benchmark alternative reference rate under the Facility. On July 26, 2024, the Unsecured Credit Facility was amended to extend the maturity of the facility to July 2028 and to modify the leverage-based margin rates applicable to borrowings. As amended, the interest rates on the line of credit are based on the consolidated leverage ratio, at the Company's option, on either the lender's base rate plus a margin, ranging from 20-80 basis points, or daily or term SOFR, plus a margin that ranges from 120-180 basis points with the consolidated leverage ratio described under the Third Amended and Restated Credit Agreement, as amended. The Unsecured Credit Facility and unsecured senior notes are subject to customary financial covenants and limitations. The Company believes that it was in compliance with all such financial covenants and limitations as of June 30, 2024.

Centerspace also has a $6.0 million operating line of credit. As of June 30, 2024 and December 31, 2023, there was no outstanding balance on this line of credit. This operating line of credit is designed to enhance treasury management activities and more effectively manage cash balances. This operating line matures on September 30, 2024, with pricing based on SOFR.

Centerspace had a private shelf agreement with PGIM, Inc., an affiliate of Prudential Financial, Inc., and certain affiliates of PGIM, Inc. (collectively, "PGIM") under which the Company issued $200.0 million in unsecured senior promissory notes ("unsecured senior notes"). The Company also has a separate note purchase agreement for the issuance of $125.0 million senior unsecured promissory notes, of which $25.0 million was issued under the private shelf agreement with PGIM. The following table shows the notes issued under both agreements as of June 30, 2024 and December 31, 2023.

	(in thousands)			
	Amount		**Maturity Date**	**Interest Rate**
Series A	$	75,000	September 13, 2029	3.84 %
Series B	$	50,000	September 30, 2028	3.69 %
Series C	$	50,000	June 6, 2030	2.70 %
Series 2021-A	$	35,000	September 17, 2030	2.50 %
Series 2021-B	$	50,000	September 17, 2031	2.62 %
Series 2021-C	$	25,000	September 17, 2032	2.68 %
Series 2021-D	$	15,000	September 17, 2034	2.78 %

Centerspace has a $198.9 million Fannie Mae Credit Facility Agreement (the "FMCF"). The FMCF is secured by mortgages on 11 apartment communities. The notes are interest-only, with varying maturity dates of 7, 10, and 12 years, and a blended, weighted average interest rate of 2.78%. As of June 30, 2024 and December 31, 2023, the FMCF had a balance of $198.9 million. The FMCF is included within mortgages payable on the Condensed Consolidated Balance Sheets.

As of June 30, 2024, Centerspace owned 14 apartment communities that served as collateral for mortgage loans, in addition to the apartment communities secured by the FMCF. All of these mortgage loans were non-recourse to the Company other than for standard carve-out obligations. As of June 30, 2024, the Company believes that there were no material defaults or instances of material noncompliance in regard to any of these mortgage loans. As of June 30, 2024 and December 31, 2023, the mortgage loans had a balance of $389.1 million and $392.3 million, respectively, excluding unamortized premiums and discounts. The mortgage loans are included within mortgages payable on the Condensed Consolidated Balance Sheets.

The aggregate amount of required future principal payments on lines of credit, notes payable, and mortgages payable as of June 30, 2024, was as follows:

	(in thousands)
2024 (remainder)	$ 3,735
2025	84,290
2026	102,809
2027	48,666
2028	118,321
Thereafter	578,178
Total payments	935,999
Premiums and discounts, net	(608)
Deferred financing costs, net	(3,708)
Total	$ 931,683

NOTE 6 • DERIVATIVE INSTRUMENTS

Centerspace used interest rate derivatives to stabilize interest expense and to manage its exposure to interest rate fluctuations. To accomplish this objective, the Company primarily used interest rate swap contracts to fix variable interest rate debt.

Changes in the fair value of derivatives designated and that qualified as cash flow hedges were recorded in accumulated other comprehensive income (loss) ("OCI") and subsequently reclassified into earnings in the period that the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive income (loss) will be reclassified to interest expense in the periods in which interest payments are incurred on variable rate debt. During the next twelve months, the Company estimates an additional $690,000 will be reclassified as an increase to interest expense. As of June 30, 2024 and December 31, 2023 the Company had no remaining interest rate swaps.

The table below presents the effect of the Company's derivative financial instruments on the Condensed Consolidated Statements of Operations as of June 30, 2024 and 2023.

	(in thousands)				
	Gain Recognized in OCI		**Location of Gain (Loss) Reclassified from Accumulated OCI into Income**	**Loss Reclassified from Accumulated OCI into Income (Loss)**	
Three months ended June 30,	**2024**	**2023**		**2024**	**2023**
Total derivatives in cash flow hedging relationships - Interest rate contracts	$ —	$ —	Interest expense	$ (173)	$ (159)
Six months ended June 30,					
Total derivatives in cash flow hedging relationships - Interest rate contracts	$ —	$ —	Interest expense	$ (370)	$ (297)

NOTE 7 • FAIR VALUE MEASUREMENTS

Cash and cash equivalents, restricted cash, accounts payable, accrued expenses, and other liabilities are carried at amounts that reasonably approximate their fair value due to their short-term nature. For variable rate line of credit debt that re-prices frequently, fair values are based on carrying values.

In determining the fair value of other financial instruments, Centerspace applies FASB ASC 820, "*Fair Value Measurement and Disclosures.*" Fair value hierarchy under ASC 820 distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (Levels 1 and 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). Fair value estimates may differ from the amounts that may ultimately be realized upon sale or disposition of the assets and liabilities.

Fair Value Measurements on a Recurring Basis

			(in thousands)			
	Balance Sheet Location		Total	Level 1	Level 2	Level 3
June 30, 2024						
Assets						
Real estate related notes receivable	Other assets	$	20,311	—	—	$ 20,311
December 31, 2023						
Assets						
Real estate related notes receivable	Other assets	$	7,039	—	—	$ 7,039

Centerspace utilizes an income approach with Level 3 inputs based on expected future cash flows to value the notes receivable. The unobservable inputs include market transactions for similar instruments, management estimates of comparable interest rates (range of 5.00% to 9.00%), and instrument specific credit risk (range of 0.5% to 1.0%). Changes in the fair value of these receivables from period to period are reported in interest and other income on the Condensed Consolidated Statements of Operations.

	(in thousands)			
	Fair Value Measurement	Other Gains	Interest Income	Total Changes in Fair Value Included in Current-Period Earnings
Six months ended June 30, 2024				
Real estate related notes receivable	$ 20,311	$ 10	$ 563	$ 573
Six months ended June 30, 2023				
Real estate related notes receivable	$ 5,666	$ 10	$ 133	$ 143

As of June 30, 2024 and December 31, 2023, Centerspace had investments totaling $2.1 million in real estate technology venture funds consisting of privately held entities that develop technology related to the real estate industry. These investments appear within other assets on our Condensed Consolidated Balance Sheets. The investments are measured at net asset value ("NAV") as a practical expedient under ASC 820. As of June 30, 2024, the Company had total unfunded commitments of $950,000.

Fair Value Measurements on a Nonrecurring Basis

There were no non-financial assets or liabilities measured at fair value on a nonrecurring basis at June 30, 2024. Non-financial assets measured at fair value on a nonrecurring basis at December 31, 2023 consisted of real estate investments that were written-down to estimated fair value during the year ended December 31, 2023.

			(in thousands)			
	Balance Sheet Location		Total	Level 1	Level 2	Level 3
December 31, 2023						
Assets						
Real estate investments measured at fair value	Property owned	$	19,250	$ —	$ 19,250	$ —

As of December 31, 2023, the Company estimated the fair value of real estate investments using market offers to purchase and other market data.

Financial Assets and Liabilities Not Measured at Fair Value

The fair value of unsecured senior notes and mortgages payable are estimated based on the discounted cash flows of the loans using market research and management estimates of comparable interest rates, excluding any prepayment penalties (Level 3).

The estimated fair values of the Company's financial instruments as of June 30, 2024 and December 31, 2023, respectively, are as follows:

		(in thousands)			
		June 30, 2024		December 31, 2023	
	Balance Sheet Location	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS					
Cash and cash equivalents	Cash and cash equivalents	$ 14,328	$ 14,328	$ 8,630	$ 8,630
Restricted cash	Restricted cash	$ 1,084	$ 1,084	$ 639	$ 639
FINANCIAL LIABILITIES					
Revolving lines of credit	Revolving lines of credit	$ 48,000	$ 48,000	$ 30,000	$ 30,000
Unsecured senior notes	Notes payable	$ 300,000	$ 251,290	$ 300,000	$ 252,108
Mortgages payable - Fannie Mae credit facility	Mortgages payable	$ 198,850	$ 165,681	$ 198,850	$ 168,555
Mortgages payable - other	Mortgages payable	$ 388,541	$ 362,309	$ 391,140	$ 367,080

NOTE 8 • ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

Centerspace did not acquire new real estate during the three and six months ended June 30, 2024 and 2023.

DISPOSITIONS

Centerspace did not dispose of any real estate during the three months ended June 30, 2024 and 2023. During the six months ended June 30, 2024, Centerspace disposed of two apartment communities in two exchange transactions for an aggregate sales price of $19.0 million. During the six months ended June 30, 2023, Centerspace disposed of nine apartment communities, in four exchange transactions for an aggregate sales price of $144.3 million. The dispositions for the six months ended June 30, 2024 and 2023 are detailed below.

Six Months Ended June 30, 2024

		(in thousands)		
Dispositions	Date Disposed	Sale Price	Net Book Value and Transaction Costs	Gain/(Loss)
69 homes - Southdale Parc - Richfield, MN	February 29, 2024	$ 6,200	$ 6,497	$ (297)
136 homes - Wingate - New Hope, MN	February 29, 2024	$ 12,800	$ 13,080	$ (280)
Total Dispositions		$ 19,000	$ 19,577	$ (577)

Six Months Ended June 30, 2023

		(in thousands)		
Dispositions	Date Disposed	Sale Price	Net Book Value and Transaction Costs	Gain/(Loss)
115 homes - Boulder Court - Eagan, MN	March 8, 2023	$ 14,605	$ 4,970	$ 9,635
498 homes - 2 Nebraska apartment communities	March 14, 2023	$ 48,500	$ 14,975	$ 33,525
892 homes - 5 Minnesota apartment communities	March 15, 2023	$ 74,500	$ 55,053	$ 19,447
62 homes - Portage - Minneapolis, MN	March 15, 2023	$ 6,650	$ 9,098	$ (2,448)
Total Dispositions		$ 144,255	$ 84,096	$ 60,159

NOTE 9 • SEGMENTS

Centerspace operates in a single reportable segment which includes the ownership, management, development, redevelopment, and acquisition of apartment communities. Each of the operating properties is considered a separate operating segment because each property earns revenues, incurs expenses, and has discrete financial information. The chief operating decision-makers evaluate each property's operating results to make decisions about resources to be allocated and to assess performance and do not group the properties based on geography, size, or type for this purpose. The apartment communities have similar long-term economic characteristics and provide similar products and services to residents. No apartment community comprises more than 10% of consolidated revenues, profits, or assets. Accordingly, the apartment communities are aggregated into a single reportable segment. "All other" includes non-multifamily components of mixed-use properties and apartment communities the Company has disposed or designated as held for sale. For the six months ended June 30, 2024, two sold apartment communities were reclassified from the multifamily segment to all other for all periods presented. For the six months ended June 30, 2023, nine sold apartment communities were reclassified from the multifamily segment to all other for all periods presented.

The members of the executive management team are the chief operating decision-makers. This team measures the performance of the reportable segment based on net operating income ("NOI"), a non-GAAP measure, which the Company defines as total real estate revenues less property operating expenses, including real estate taxes. Centerspace believes that NOI is an important supplemental measure of operating performance for real estate because it provides a measure of operations that excludes gain (loss) on the sale of real estate and other assets, impairment, depreciation, amortization, financing costs, property management overhead, casualty losses, loss on litigation settlement, and general and administrative expense. NOI does not represent cash generated by operating activities in accordance with GAAP and should not be considered an alternative to net income (loss), net income (loss) available for common shareholders, or cash flow from operating activities as a measure of financial performance.

The following tables present NOI for the three and six months ended June 30, 2024 and 2023, respectively, along with reconciliations to net income (loss) in the Condensed Consolidated Financial Statements. Segment assets are also reconciled to total assets as reported in the Condensed Consolidated Financial Statements.

	(in thousands)		
Three Months Ended June 30, 2024	**Multifamily**	**All Other**	**Total**
Revenue	$ 64,466	$ 577	$ 65,043
Property operating expenses, including real estate taxes	24,953	236	25,189
Net operating income	$ 39,513	$ 341	$ 39,854
Property management expense			(2,222)
Casualty loss			(510)
Depreciation and amortization			(25,714)
General and administrative expenses			(4,216)
Interest expense			(9,332)
Interest and other income			477
Net loss			$ (1,663)

	(in thousands)		
Three Months Ended June 30, 2023	**Multifamily**	**All Other**	**Total**
Revenue	$ 60,531	$ 4,245	$ 64,776
Property operating expenses, including real estate taxes	23,228	1,818	25,046
Net operating income	$ 37,303	$ 2,427	$ 39,730
Property management expense			(2,247)
Casualty loss			(53)
Depreciation and amortization			(24,371)
General and administrative expenses			(4,162)
Loss on sale of real estate and other investments			(67)
Loss on litigation settlement			(2,864)
Interest expense			(8,641)
Interest and other income			295
Net loss			$ (2,380)

Six Months Ended June 30, 2024	(in thousands) Multifamily	All Other	Total
Revenue	$ 127,806	$ 1,743	$ 129,549
Property operating expenses, including real estate taxes	49,513	745	50,258
Net operating income	$ 78,293	$ 998	$ 79,291
Property management expense			(4,552)
Casualty loss			(1,330)
Depreciation and amortization			(52,726)
General and administrative expenses			(8,839)
Loss on sale of real estate and other investments			(577)
Interest expense			(18,539)
Interest and other income			817
Net loss			$ (6,455)

Six Months Ended June 30, 2023	(in thousands) Multifamily	All Other	Total
Revenue	$ 119,971	$ 12,702	$ 132,673
Property operating expenses, including real estate taxes	47,753	6,216	53,969
Net operating income	$ 72,218	$ 6,486	$ 78,704
Property management expense			(4,815)
Casualty loss			(305)
Depreciation and amortization			(50,364)
General and administrative expenses			(11,885)
Gain on sale of real estate and other investments			60,092
Loss on litigation settlement			(2,864)
Interest expense			(18,960)
Interest and other income			344
Net income			$ 49,947

Segment Assets and Accumulated Depreciation

Segment assets are summarized as follows as of June 30, 2024, and December 31, 2023, respectively, along with reconciliations to the Condensed Consolidated Financial Statements:

As of June 30, 2024	(in thousands) Multifamily	All Other	Total
Segment assets			
Property owned	$ 2,410,982	$ 17,308	$ 2,428,290
Less accumulated depreciation	(574,474)	(4,217)	(578,691)
Total real estate investments	$ 1,836,508	$ 13,091	$ 1,849,599
Cash and cash equivalents			14,328
Restricted cash			1,084
Other assets			34,414
Total Assets			$ 1,899,425

As of December 31, 2023	(in thousands) Multifamily	All Other	Total
Segment assets			
Property owned	$ 2,381,461	$ 38,685	$ 2,420,146
Less accumulated depreciation	(524,364)	(6,339)	(530,703)
Total real estate investments	$ 1,857,097	$ 32,346	$ 1,889,443
Cash and cash equivalents			8,630
Restricted cash			639
Other assets			27,649
Total Assets			$ 1,926,361

NOTE 10 • COMMITMENTS AND CONTINGENCIES

Litigation. Centerspace is involved in various lawsuits arising in the normal course of business and believes that such matters will not have a material adverse effect on the condensed consolidated financial statements.

Centerspace was the named defendant in a lawsuit where the owner of a neighboring property claimed a retaining wall at one of its properties is causing water damage to the neighboring property. The claim was for damage to the property and monetary losses. During the three and six months ended June 30, 2023, the Company recorded a loss on litigation settlement of $2.9 million due to a trial judgement entered against the Centerspace. In November 2023, the claimant filed motions requesting additional interest on the judgment and trial costs. The claimant was awarded an additional $1.0 million in a judgment related interest and costs. The additional $1.0 million was a recognizable subsequent event for the year ended December 31, 2023 so was recorded as a loss during the year ended December 31, 2023. After the additional judgment, the claimant's appeal was dismissed. The Company believes this matter is settled.

Environmental Matters. Under various federal, state, and local laws, ordinances, and regulations, a current or previous owner or operator of real estate may be liable for the costs of removal of, or remediation of, certain hazardous or toxic substances in, on, around, or under the property. While the Company currently has no knowledge of any material violation of environmental laws, ordinances, or regulations at any of the properties, there can be no assurance that areas of contamination will not be identified at any of its properties or that changes in environmental laws, regulations, or cleanup requirements would not result in material costs.

Limitations on Taxable Dispositions. Twenty-seven properties, consisting of 5,033 apartment homes, are subject to limitations on taxable dispositions under agreements entered into with certain of the sellers or contributors of the properties and are effective for varying periods. Centerspace does not believe that the agreements materially affect the conduct of its business or its decisions whether to dispose of these properties during the limitation period because it generally holds these and other properties for investment purposes rather than for sale. In addition, where the Company deems it to be in the shareholders' best interests to dispose of such properties, it generally seeks to structure sales of such properties as tax-deferred transactions under Section 1031 of the Internal Revenue Code. Otherwise, the Company may be required to provide tax indemnification payments to the parties to these agreements.

Unfunded Commitments. Centerspace has unfunded commitments of $950,000 in two real estate technology venture funds. Refer to Note 7 - Fair Value Measurements for additional information regarding these investments.

NOTE 11 • SHARE-BASED COMPENSATION

Share-based awards are provided to officers, non-officer employees, and trustees under the 2015 Incentive Plan approved by shareholders on September 15, 2015, as amended and restated on May 18, 2021 (the "2015 Incentive Plan"), which allows for awards in the form of cash, unrestricted and restricted common shares, stock options, stock appreciation rights, and RSUs up to an aggregate of 775,000 shares over the ten-year period in which the plan is in effect. Under the 2015 Incentive Plan, officers and non-officer employees may earn share awards under a long-term incentive plan ("LTIP"), which is a forward-looking program that measures long-term performance over the stated performance period. These awards are payable to the extent deemed earned in shares. The terms of the long-term incentive awards granted under the revised program may vary from year to year. Through June 30, 2024, awards under the 2015 Incentive Plan consisted of restricted and unrestricted common shares, RSUs, and stock options. The Company accounts for forfeitures of restricted and unrestricted common shares, RSUs, and stock options when they occur instead of estimating the forfeitures.

2024 LTIP Awards

Awards granted to employees on January 1, 2024, consisted of an aggregate of 21,059 time-based RSU awards and 18,876 performance RSUs based on total shareholder return ("TSR"). The time-based awards vest as to one-third of the shares on each of January 1, 2025, January 1, 2026, and January 1, 2027.

The performance RSUs are earned based on the Company's TSR as compared to the FTSE Nareit Equity Index over a forward looking three-year period. The maximum number of performance RSUs eligible to be earned is 37,752 RSUs, which is 200% of the performance RSUs granted. Earned awards (if any) will fully vest as of the last day of the measurement period. These awards have market conditions in addition to service conditions that must be met for the awards to vest. Compensation expense is recognized ratably based on the grant date fair value, as determined using the Monte Carlo valuation model, regardless of whether the market conditions are achieved and the awards ultimately vest. Therefore, previously recorded compensation expense is not adjusted in the event that the market conditions are not achieved. The Company based the expected volatility on a weighted average of the historical volatility of the Company's daily closing share price and a select peer average volatility, the risk-free interest rate on the U.S. treasury bond rates with a maturity equal to the remaining performance period of the award,

and the expected term on the performance period of the award. The assumptions used to value the TSR performance RSUs were an expected volatility of 27.21%, a risk-free interest rate of 4.01%, and an expected life of 3 years. The share price at the grant date, January 1, 2024, was $58.20 per share.

Awards granted to trustees on May 20, 2024 consist of 8,611 time-based RSUs, which vest on May 20, 2025. These awards are classified as equity awards.

Share-Based Compensation Expense

Share-based compensation expense recognized in the Condensed Consolidated Financial Statements for all outstanding share-based awards was $733,000 and $590,000 for the three months ended June 30, 2024 and 2023, respectively, and $1.5 million and $2.1 million for the six months ended June 30, 2024 and 2023, respectively. On March 31, 2023, the Company accelerated the vesting of all unvested time-based RSUs and stock options in connection with the Separation Agreement with Mr. Decker. This resulted in the acceleration of share-based compensation expense for those awards resulting in an additional $737,000 in expense for the six months ended June 30, 2023.

NOTE 12 • SUBSEQUENT EVENTS

Through July 29, 2024, Centerspace issued approximately 431,000 common shares under its ATM Program 10b5-1 trading arrangement at an average net price per share of $68.50, totaling $29.6 million, net of commissions.

On July 26, 2024, Centerspace amended its Unsecured Credit Facility to extend the maturity date to July 26, 2028. The borrowing capacity remained at $250.0 million.

Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations

The following discussion and analysis should be read in conjunction with the unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (the "Report"), the audited financial statements for the year ended December 31, 2023, which are included in our Annual Report on Form 10-K filed with the SEC on February 20, 2024, and the risk factors in Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2023.

This discussion and analysis and other sections of this Report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with respect to the expectations for future periods. Forward-looking statements do not discuss historical fact, but instead include statements related to expectations, projections, intentions or other items related to the future. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "will," "assumes," "may," "projects," "outlook," "future," and variations of those words and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements to be materially different from the results of operations, financial condition, or plans expressed or implied by the forward-looking statements. Although we believe the expectations reflected in these forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be achieved. Any statements contained herein that are not statements of historical fact should be deemed forward-looking statements. As a result, reliance should not be placed on these forward-looking statements, as these statements are subject to known and unknown risks, uncertainties, and other factors beyond our control and could differ materially from actual results and performance.

The following factors, among others, could cause our future results to differ materially from those expressed in the forward-looking statements:

- inflation and price volatility in the global economy;
- uncertain global macro-economic and political conditions;
- deteriorating economic conditions, including rising unemployment rates, energy costs, and inflation, in the markets where we own apartment communities or in which we may invest in the future;
- rental conditions in our markets, including occupancy levels and rental rates, potential inability to renew residents or obtain new residents upon expiration of existing leases, changes in tax and housing laws, include rent control laws, or other factors;
- timely access to material and labor required to renovate and maintain apartment communities;
- adverse changes in our markets, including future demand for apartment homes in those markets, barriers of entry into new markets, limitations on the ability to increase rental rates, our inability to identify and consummate attractive

acquisitions and dispositions on favorable terms, our ability to reinvest sales proceeds successfully, and inability to accommodate any significant decline in the market value of real estate serving as collateral for debt and mortgage obligations;
- pandemics or epidemics, including the COVID-19 pandemic, and any effects on our business, financial condition, and results of operation;
- the impact of the conflicts between Russia and Ukraine, as well as Israel, Gaza, and Iran, on inflation, trade, and general economic conditions;
- reliance on a single asset class (multifamily) and certain geographic areas (Midwest and Mountain West regions) of the U.S.;
- inability to expand operations into new or existing markets successfully;
- failure of new acquisitions to achieve anticipated results or be efficiently integrated;
- inability to complete lease-up of projects on schedule and on budget;
- inability to sell our non-core properties on terms that are acceptable;
- failure to reinvest proceeds from sales of properties into tax-deferred exchanges, which could necessitate special dividend and/or tax protection payments;
- inability to fund capital expenditures out of cash flow;
- inability to pay, or need to reduce, dividends on common shares;
- inability to raise additional equity capital, if needed;
- financing risks, including the potential inability to meet existing covenants in existing credit facilities or to obtain new debt or equity financing on favorable terms, or at all;
- level and volatility of interest or capitalization rates or capital market conditions;
- uninsured losses due to insurance deductibles, uninsured claims or casualties or losses in excess of applicable coverage;
- loss contingencies and the availability and cost of casualty insurance for losses;
- inability to continue to satisfy complex tax rules in order to maintain status as a REIT for federal income tax purposes, inability of the Operating Partnership to satisfy the rules to maintain its status as a partnership for federal income tax purposes, and the risk of changes in laws affecting REITs;
- inability to attract and retain qualified personnel;
- cyber liability or potential liability for breaches of privacy or information security systems;
- recent developments in artificial intelligence, including software used to price rent in apartment communities;
- inability to address catastrophic weather, natural events, and climate change;
- inability to comply with laws and regulations, including those related to the environment, applicable to the business and any related investigations or litigation; and
- other risks identified in this Report, in other SEC reports, or in other documents that we publicly disseminate.

New factors may also arise from time to time that could have an adverse effect on our business and results of operations. Except as otherwise required by law, we undertake no obligation to publicly update or revise these forward-looking statements to reflect events, circumstances, or changes in expectations after the date on which this Report is filed. Readers also should review the risks and uncertainties detailed from time to time in filings with the SEC, including the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" contained in our Annual Report on Form 10-K for the year ended December 31, 2023.

Executive Summary

We are a real estate investment trust, or REIT, that owns, manages, acquires, redevelops, and develops apartment communities. We primarily focus on investing in markets characterized by stable and growing economies, strong employment, and an attractive quality of life that we believe, in combination, lead to higher demand for apartment homes and retention of our residents. As of June 30, 2024, we owned interests in 70 apartment communities consisting of 12,883 apartment homes. Property owned, as presented in our Condensed Consolidated Balance Sheets at historical cost, was $2.4 billion at June 30, 2024 and December 31, 2023.

Renting apartment homes is our primary source of revenue, and our business objective is to provide great homes. We strive to maximize resident satisfaction and retention by investing in high-quality assets in desirable locations and creating vibrant apartment communities through resident-centered operations. We believe that delivering superior resident experiences will enhance resident satisfaction while also driving profitability for our business and shareholders. We have paid quarterly distributions continuously since our first distribution in 1971.

Overview of the Three Months Ended June 30, 2024

- For the three months ended June 30, 2024, revenue increased by $267,000 or 0.4% to $65.0 million, compared to $64.8 million for the three months ended June 30, 2023, due to increased revenue from same-store and non-same-store communities, offset by decreased revenue from dispositions.
- Same-store revenues increased by 3.4% for the three months ended June 30, 2024, compared to the same period of the prior year, driving a 2.4% increase in same-store NOI compared to the same period of the prior year.
- We issued approximately 110,000 common shares for gross consideration of $7.7 million, or $7.6 million, net of commissions, and an average gross price of $69.82 per share under our at-the-market offering program (the "ATM Program").
- Net loss was $0.19 per diluted share for the three months ended June 30, 2024, compared to net loss of $0.23 per diluted share for the same period of the prior year.
- Non-GAAP Core Funds from Operations ("Core FFO") applicable to common shares and Units for the three months ended June 30, 2024 decreased by $502,000 or 2.2% to $22.8 million compared to $23.3 million for the three months ended June 30, 2023. See the description of Core FFO on pages 30 and 31 and the reconciliation of net income (loss) available to common shareholders to FFO and Core FFO on page 32. This decrease was primarily due to decreased NOI from dispositions and increased casualty loss and interest expense, offset by increased NOI from same-store and non-same-store communities. The drivers of these changes are discussed in more detail in the "Results of Operations" section below.

Results of Operations

GAAP and Non-GAAP Financial Measures

Net operating income ("NOI") is a non-GAAP financial measure, which we define as total real estate revenues less property operating expenses, including real estate taxes and is reconciled to operating income below. We believe that NOI is an important supplemental measure of operating performance for real estate because it provides a measure of operations that is unaffected by sales of real estate and other investments, impairment, depreciation, amortization, financing costs, property management expenses, casualty losses, loss on litigation settlement, and general and administrative expenses. NOI does not represent cash generated by operating activities in accordance with GAAP and should not be considered an alternative to net income (loss), net income (loss) available for common shareholders, or cash flow from operating activities as a measure of financial performance.

We have provided certain information on a same-store and non-same-store basis. Same-store apartment communities are owned or in service for substantially all of the periods being compared, and, in the case of newly-constructed properties, have achieved a target level of physical occupancy of 90%. On the first day of each calendar year, we determine the composition of our same-store pool for that year as well as adjust the previous year, which allows us to evaluate the performance of existing apartment communities and their contribution to net income (loss). We believe that measuring performance on a same-store basis is useful to investors because it enables evaluation of how a fixed pool of communities are performing year-over-year. We use this measure to assess whether or not we have been successful in increasing NOI, raising average rental revenue, renewing the leases with existing residents, controlling operating costs, and making prudent capital improvements. The discussion below focuses on the main factors affecting real estate revenue and expenses from same-store apartment communities because changes from one year to another in real estate revenue and expenses from non-same-store apartment communities are generally due to the addition of those properties to the real estate portfolio, and accordingly provide less useful information for evaluating ongoing operational performance of the real estate portfolio.

For the comparison of the six months ended June 30, 2024 and 2023, one apartment community was non-same-store. Sold communities are included in "Dispositions," for all periods presented, while "Other properties" includes non-multifamily properties and the non-multifamily components of mixed-use properties. During the six months ended June 30, 2024 and 2023, we disposed of two and nine apartment communities, respectively, consisting of 205 and 1,567 apartment homes, respectively.

Reconciliation of Operating Income to Net Operating Income (non-GAAP)

The following table provides a reconciliation of operating income to NOI (non-GAAP), which is defined above.

	(in thousands, except percentages)							
	Three Months Ended June 30,				Six Months Ended June 30,			
	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
Operating income	$ 7,192	$ 5,966	$ 1,226	20.5 %	$ 11,267	$ 68,563	$ (57,296)	(83.6) %
Adjustments:								
Property management expenses	2,222	2,247	(25)	(1.1) %	4,552	4,815	(263)	(5.5) %
Casualty loss	510	53	457	*	1,330	305	1,025	*
Depreciation and amortization	25,714	24,371	1,343	5.5 %	52,726	50,364	2,362	4.7 %
General and administrative expenses	4,216	4,162	54	1.3 %	8,839	11,885	(3,046)	(25.6) %
(Gain) loss on sale of real estate and other investments	—	67	(67)	(100.0) %	577	(60,092)	60,669	(101.0) %
Loss on litigation settlement	—	2,864	(2,864)	(100.0) %	—	2,864	(2,864)	(100.0) %
Net operating income	$ 39,854	$ 39,730	$ 124	0.3 %	$ 79,291	$ 78,704	$ 587	0.7 %

The following consolidated results of operations, including GAAP and non-GAAP metrics, cover the three and six months ended June 30, 2024 and 2023.

	(in thousands, except percentages)							
	Three Months Ended June 30,				Six Months Ended June 30,			
	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
Revenue								
Same-store	$ 62,599	$ 60,531	$ 2,068	3.4 %	$ 124,135	$ 119,971	$ 4,164	3.5 %
Non-same-store	1,867	—	1,867	N/A	3,671	—	3,671	N/A
Other properties	577	663	(86)	(13.0) %	1,214	1,338	(124)	(9.3) %
Dispositions	—	3,582	(3,582)	(100.0) %	529	11,364	(10,835)	(95.3) %
Total	65,043	64,776	267	0.4 %	129,549	132,673	(3,124)	(2.4) %
Property operating expenses, including real estate taxes								
Same-store	24,416	23,228	1,188	5.1 %	48,411	47,753	658	1.4 %
Non-same-store	537	—	537	N/A	1,102	—	1,102	N/A
Other properties	236	189	47	24.9 %	418	276	142	51.4 %
Dispositions	—	1,629	(1,629)	(100.0) %	327	5,940	(5,613)	(94.5) %
Total	25,189	25,046	143	0.6 %	50,258	53,969	(3,711)	(6.9) %
Net operating income[1]								
Same-store	38,183	37,303	880	2.4 %	75,724	72,218	3,506	4.9 %
Non-same-store	1,330	—	1,330	N/A	2,569	—	2,569	N/A
Other properties	341	474	(133)	(28.1) %	796	1,062	(266)	(25.0) %
Dispositions	—	1,953	(1,953)	(100.0) %	202	5,424	(5,222)	(96.3) %
Total	$ 39,854	$ 39,730	$ 124	0.3 %	$ 79,291	$ 78,704	$ 587	0.7 %
Property management expenses	(2,222)	(2,247)	(25)	(1.1) %	(4,552)	(4,815)	(263)	(5.5) %
Casualty loss	(510)	(53)	457	*	(1,330)	(305)	1,025	*
Depreciation and amortization	(25,714)	(24,371)	1,343	5.5 %	(52,726)	(50,364)	2,362	4.7 %
General and administrative expenses	(4,216)	(4,162)	54	1.3 %	(8,839)	(11,885)	(3,046)	(25.6) %
Gain (loss) on sale of real estate and other investments	—	(67)	67	(100.0) %	(577)	60,092	(60,669)	101.0 %
Loss on litigation settlement	—	(2,864)	2,864	—	—	(2,864)	2,864	(100.0) %
Interest expense	(9,332)	(8,641)	691	8.0 %	(18,539)	(18,960)	(421)	(2.2) %
Interest and other income	477	295	182	(61.7) %	817	344	473	137.5 %
NET INCOME (LOSS)	$ (1,663)	$ (2,380)	$ 717	(30.1) %	$ (6,455)	$ 49,947	$ (56,402)	(112.9) %
Dividends to Series D preferred unitholders	(160)	(160)	—	—	(320)	(320)	—	—
Net (income) loss attributable to noncontrolling interests – Operating Partnership and Series E preferred units	561	712	(151)	21.2 %	1,640	(7,854)	9,494	(120.9) %
Net income attributable to noncontrolling interests – consolidated real estate entities	(34)	(35)	1	(2.9) %	(66)	(65)	(1)	1.5 %
Net income (loss) attributable to controlling interests	(1,296)	(1,863)	567	(30.4) %	(5,201)	41,708	(46,909)	(112.5) %
Dividends to preferred shareholders	(1,607)	(1,607)	—	—	(3,214)	(3,214)	—	—
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ (2,903)	$ (3,470)	$ 567	(16.3) %	$ (8,415)	$ 38,494	$ (46,909)	(121.9) %

(1) This is a Non-GAAP financial measure which is a component of NOI (non-GAAP), as defined above. Refer to the reconciliation of Operating Income to Net Operating Income above. Non-GAAP financial measures should not be considered an alternative to net income (loss), net income (loss) available for common shareholders, or cash flow from operating activities as a measure of financial performance.

** Not a meaningful percentage.*

Weighted Average Occupancy[1]	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Same-store	95.3 %	95.2 %	94.9 %	95.0 %
Non-same-store	96.7 %	—	96.7 %	—
Total	95.3 %	95.2 %	95.0 %	95.0 %

(1) Weighted average occupancy is defined as the percentage resulting from dividing actual rental revenue by scheduled rental revenue. Scheduled rental revenue represents the value of all apartment homes, with occupied homes valued at contractual rental rates pursuant to leases and vacant apartment homes valued at estimated market rents. When calculating actual rents for occupied apartment homes and market rents for vacant homes, delinquencies and concessions are not taken into account. Market rates are determined using the currently offered effective rates on new leases at the community and are used as the starting point in determination of the market rates of vacant apartment homes. Centerspace believes that weighted average occupancy is a meaningful measure of occupancy because it considers the value of each vacant unit at its estimated market rate. Weighted average occupancy may not completely reflect short-term trends in physical occupancy, and the calculation of weighted average occupancy may not be comparable to that disclosed by other REITs and other real estate companies.

Number of Apartment Homes	as of June 30, 2024	as of June 30, 2023
Same-store	12,580	12,580
Non-same-store	303	—
Dispositions	—	917
Total	12,883	13,497

Same-store analysis. Revenue from same-store communities increased 3.4% or $2.1 million in the three months ended June 30, 2024, compared to the same period in the prior year. The increase was attributable to 3.3% growth in average monthly revenue per occupied home for the three months ended June 30, 2024 and an increase of 0.1% in occupancy as weighted average occupancy increased from 95.2% in the three months ended June 30, 2023 to 95.3% for the three months ended June 30, 2024. Property operating expenses, including real estate taxes, at same-store communities increased by 5.1% or $1.2 million in the three months ended June 30, 2024, compared to the same period in the prior year. At same-store communities, controllable expenses (which exclude insurance and real estate taxes) increased by $767,000, primarily due to increases in repairs and maintenance costs and administrative and marketing costs. Non-controllable expenses at same-store communities increased by $421,000, due to higher insurance premiums and real estate taxes. Same-store NOI increased by $880,000 to $38.2 million for the three months ended June 30, 2024 compared to $37.3 million in the same period of the prior year.

Revenue from same-store communities increased 3.5% or $4.2 million in the six months ended June 30, 2024, compared to the same period in the prior year. The increase was attributable to 3.6% growth in average monthly revenue per occupied home for the six months ended June 30, 2024 offset by a decrease of 0.1% in occupancy as weighted average occupancy decreased from 95.0% in the six months ended June 30, 2023 to 94.9% for the six months ended June 30, 2024. Property operating expenses, including real estate taxes, at same-store communities increased by 1.4% or $658,000 in the six months ended June 30, 2024, compared to the same period in the prior year. At same-store communities, controllable expenses (which exclude insurance and real estate taxes) increased by $587,000, primarily due to increased compensation costs, repair and maintenance, and administrative and marketing expense, offset by lower utilities costs. Non-controllable expenses at same-store communities increased by $71,000, due to increased insurance premiums, offset by lower real estate taxes from successful real estate tax appeals. Same-store NOI increased by $3.5 million to $75.7 million for the six months ended June 30, 2024 compared to $72.2 million in the same period of the prior year.

Non-same-store analysis. Revenue from non-same-store communities increased by $1.9 million in the three months ended June 30, 2024, compared to the same period in the prior year. Property operating expenses, including real estate taxes at non-same-store communities increased by $537,000. NOI at non-same-store communities increased by $1.3 million for the three months ended June 30, 2024 compared to the same period of the prior year. The increase in revenue, property operating expenses, and NOI from non-same-store communities is due to the addition of an apartment community during the fourth quarter of the prior year.

Revenue from non-same-store communities increased by $3.7 million in the six months ended June 30, 2024, compared to the same period in the prior year. Property operating expenses, including real estate taxes at non-same-store communities increased by $1.1 million. NOI at non-same-store communities increased by $2.6 million for the six months ended June 30, 2024 compared to the same period of the prior year. The increase in revenue, property operating expenses, and NOI from non-same-store communities is due to the addition of an apartment community during the fourth quarter of the prior year.

Other properties and dispositions analysis. Revenue from dispositions decreased by $3.6 million while revenue from other properties decreased by $86,000 in the three months ended June 30, 2024, compared to the same period in the prior year. Property operating expenses, including real estate taxes, at other properties increased by $47,000 while such expenses decreased by $1.6 million for dispositions, compared to the same period in the prior year. NOI at other properties decreased by

$133,000 and NOI on dispositions decreased $2.0 million, compared to the same period in the prior year. We disposed of four apartment communities and associated commercial space in the third quarter of 2023 and two apartment communities in the first quarter of 2024.

Revenue from dispositions decreased by $10.8 million while revenue from other properties decreased by $124,000 in the six months ended June 30, 2024, compared to the same period in the prior year. Property operating expenses, including real estate taxes, at other properties increased by $142,000 while such expenses decreased by $5.6 million for dispositions, compared to the same period in the prior year. NOI at other properties decreased by $266,000 and NOI on dispositions decreased $5.2 million, compared to the same period in the prior year. We disposed of nine apartment communities in the first quarter of 2023, an additional four apartment communities and associated commercial space in the third quarter of 2023, and two apartment communities in the first quarter of 2024.

Property management expenses. Property management expense, consisting of property management overhead and property management fees paid to third parties was comparable at $2.2 million in the three months ended June 30, 2024 and 2023.

Property management expense, consisting of property management overhead and property management fees paid to third parties decreased by 5.5% to $4.6 million in the six months ended June 30, 2024, compared to $4.8 million in the same period of the prior year. The decrease is primarily due to fewer properties and a lower number of apartment homes due to dispositions.

Casualty loss. Casualty loss increased to $510,000 in the three months ended June 30, 2024, compared to $53,000 in the same period of the prior year. The increase is primarily due to increased claim activity that was not in the same period of the prior year combined with revised loss estimates from previous casualty events. See Note 2 of the Notes to the Condensed Consolidated Financial Statements in the report for more details.

Casualty loss increased to $1.3 million in the six months ended June 30, 2024, compared to $305,000 in the same period of the prior year. The increase is primarily due to increased claim activity that was not in the same period of the prior year combined with revised loss estimates from previous casualty events. See Note 2 of the Notes to the Condensed Consolidated Financial Statements in the report for more details.

Depreciation and amortization. Depreciation and amortization increased by 5.5% to $25.7 million in the three months ended June 30, 2024, compared to $24.4 million in the same period of the prior year, primarily attributable to an increase in depreciation on same-store and non-same-store apartment communities driven by the addition of an apartment community in the fourth quarter of the prior year along with value add and acquisition capital projects; offset by a decrease in depreciation from sold properties.

Depreciation and amortization increased by 4.7% to $52.7 million in the six months ended June 30, 2024, compared to $50.4 million in the same period of the prior year, primarily attributable to an increase in depreciation on same-store and non-same-store apartment communities driven by the addition of an apartment community in the fourth quarter of the prior year with in-place lease amortization along with value add and acquisition capital projects; offset by a decrease in depreciation from sold properties.

General and administrative expenses. General and administrative expenses were comparable at $4.2 million in the three months ended June 30, 2024 and 2023. Compensation costs and consulting fees increased in the three months ended June 30, 2024 compared to the same period of the prior year. These increases were offset by lower legal expenses in the three months ended June 30, 2024 compared to the same period of the prior year due to a litigation settlement in the prior year that did not occur in the current quarter.

General and administrative expenses decreased by 25.6% to $8.8 million in the six months ended June 30, 2024, compared to $11.9 million in the same period of the prior year, primarily attributable to $3.2 million in severance and related costs from the CEO transition in the prior year that did not occur in the six months ended June 30, 2024 and legal expenses in the six months ended June 30, 2024 compared to the same period of the prior year due to a litigation settlement in the prior year that did not occur in the current quarter, offset by higher incentive compensation costs.

Gain (loss) on sale of real estate and other investments. There was no gain (loss) on sale of real estate and other investments in the three months ended June 30, 2024, compared to a loss of $67,000 in the same period of the prior year.

Gain (loss) on sale of real estate and other investments decreased to a loss of $577,000 in the six months ended June 30, 2024, compared to a gain of $60.1 million in the same period of the prior year. The decrease was primarily due to the sale of two apartment communities in the current period for a loss compared to the sale of nine apartment communities for a gain in the prior year. Refer to Note 8 in the Notes to the Condensed Consolidated Financial Statements.

Loss on Litigation Settlement. There was no loss on litigation settlement in the three and six months ended June 30, 2024, compared to a $2.9 million loss on litigation settlement for the three and six months ended June 30, 2023 due to a trial judgment against Centerspace for property damage and monetary losses to a neighboring property in the prior year that did not occur in the current year. Refer to Note 10 in the Condensed Consolidated Financial Statements.

Interest expense. Interest expense increased by 8.0% to $9.3 million in the three months ended June 30, 2024, compared to $8.6 million in the same period of the prior year, primarily due to a higher mortgage interest resulting from the assumption of a mortgage in connection with an acquisition in the fourth quarter of the prior year.

Interest expense decreased by 2.2% to $18.5 million in the six months ended June 30, 2024, compared to $19.0 million in the same period of the prior year, primarily due to a higher rate term loan held during the prior year that was paid off prior to its original maturity date along with a lower average balance on our line of credit during the six months ended June 30, 2024 compared to the same period of the prior year, partially offset by an increase in mortgage interest.

Interest and other income. Interest and other income increased to $477,000 in the three months ended June 30, 2024, compared to $295,000 in the same period of the prior year. The increase was primarily due to interest income on a real estate related note receivable in the in the current period that did not exist in the same period of the prior year.

Interest and other income increased to $817,000 in the six months ended June 30, 2024, compared to $344,000 in the same period of the prior year. The increase was primarily due to interest income on a note receivable in the in the current period that did not exist in the same period of the prior year, offset by a decrease from interest received on escrow funds in the prior year that did not occur in the six months ended June 30, 2024.

Net income (loss) available to common shareholders. Net loss available to common shareholders increased to $2.9 million for the three months ended June 30, 2024, compared to a net loss of $3.5 million in the three months ended June 30, 2023.

Net loss available to common shareholders decreased to $8.4 million for the six months ended June 30, 2024, compared to a net income of $38.5 million in the six months ended June 30, 2023.

Funds from Operations and Core Funds from Operations.

We believe that Funds from Operations ("FFO"), which is a non-GAAP financial measure used as a standard supplemental measure for equity real estate investment trusts, is helpful to investors in understanding operating performance, primarily because its calculation does not assume the value of real estate assets diminishes predictably over time, as implied by the historical cost convention of GAAP and the recording of depreciation and amortization.

We use the definition of FFO adopted by the National Association of Real Estate Investment Trusts, Inc. ("Nareit"). Nareit defines FFO as net income or loss calculated in accordance with GAAP, excluding:

- depreciation and amortization related to real estate;
- gains and losses from the sale of certain real estate assets;
- impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity; and
- similar adjustments for partially owned consolidated real estate entities.

The exclusion in Nareit's definition of FFO of gains and losses from the sale of real estate assets and impairment write-downs helps to identify the operating results of the long-term assets that form the base of investments and assists management and investors in comparing those operating results between periods.

Due to limitations of the Nareit FFO definition, we have made certain interpretations in applying this definition. We believe that all such interpretations not specifically provided for in the Nareit definition are consistent with this definition. Nareit's FFO White Paper 2018 Restatement clarified that impairment write-downs of land related to a REIT's main business are excluded from FFO and a REIT has the option to exclude impairment write-downs of assets that are incidental to the main business.

While FFO is widely used by us as a primary performance metric, not all real estate companies use the same definition of FFO or calculate FFO the same way. Accordingly, FFO presented here is not necessarily comparable to FFO presented by other real estate companies. FFO should not be considered as an alternative to net income (loss) or any other GAAP measurement of performance, but rather should be considered as an additional, supplemental measure. FFO also does not represent cash generated from operating activities in accordance with GAAP, nor is it indicative of funds available to fund all cash flow needs, including our ability to service indebtedness or make distributions to shareholders.

Core Funds from Operations ("Core FFO"), a non-GAAP measure, is FFO adjusted for non-routine items or items not considered core to business operations. By further adjusting for items that are not considered part of core business operations, we believe that Core FFO provides investors with additional information to compare core operating and financial performance between periods. Core FFO should not be considered as an alternative to net income (loss) or as any other GAAP measurement of performance, but rather should be considered an additional supplemental measure. Core FFO also does not represent cash generated from operating activities in accordance with GAAP, nor is it indicative of funds available to fund all cash flow needs, including the ability to service indebtedness or make distributions to shareholders. Core FFO is a non-GAAP and non-standardized financial measure that may be calculated differently by other REITs and that should not be considered a substitute for operating results determined in accordance with GAAP.

Net loss available to common shareholders for the three months ended June 30, 2024, increased to a net loss of $2.9 million compared to a net loss of $3.5 million for the same period of the prior year. FFO applicable to common shares and Units for the three months ended June 30, 2024, increased to $22.1 million compared to $20.2 million for the comparable period of the prior year, representing an increase of 9.9%. This FFO increase was primarily due to increased NOI from same-store communities and non-same-store communities, and a decrease from a litigation settlement in the prior year that did not occur in the current year, offset by decreased NOI from dispositions.

Net loss available to common shareholders for the six months ended June 30, 2024, decreased to a net loss of $8.4 million compared to net income of $38.5 million for the same period of the prior year. FFO applicable to common shares and Units for the six months ended June 30, 2024, increased to $43.0 million compared to $36.4 million for the comparable period of the prior year, representing an increase of 18.2%. This FFO increase was primarily due to increased NOI from same-store communities and non-same-store communities, and decreases in general and administrative expense related to the departure of Mark Decker, former CEO, and a litigation settlement in the prior year that did not occur in the current year, offset by decreased NOI from dispositions and an increase in casualty loss.

Reconciliation of Net Income (Loss) Available to Common Shareholders to Funds from Operations and Core Funds from Operations

	(in thousands, except per share and unit amounts)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Funds from operations:				
Net income (loss) available to common shareholders	$ (2,903)	$ (3,470)	$ (8,415)	$ 38,494
Adjustments:				
Noncontrolling interests – Operating Partnership and Series E preferred units	(561)	(712)	(1,640)	7,854
Depreciation and amortization	25,714	24,371	52,726	50,364
Less depreciation – non real estate	(82)	(89)	(167)	(180)
Less depreciation – partially owned entities	(25)	(19)	(49)	(38)
(Gain) loss on sale of real estate and other assets	—	71	577	(60,088)
FFO applicable to common shares and Units	$ 22,143	$ 20,152	$ 43,032	$ 36,406
Adjustments to Core FFO:				
Non-cash casualty loss (recovery)	191	(52)	893	(39)
Interest rate swap amortization	173	159	370	297
Amortization of assumed debt	263	(116)	526	(232)
Severance and transition related costs	—	(19)	—	3,180
Loss on litigation settlement and associated trial costs[1]	—	3,201	37	3,201
Other miscellaneous items[2]	31	(22)	(11)	32
Core FFO applicable to common shares and Units	$ 22,801	$ 23,303	$ 44,847	$ 42,845
FFO applicable to common shares and Units	$ 22,143	$ 20,152	$ 43,032	$ 36,406
Dividends to Series D preferred unitholders	160	160	320	320
FFO applicable to common shares and Units - diluted	$ 22,303	$ 20,312	$ 43,352	$ 36,726
Core FFO applicable to common shares and Units	$ 22,801	$ 23,303	$ 44,847	$ 42,845
Dividends to Series D preferred unitholders	160	160	320	320
Core FFO applicable to common shares and Units - diluted	$ 22,961	$ 23,463	$ 45,167	$ 43,165
Per Share Data				
Net income (loss) per common share - diluted[3]	$ (0.19)	$ (0.23)	$ (0.56)	$ 2.55
FFO per share and Unit - diluted	$ 1.23	$ 1.11	$ 2.39	$ 2.01
Core FFO per share and Unit - diluted	$ 1.27	$ 1.28	$ 2.49	$ 2.36
Weighted average shares - basic	14,972	14,949	14,947	14,987
Effect of redeemable operating partnership Units for FFO and Core FFO	835	965	845	967
Effect of Series D preferred units for FFO and Core FFO	228	228	228	228
Effect of Series E preferred units for FFO and Core FFO	2,062	2,103	2,070	2,111
Effect of dilutive restricted stock units and stock options for FFO and Core FFO	32	24	26	20
Weighted average shares and Units for FFO and Core FFO - diluted	18,129	18,269	18,116	18,313

(1) Consists of $37,000 in associated trial costs related to the litigation matter for the six months ended June 30, 2024. Consists of a $2.9 million loss on litigation settlement for a trial judgment entered against the Company and $340,000 in associated trial costs related to the litigation matter for the three and six months ended June 30, 2023

(2) Consists of (gain) loss on investments and pursuit costs.

(3) Refer to Note 3 of the Notes to the Condensed Consolidated Financial Statements for additional details on net income (loss) per share.

Acquisitions and Dispositions

During the six months ended June 30, 2024, we disposed of two apartment communities located in Minnesota in two transactions for an aggregate sales price of $19.0 million. We had no acquisitions during the six months ended June 30, 2024.

Distributions Declared

Distributions of $0.75 and $0.73 per common share and Unit were declared during the three months ended June 30, 2024 and 2023, respectively. Distributions of $1.50 and $1.46 were declared during the six months ended June 30, 2024 and 2023, respectively. Distributions of $0.4140625 per Series C preferred share were declared during the three months ended June 30, 2024 and 2023 and $0.828125 per Series C preferred share for the six months ended June 30, 2024 and 2023. Distributions of

$0.9655 per Series D preferred unit were declared during the three months ended June 30, 2024 and 2023 and $1.931 per Series D preferred unit for the six months ended June 30, 2024 and 2023. Distributions of $0.96875 per Series E preferred unit were declared during the three months ended June 30, 2024 and 2023 and $1.9375 per Series E preferred unit for the six months ended June 30, 2024 and 2023.

Liquidity and Capital Resources

Overview

We strive to maintain a strong balance sheet and preserve financial flexibility, which we believe should enhance our ability to capitalize on appropriate investment opportunities as they may arise. We intend to continue to focus on core fundamentals, which include generating positive cash flows from operations, maintaining appropriate debt levels and leverage ratios, and controlling overhead costs.

Our primary sources of liquidity are cash and cash equivalents on hand and cash flows generated from operations. Other sources include availability under the unsecured lines of credit, proceeds from property dispositions, including restricted cash related to net tax deferred proceeds, offerings of preferred and common shares, including offerings of common shares under the ATM Program, and long-term unsecured debt and secured mortgages.

Our primary liquidity demands are normally-recurring operating and overhead expenses, debt service and repayments, capital improvements to communities, distributions to the holders of preferred shares, common shares, Series D and Series E preferred units, and Units, value-add redevelopment, common and preferred share buybacks and Unit redemptions, funding of mezzanine loans, and acquisitions of additional communities.

Although we believe that our financial condition and liquidity are sufficient to meet our reasonably anticipated liquidity demands, factors that could impact our future liquidity include, but are not limited to, volatility in capital and credit markets, interest rate increases, the ability to access capital and credit markets, the minimum REIT dividend requirements, and our ability to complete asset purchases, sales, or developments.

As of June 30, 2024, we had total liquidity of approximately $222.3 million, which included $208.0 million available on the lines of credit based on the value of unencumbered properties and $14.3 million of cash and cash equivalents. As of December 31, 2023, we had total liquidity of approximately $234.6 million, which included $226.0 million available on the lines of credit based on the value of unencumbered properties and $8.6 million of cash and cash equivalents.

Debt

As of June 30, 2024, we had a multibank, revolving line of credit with total commitments and borrowing capacity of $250.0 million, based on the value of unencumbered properties, (the “Unsecured Credit Facility”). As of June 30, 2024, there was $48.0 million outstanding on this line of credit and additional borrowing availability was $202.0 million. At December 31, 2023, the line of credit borrowing capacity was $250.0 million based on the value of unencumbered properties, of which $30.0 million was drawn on the line. The line of credit is utilized to refinance existing indebtedness, to finance property acquisitions, to finance capital expenditures, and for general corporate purposes. On July 26, 2024, the Unsecured Credit Facility was amended to extend maturity and to modify the leverage-based margin ratios applicable to borrowings. As amended, this credit facility matures in July 2028, with an option to extend maturity for up to two additional six-month periods and has an accordion option to increase borrowing capacity up to $400.0 million.

As amended, the interest rates on the line of credit are based on the consolidated leverage ratio, at the Company’s option, on either the lender’s base rate plus a margin, ranging from 20-80 basis points, or the daily or term Secured Overnight Financing Rate (“SOFR”), plus a margin that ranges from 120-180 basis points, with the consolidated leverage ratio described under the Third Amended and Restated Credit Agreement, as amended.

We also have a $6.0 million operating line of credit. As of June 30, 2024 and December 31, 2023, there was no balance outstanding on this line of credit. This operating line of credit is designed to enhance treasury management activities and more effectively manage cash balances. This operating line matures on September 30, 2024, with pricing based on SOFR.

We had a private shelf agreement with PGIM, Inc., an affiliate of Prudential Financial, Inc., and certain affiliates of PGIM, Inc. (collectively, “PGIM”) under which we issued $200.0 million in unsecured senior promissory notes (“unsecured senior notes”). We also have a separate note purchase agreement for the issuance of $125.0 million senior unsecured promissory notes, of which $25.0 million was issued under the private shelf agreement with PGIM. The following table shows the notes issued under both agreements as of June 30, 2024 and December 31, 2023.

		(in thousands) Amount	Maturity Date	Interest Rate
Series A	$	75,000	September 13, 2029	3.84 %
Series B	$	50,000	September 30, 2028	3.69 %
Series C	$	50,000	June 6, 2030	2.70 %
Series 2021-A	$	35,000	September 17, 2030	2.50 %
Series 2021-B	$	50,000	September 17, 2031	2.62 %
Series 2021-C	$	25,000	September 17, 2032	2.68 %
Series 2021-D	$	15,000	September 17, 2034	2.78 %

We have a $198.9 million Fannie Mae Credit Facility Agreement (the "FMCF"). The FMCF is currently secured by mortgages on 11 apartment communities. The notes are interest-only, have varying maturity dates of 7, 10, and 12 years, and a blended, weighted average interest rate of 2.78%. As of June 30, 2024 and December 31, 2023, the FMCF had a balance of $198.9 million. The FMCF is included within mortgages payable on the Condensed Consolidated Balance Sheets.

Mortgage loan indebtedness, excluding the FMCF and unamortized premiums and discounts, was $389.1 million and $392.3 million at June 30, 2024 and December 31, 2023, respectively, on 14 apartment communities. All of our mortgage debt is collateralized by apartment communities and is non-recourse at fixed rates of interest, with staggered maturities. This decreases the exposure to changes in interest rates, which reduces the effect of interest rate fluctuations on our results of operations and cash flows. As of June 30, 2024 and December 31, 2023, the weighted average interest rate on mortgage debt was 4.05%. Further information can be found in Note 5 - Debt in the Condensed Consolidated notes.

Equity

We have an equity distribution agreement in connection with the ATM Program through which we may offer and sell common shares having an aggregate gross sales price of up to $250.0 million, in amounts and at times determined by management. The proceeds from the sale of common shares under the ATM Program may be used for general corporate purposes, including the funding of acquisitions, construction or mezzanine loans, community renovations, and the repayment of indebtedness. The table below provides details on the shares sold during the three and six months ended June 30, 2024. As of June 30, 2024, common shares having an aggregate offering price of up to $118.9 million remained available under the ATM Program. Further information can be found in Note 4 - Equity and Mezzanine Equity in the Condensed Consolidated notes.

	(in thousands, except per share amounts)		
Three and Six Months Ended June 30,	**Number of Common Shares**	**Net Consideration [1]**	**Average Net Price Per Share**
2024	110	$ 7,561	$ 68.77

(1) Total consideration is net of $115 in commissions during the three and six months ended June 30, 2024.

We have a share repurchase program (the "Share Repurchase Program"), providing for the repurchase of up to an aggregate of $50.0 million of the our outstanding common shares. Under the Share Repurchase Program, we are authorized to repurchase common shares through open market purchases, privately-negotiated transactions, block trades or otherwise in accordance with applicable federal securities laws, including through Rule 10b5-1 trading plans and under Rule 10b-18 of the Securities and Exchange Act of 1934, as amended. The repurchases have no time limit and may be suspended or discontinued completely at any time. The specific timing and amount of repurchases will vary based on available capital resources or other financial and operational performance, market conditions, securities law limitations, and other factors. The table below provides details on the shares repurchased during the three and six months ended June 30, 2024 and 2023. As of June 30, 2024, we had $4.7 million remaining authorized for purchase under this program.

	(in thousands, except per share amounts)		
Three Months Ended June 30,	**Number of Common Shares**	**Aggregate Cost[1]**	**Average Price Per Share[1]**
2024	—	$ —	$ —
2023	105	5,696	$ 54.51
Six Months Ended June 30,			
2024	88	$ 4,703	$ 53.62
2023	124	6,718	$ 54.19

(1) Amount includes commissions.

Changes in Cash, Cash Equivalents, and Restricted Cash

As of June 30, 2024, we had cash and cash equivalents of $14.3 million and restricted cash consisting of $1.1 million of escrows held by lenders for real estate taxes, insurance, and capital additions.

The following discussion relates to changes in consolidated cash, cash equivalents, and restricted cash which are presented in the Condensed Consolidated Statements of Cash Flows in Part I, Item 1 above.

In addition to cash flow from operations, during the six months ended June 30, 2024, we generated capital from various activities, including:

- Receiving $18.3 million in net proceeds from the sale of two apartment communities;
- Receiving $18.0 million in net draws on the lines of credit;
- Receiving $7.4 million in net proceeds from the issuance of common shares; and
- Receiving $1.9 million in net insurance proceeds primarily due to one large casualty event that was settled.

During the six months ended June 30, 2024, we used capital for various activities, including:

- Funding of mezzanine loan of $13.1 million;
- Repaying $3.1 million of mortgage principal;
- Paying distributions on common shares, Series E preferred units, Units, and Series C preferred shares of $29.9 million;
- Repurchasing 87,722 common shares for $4.7 million; and
- Funding capital improvements for apartment communities of approximately $35.6 million.

Contractual Obligations and Other Commitments

Contractual obligations and other commitments were disclosed in our Form 10-K for the year ended December 31, 2023. Refer to Note 10 of the Notes to the Condensed Consolidated Financial Statements for additional details. There have been no material changes to our contractual obligations and other commitments since that report was filed.

Inflation, Supply Chain, and Capital Markets

Our apartment leases generally have terms of one year or less, which means that, in an inflationary environment, we would have the ability, subject to market conditions, to increase rents upon the commencement of new leases or renewal of existing leases to manage the impact of inflation on our business. However, the cost to operate and maintain communities could increase at a rate greater than our ability to increase rents, which could adversely affect our results of operations. High inflation could have a negative impact on our residents and their ability to absorb rent increases.

We also continue to monitor pressures surrounding supply chain challenges. Supply chain and inflationary pressures are likely to result in increasing operating expenses, specifically, increases in energy costs, labor related costs, and construction materials for repairs and maintenance or capital projects. A worsening of the current environment could contribute to delays in obtaining construction materials and result in higher than anticipated costs, which could prevent us from obtaining expected returns on value add projects.

We continue to have access to the financial markets; however, a prolonged disruption of the markets or a decline in credit and financing conditions could negatively affect our ability to access capital necessary to fund our operations or refinance maturing debt in the future. Additionally, rising interest rates could negatively impact our borrowing costs for any variable rate borrowings or refinancing activity.

Off-Balance Sheet Arrangements

As of June 30, 2024, we had no significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Critical Accounting Policies

In preparing the Condensed Consolidated Financial Statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. A summary of critical accounting policies is included in our Form 10-K for the year ended December 31, 2023,

filed with the SEC on February 20, 2024 under the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Refer to Note 2 of the Notes to Condensed Consolidated Financial Statements in this report for additional information. There have been no other significant changes to the critical accounting policies during the six months ended June 30, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk refers to the risk of loss from adverse changes in market prices and interest rates. The Company's future revenue, cash flows, and fair values of certain financial instruments are dependent upon prevailing market prices and interest rates.

Centerspace's exposure to market risk is primarily related to fluctuations in the general level of interest rates on the current and future fixed and variable rate debt obligations. Our operating results are, therefore, affected by changes in interest rates, including SOFR. The Company does not enter into derivative instruments for trading or speculative purposes.

See our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 20, 2024, under the heading "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for a more complete discussion of the Company's interest rate sensitivity.

Item 4. Controls and Procedures

Disclosure Controls and Procedures:

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Report. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2024, such disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting:

In connection with the evaluation required by Rule 13a-15(d), management, with the participation of the Chief Executive Officer and Chief Financial Officer, has identified no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2024 and that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of the Company's operations, the Company becomes involved in litigation. At this time, the Company knows of no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which any of the Company's property is the subject.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors previously disclosed in Item 1A in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Sales of Securities

On April 30, 2024, May 31, 2024, and June 30, 2024 we issued 1,873, 1,085, and 270 unregistered common shares, respectively, to limited partners of Centerspace, LP upon exercise of their Exchange Rights for an equal number of Units. All such issuances of our common shares were exempt from registration as private placements under Section 4(a)(2) of the Securities Act. We have registered the resale of such common shares under the Securities Act.

Issuer Purchases of Equity Securities

Period	Total Number of Shares and Units Purchased[1]	Average Price Paid per Share and Unit[2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Amount of Shares That May Yet Be Purchased Under the Plans or Programs[3]
April 1 - 30, 2024	—	$ —	—	$ 4,713,230
May 1 - 31, 2024	—	—	—	4,713,230
June 1 - 30, 2024	—	—	—	4,713,230
Total	—	$ —	—	

(1) Includes Units redeemed for cash pursuant to the exercise of exchange rights.
(2) Amount is based on market prices and includes commissions paid.
(3) On March 10, 2022, the board authorized a new $50.0 million share repurchase program.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

Unsecured Credit Facility Amendment

On July 26, 2024, the Company's primary unsecured credit facility ("Unsecured Credit Facility" or "Facility"), a revolving, multi-bank line of credit, with the Bank of Montreal serving as administrative agent, was amended, among other reasons, to extend the maturity of the facility to July 2028 and to modify the leverage-based margin rates applicable to borrowings. As amended, the facility matures in July 2028 and the interest rates on the line of credit are based on the consolidated leverage ratio, at the Company's option, on either the lender's base rate plus a margin, ranging from 20-80 basis points, or daily or term SOFR, plus a margin that ranges from 120-180 basis points with the consolidated leverage ratio described under the Third Amended and Restated Credit Agreement, as amended. The foregoing description of the amendment to the Unsecured Credit Facility is not complete and is qualified in its entirety by reference to the full text of the amendment, a copy of which is filed as an exhibit to this Quarterly Report on Form 10-Q.

Rule 10b5-1 Trading Plans

During the fiscal quarter ended June 30, 2024, none of our trustees or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

Item 6. Exhibits

The following exhibits are filed as part of this Report.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Amendment and Third Restated Declaration of Trust of Investors Real Estate Trust adopted on September 23, 2003, as amended on September 18, 2007 (incorporated herein by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed with the Commission on June 30, 2014).
3.2	Seventh Restated Trustee's Regulations (Bylaws) of Investors Real Estate Trust, adopted on April 27, 2020 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 1, 2020).
3.3	Articles Supplementary to the Company's Articles of Amendment and Third Restated Declaration of Trust designating the Company's 6.625% Series C Cumulative Redeemable Preferred Shares, no par value per share (incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form 8-A filed with the SEC on September 28, 2017).
10.1	Amendment No. 1, dated May 9, 2024, to Equity Distribution Agreement dated September 10, 2021 between the Company and BMO Capital Markets Corp., BTIG, LLC, Jefferies LLC, Raymond James & Associates, Inc., BofA Securities, Inc., UBS Securities LLC, Piper Sandler & Co., and certain of their affiliates and agents (incorporated herein by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the Commission on May 9, 2024).
10.2*	Third Amendment to Second Amended and Restated Credit Agreement and related Annex I attached thereto, by and among IRET Properties, a North Dakota Limited Partnership, as the Borrower, the Guarantors party thereto, the several financial institutions party thereto, as Lenders, and the Bank of Montreal, as Administrative Agent.
31.1*	Section 302 Certification of Chief Executive Officer
31.2*	Section 302 Certification of Executive Vice President and Chief Financial Officer
32.1*	Section 906 Certifications of Chief Executive Officer
32.2*	Section 906 Certifications of Executive Vice President and Chief Financial Officer
101 INS**	INSTANCE DOCUMENT
101 SCH**	SCHEMA DOCUMENT
101 CAL**	CALCULATION LINKBASE DOCUMENT
101 LAB**	LABELS LINKBASE DOCUMENT
101 PRE**	PRESENTATION LINKBASE DOCUMENT
101 DEF**	DEFINITION LINKBASE DOCUMENT
104**	COVER PAGE INTERACTIVE DATA FILE - THE COVER PAGE XBRL TAGS ARE EMBEDDED WITHIN THE INLINE XBRL DOCUMENT

* Filed herewith

** Submitted electronically herewith. Attached as Exhibit 101 are the following materials from Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted in Inline eXtensible Business Reporting Language ("iXBRL"): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Equity; (iv) the Condensed Consolidated Statements of Cash Flows; (v) notes to these Condensed Consolidated Financial Statements; and (vi) the Cover Page to Quarterly Report on our Form 10-Q.

SIGNATURES

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

Centerspace
(Registrant)

/s/ Anne Olson

Anne Olson
President and Chief Executive Officer

/s/ Bhairav Patel

Bhairav Patel
Executive Vice President and Chief Financial Officer

Date: July 29, 2024