

**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 quarterly period ended September 30, 2025

OR

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

COMMISSION FILE NO. 1-6622

ELME COMMUNITIES

(Exact name of registrant as specified in its charter)

Maryland
(State of incorporation)

53-0261100
(IRS Employer Identification Number)

7550 WISCONSIN AVE, SUITE 900, BETHESDA, MD 20814
(Address of principal executive office) (Zip code)

Registrant's telephone number, including area code: (202) 774-3200

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Shares of Beneficial Interest	ELME	NYSE

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 such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

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

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

As of October 21, 2025, 88,161,161 common shares were outstanding.

ELME COMMUNITIES

INDEX

	<u>Page</u>
Part I: Financial Information	
Item 1.	
Consolidated Financial Statements (Unaudited)	
Consolidated Balance Sheets	5
Condensed Consolidated Statements of Operations	6
Condensed Consolidated Statements of Comprehensive Income (Loss)	7
Consolidated Statements of Equity	8
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	11
Item 2.	
Management’s Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3.	
Quantitative and Qualitative Disclosures about Market Risk	35
Item 4.	
Controls and Procedures	36
Part II: Other Information	
Item 1.	
Legal Proceedings	37
Item 1A.	
Risk Factors	37
Item 2.	
Unregistered Sales of Equity Securities and Use of Proceeds	41
Item 3.	
Defaults upon Senior Securities	41
Item 4.	
Mine Safety Disclosures	41
Item 5.	
Other Information	41
Item 6.	
Exhibits	42
Signatures	43

PART I
FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

The information furnished in the accompanying unaudited Consolidated Balance Sheets, Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Comprehensive Income (Loss), Consolidated Statements of Equity and Consolidated Statements of Cash Flows reflects all adjustments, consisting of normal recurring items, which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The accompanying financial statements and notes thereto should be read in conjunction with the financial statements and notes for the three years ended December 31, 2024 included in our 2024 Annual Report on Form 10-K filed on February 14, 2025.

ELME COMMUNITIES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	September 30, 2025 (Unaudited)	December 31, 2024
Assets		
Land	\$ 358,359	\$ 383,808
Income producing property	1,891,472	1,999,525
	2,249,831	2,383,333
Accumulated depreciation and amortization	(638,522)	(618,299)
Net income producing property	1,611,309	1,765,034
Properties under development or held for future development	30,980	30,980
Total real estate held for investment, net	1,642,289	1,796,014
Cash and cash equivalents	7,088	6,144
Restricted cash	2,293	2,465
Rents and other receivables	13,313	12,511
Prepaid expenses and other assets	21,876	28,628
Total assets	<u>\$ 1,686,859</u>	<u>\$ 1,845,762</u>
Liabilities		
Notes payable, net	\$ 523,329	\$ 522,953
Line of credit	186,000	176,000
Accounts payable and other liabilities	41,656	36,293
Dividend payable	15,943	15,898
Advance rents	4,761	6,257
Tenant security deposits	5,991	6,283
Total liabilities	777,680	763,684
Equity		
Shareholders' equity		
Preferred shares, \$0.01 par value; 10,000 shares authorized; no shares issued or outstanding	—	—
Shares of beneficial interest, \$0.01 par value; 150,000 shares authorized; 88,161 and 88,029 shares issued and outstanding, as of September 30, 2025 and December 31, 2024, respectively	882	880
Additional paid in capital	1,744,621	1,740,078
Distributions in excess of net income	(825,659)	(646,095)
Accumulated other comprehensive loss	(10,939)	(13,066)
Total shareholders' equity	908,905	1,081,797
Noncontrolling interests in subsidiaries	274	281
Total equity	909,179	1,082,078
Total liabilities and equity	<u>\$ 1,686,859</u>	<u>\$ 1,845,762</u>

See accompanying notes to the consolidated financial statements.

ELME COMMUNITIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenue				
Real estate rental revenue	\$ 62,103	\$ 61,055	\$ 185,695	\$ 180,671
Expenses				
Property operating and maintenance	16,050	14,095	44,849	41,555
Real estate taxes and insurance	8,089	8,163	23,946	24,404
Property management	2,263	2,235	6,765	6,628
General and administrative	14,064	6,354	30,982	18,688
Depreciation and amortization	23,771	23,474	70,570	72,312
Real estate impairment	111,719	—	111,719	—
	<u>175,956</u>	<u>54,321</u>	<u>288,831</u>	<u>163,587</u>
Real estate operating income	(113,853)	6,734	(103,136)	17,084
Other income (expense)				
Interest expense	(9,661)	(9,557)	(28,619)	(28,435)
Loss on extinguishment of debt	—	(147)	—	(147)
Other income	—	—	—	1,410
	<u>(9,661)</u>	<u>(9,704)</u>	<u>(28,619)</u>	<u>(27,172)</u>
Net loss	<u>\$ (123,514)</u>	<u>\$ (2,970)</u>	<u>\$ (131,755)</u>	<u>\$ (10,088)</u>
Basic net loss per common share	<u>\$ (1.40)</u>	<u>\$ (0.03)</u>	<u>\$ (1.50)</u>	<u>\$ (0.12)</u>
Diluted net loss per common share	<u>\$ (1.40)</u>	<u>\$ (0.03)</u>	<u>\$ (1.50)</u>	<u>\$ (0.12)</u>
Weighted average shares outstanding – basic	88,109	87,930	88,089	87,909
Weighted average shares outstanding – diluted	88,109	87,930	88,089	87,909

See accompanying notes to the consolidated financial statements.

ELME COMMUNITIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net loss	\$ (123,514)	\$ (2,970)	\$ (131,755)	\$ (10,088)
Other comprehensive income:				
Unrealized gain (loss) on interest rate hedges	175	(2,181)	598	(2,894)
Reclassification of unrealized loss on interest rate derivatives to earnings	510	509	1,529	1,529
Comprehensive loss	<u>\$ (122,829)</u>	<u>\$ (4,642)</u>	<u>\$ (129,628)</u>	<u>\$ (11,453)</u>

See accompanying notes to the consolidated financial statements.

ELME COMMUNITIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(IN THOUSANDS)
(UNAUDITED)

	Shares Issued and Out-standing	Shares of Beneficial Interest at Par Value	Additional Paid in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance, December 31, 2024	88,029	\$ 880	\$ 1,740,078	\$ (646,095)	\$ (13,066)	\$ 1,081,797	\$ 281	\$ 1,082,078
Net loss	—	—	—	(131,755)	—	(131,755)	—	(131,755)
Unrealized gain on interest rate hedges	—	—	—	—	598	598	—	598
Amortization of swap settlements	—	—	—	—	1,529	1,529	—	1,529
Distributions to noncontrolling interests	—	—	—	—	—	—	(7)	(7)
Dividends (\$0.54 per common share)	—	—	—	(47,809)	—	(47,809)	—	(47,809)
Share grants, net of forfeitures and tax withholdings	132	2	4,543	—	—	4,545	—	4,545
Balance, September 30, 2025	88,161	\$ 882	\$ 1,744,621	\$ (825,659)	\$ (10,939)	\$ 908,905	\$ 274	\$ 909,179

	Shares Issued and Out-standing	Shares of Beneficial Interest at Par Value	Additional Paid in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance, December 31, 2023	87,867	\$ 879	\$ 1,735,530	\$ (569,391)	\$ (12,958)	\$ 1,154,060	\$ 290	\$ 1,154,350
Net loss	—	—	—	(10,088)	—	(10,088)	—	(10,088)
Unrealized loss on interest rate hedges	—	—	—	—	(2,894)	(2,894)	—	(2,894)
Amortization of swap settlements	—	—	—	—	1,529	1,529	—	1,529
Distributions to noncontrolling interests	—	—	—	—	—	—	(7)	(7)
Dividends (\$0.54 per common share)	—	—	—	(47,707)	—	(47,707)	—	(47,707)
Share grants, net of forfeitures and tax withholdings	143	1	3,789	—	—	3,790	—	3,790
Balance, September 30, 2024	88,010	\$ 880	\$ 1,739,319	\$ (627,186)	\$ (14,323)	\$ 1,098,690	\$ 283	\$ 1,098,973

See accompanying notes to the consolidated financial statements.

ELME COMMUNITIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(IN THOUSANDS)
(UNAUDITED)

	Shares Issued and Out- standing	Shares of Beneficial Interest at Par Value	Additional Paid in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance, June 30, 2025	88,162	\$ 882	\$ 1,743,161	\$ (686,226)	\$ (11,624)	\$ 1,046,193	\$ 277	\$ 1,046,470
Net loss	—	—	—	(123,514)	—	(123,514)	—	(123,514)
Unrealized gain on interest rate hedges	—	—	—	—	175	175	—	175
Amortization of swap settlements	—	—	—	—	510	510	—	510
Distributions to noncontrolling interests	—	—	—	—	—	—	(3)	(3)
Dividends (\$0.18 per common share)	—	—	—	(15,919)	—	(15,919)	—	(15,919)
Share grants, net of share grant amortization and forfeitures	(1)	—	1,460	—	—	1,460	—	1,460
Balance, September 30, 2025	88,161	\$ 882	\$ 1,744,621	\$ (825,659)	\$ (10,939)	\$ 908,905	\$ 274	\$ 909,179

	Shares Issued and Out- standing	Shares of Beneficial Interest at Par Value	Additional Paid in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance, June 30, 2024	88,011	\$ 880	\$ 1,737,941	\$ (608,310)	\$ (12,651)	\$ 1,117,860	\$ 285	\$ 1,118,145
Net loss	—	—	—	(2,970)	—	(2,970)	—	(2,970)
Unrealized loss on interest rate hedges	—	—	—	—	(2,181)	(2,181)	—	(2,181)
Amortization of swap settlements	—	—	—	—	509	509	—	509
Distributions to noncontrolling interests	—	—	—	—	—	—	(2)	(2)
Dividends (\$0.18 per common share)	—	—	—	(15,906)	—	(15,906)	—	(15,906)
Share grants, net of forfeitures and tax withholdings	(1)	—	1,378	—	—	1,378	—	1,378
Balance, September 30, 2024	88,010	\$ 880	\$ 1,739,319	\$ (627,186)	\$ (14,323)	\$ 1,098,690	\$ 283	\$ 1,098,973

See accompanying notes to the consolidated financial statements.

ELME COMMUNITIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Nine Months Ended September 30,	
	2025	2024
Cash flows from operating activities		
Net loss	\$ (131,755)	\$ (10,088)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	70,570	72,312
Credit losses on lease related receivables	3,244	4,046
Real estate impairment	111,719	—
Share-based compensation expense	4,754	3,714
Net amortization of debt premiums, discounts and related financing costs	3,213	3,268
Loss on extinguishment of debt	—	147
Gain on land easements	—	(1,410)
Changes in operating other assets	(2,900)	(3,239)
Changes in operating other liabilities	3,090	1,989
Net cash provided by operating activities	61,935	70,739
Cash flows from investing activities		
Capital improvements to real estate	(23,075)	(33,356)
Non-real estate capital improvements	(61)	(128)
Payments received for land easements	—	3,862
Net cash used in investing activities	(23,136)	(29,622)
Cash flows from financing activities		
Line of credit borrowings, net	10,000	11,000
Dividends paid	(47,765)	(47,749)
Payment of financing costs	(26)	(5,500)
Distributions to noncontrolling interests	(7)	(7)
Payment of tax withholdings for restricted share awards	(229)	(201)
Net cash used in financing activities	(38,027)	(42,457)
Net increase (decrease) in cash, cash equivalents and restricted cash	772	(1,340)
Cash, cash equivalents and restricted cash at beginning of period	8,609	8,538
Cash, cash equivalents and restricted cash at end of period	\$ 9,381	\$ 7,198
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 28,490	\$ 28,140
Change in accrued capital improvements and development costs	1,067	(6,749)
Dividend payable	15,943	15,906
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 7,088	\$ 4,840
Restricted cash	2,293	2,358
Cash, cash equivalents and restricted cash	\$ 9,381	\$ 7,198

See accompanying notes to the consolidated financial statements.

ELME COMMUNITIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2025
(UNAUDITED)

NOTE 1: NATURE OF BUSINESS

Elme Communities, a Maryland real estate investment trust (the “Company”), is a self-administered equity real estate investment trust, and successor to a trust organized in 1960. Our business primarily consists of the ownership of apartment communities in the greater Washington, DC metro and Sunbelt regions. Within these notes to the financial statements, we refer to the three months ended September 30, 2025 and September 30, 2024 as the “2025 Quarter” and the “2024 Quarter,” respectively, and the nine months ended September 30, 2025 and September 30, 2024 as the “2025 Period” and the “2024 Period,” respectively.

Federal Income Taxes

We believe that we qualify as a real estate investment trust (“REIT”) under Sections 856-860 of the Internal Revenue Code of 1986, as amended (the “Code”), and intend to continue to qualify as such. To maintain our status as a REIT, we are, among other things, required to distribute 90% of our REIT taxable income (determined before the deduction for dividends paid and excluding net capital gains to our shareholders) on an annual basis. When selling a property, we generally have the option of (a) reinvesting the sales proceeds of property sold in a way that allows us to defer recognition of some or all taxable gain realized on the sale, (b) distributing gains to the shareholders with no tax to us or (c) treating net long-term capital gains as having been distributed to our shareholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to our shareholders.

Generally, and subject to our ongoing qualification as a REIT, no provisions for income taxes are necessary except for taxes on undistributed taxable income and taxes on the income generated by our taxable REIT subsidiary (“TRS”). Our TRS is subject to corporate federal and state income tax on its taxable income at regular statutory rates. As of both September 30, 2025 and December 31, 2024, our TRS had a deferred tax asset of \$1.4 million that was fully reserved.

Proposed Portfolio Sale Transaction and Plan of Sale and Liquidation

On August 1, 2025, the Company entered into a Purchase Agreement (the “Purchase Agreement”), by and among the Company, WashREIT OP LLC, a Delaware limited liability company and wholly owned subsidiary of the Company (“Seller”), Echo Sub LLC, a Delaware limited liability company and wholly owned subsidiary of Seller (the “Echo Sub”), CEVF VI Capital Holdings, LLC, a Delaware limited liability company (“Buyer”), and CEVF VI Co-Invest I Venture, LLC, a Delaware limited liability company. Pursuant to and subject to the terms and conditions of the Purchase Agreement, Buyer has agreed to purchase all of the limited liability company interests of Echo Sub, which at the consummation of the transactions will indirectly own 19 of the Company’s multifamily properties, in exchange for an aggregate purchase price of \$1.6 billion, subject to customary adjustments (the “Portfolio Sale Transaction”).

In connection with approval of the Purchase Agreement, the board of trustees approved a Plan of Sale and Liquidation (“Plan of Sale and Liquidation”). The Plan of Sale and Liquidation includes a plan of liquidation that provides for the Company’s complete liquidation and dissolution in accordance with Section 331, Section 336 and Section 346(a) of the Code.

Consummation of the Portfolio Sale Transaction and effectiveness of the Plan of Sale and Liquidation are subject to approval by the affirmative vote of the holders of the Company’s shares of beneficial interests entitled to cast a majority of all the votes entitled to be cast on the matter. The Portfolio Sale Transaction is also subject to other customary closing conditions. The Portfolio Sale Transaction and the Plan of Sale and Liquidation are referred to herein as the “Proposed Transactions”.

Commitment Letter

In connection with entering into the Purchase Agreement and approval of the Plan of Sale and Liquidation by the board of trustees, the Company obtained a commitment to provide debt financing in the original principal amount of \$520 million (or \$565 million if one of the 19 properties is not included in the closing of the Portfolio Sale Transaction) (the “Loan”), which will be secured by substantially all of the Company’s real estate assets and subsidiary equity interests that remain after the closing under the Purchase Agreement, pursuant to a commitment letter (the “Commitment Letter”) from Goldman Sachs Bank USA. The Loan will have an initial term of one year with a one-year extension option, that may be exercised subject to certain

conditions specified in the Commitment Letter. The funding of the Loan provided for in the Commitment Letter is contingent on the satisfaction of customary conditions, including but not limited to (a) execution and delivery of definitive documentation with respect to the Loan in accordance with the terms set forth in the Commitment Letter, and (b) closing of the Portfolio Sale Transaction. The actual documentation governing the Loan has not been finalized, and accordingly, the actual terms may differ from the description of such terms in the Commitment Letter.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATIONS

Significant Accounting Policies

We have prepared our consolidated financial statements using the accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2024.

Recent Accounting Pronouncements

In November 2023, the FASB issued Accounting Standards Update (“ASU”) 2023-07, “Segment Reporting - Improvements to Reportable Segments Disclosures,” which enhances disclosures of significant segment expenses and other segment items regularly provided to the chief operating decision maker (“CODM”). The new standard is effective in fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. We adopted the new standard on our consolidated financial statements and related disclosures for the year ended December 31, 2024.

In November 2024, the Financial Accounting Standards Board issued ASU 2024-03, “Disaggregation of Income Statement Expenses,” which will require additional disclosure of the nature of expenses included in the income statement in response to longstanding requests from investors for more information about an entity’s expenses. The new standard requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. The new standard will be effective for public companies for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. The requirements will be applied prospectively with the option for retrospective application. Early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on our consolidated financial statements.

Principles of Consolidation and Basis of Presentation

The accompanying unaudited consolidated financial statements include the consolidated accounts of Elme Communities and our subsidiaries and entities in which Elme Communities has a controlling financial interest. All intercompany balances and transactions have been eliminated in consolidation.

We have prepared the accompanying unaudited financial statements pursuant to the rules and regulations of the SEC. Certain information and note disclosures normally included in annual financial statements prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information presented not misleading. In addition, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for the periods presented have been included. These unaudited financial statements should be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2024.

Lessee Accounting

For leases where we are the lessee, primarily our corporate office operating lease, we recognize a right-of-use asset and a lease liability in accordance with Accounting Standards Codification (“ASC”) Topic 842. The right-of-use asset and associated liability is equal to the present value of the minimum lease payments, applying our incremental borrowing rate. Our borrowing rate is computed based on observable borrowing rates taking into consideration our credit quality and adjusting to a secured borrowing rate for similar assets and terms.

Lease expense for the operating lease is recognized on a straight-line basis over the expected lease term and is included in “General and administrative expenses.”

Restricted Cash

Restricted cash includes funds held in escrow for tenant security deposits.

Use of Estimates in the Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make certain 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.

NOTE 3: REAL ESTATE

Development/Redevelopment

We have properties under development/redevelopment and held for current or future development. As of September 30, 2025, we have invested \$30.4 million, including the cost of acquired land, in a residential development adjacent to Riverside Apartments. During the second quarter of 2022, we paused development activities at the aforementioned property and ceased associated capitalization of interest on spending and real estate taxes.

Properties Sold and Held for Sale

The Company periodically classifies real estate assets as held for sale when the held for sale criteria is met in accordance with GAAP. At that time, depreciation on these properties is discontinued, but operating revenues, operating expenses and interest expense continue to be recognized until the date of sale. No properties met the criteria for classification as held for sale as of September 30, 2025, since shareholder approval, which is required as a part of the Proposed Transaction, had not yet been received.

We did not sell or classify any properties as held for sale during the 2025 Period or in 2024.

Real Estate Impairment

During the 2025 Quarter, the Company recognized an aggregate impairment charge of \$111.7 million related to several properties not included as part of the Portfolio Sale Transaction. The estimated cash flows for those certain properties were less than their respective carrying values primarily due to a revision of their estimated holding periods. Within our Residential segment and Other, defined in note 10 and primarily consisting of Watergate 600, we recognized an impairment charge of \$81.4 million and \$30.3 million, respectively.

For all impairment charges recognized, the fair valuation of the assets fell into Level 3 in the fair value hierarchy due to the reliance on significant unobservable inputs (see note 7). In accordance with ASC 820, we estimated the Watergate 600 fair value using a discounted cash flow model which required certain significant assumptions, including a discounted cash flow term of 5 years, an average economic occupancy of 66.1%, and a terminal capitalization rate of 10.5%. We estimated the residential properties fair value using a model which required certain significant assumptions, including cash flow projections over a term of 5 years, a range of market rent per square foot of \$114 to \$159, and a range of in-place capitalization rates ranging from 4.75% to 5.77% for each property.

No other properties, including assets held for development, had any recognized impairment charges during the 2025 Quarter. Should external or internal circumstances change requiring the need to shorten holding periods or adjust future estimated cash flows from our properties, we could be required to record impairment charges in the future.

NOTE 4: UNSECURED LINE OF CREDIT PAYABLE

During 2024, we entered into a third amended and restated credit agreement (the “Amended Credit Agreement”) which provides for aggregate revolving loan commitments of \$500.0 million (the “Amended and Restated Revolving Credit Facility”) with an accordion feature that allows us to increase the aggregate revolving loan commitments or add term loans of up to \$1.0 billion, subject to the lenders’ agreement to provide additional revolving commitments or term loans. The Amended and Restated Revolving Credit Facility has a four-year term ending in July 2028, with two six-month extension options. Borrowings under the Amended and Restated Revolving Credit Facility will bear interest, at our option, at a rate of either (a)(i) daily SOFR plus 0.10% (the “Adjusted Daily Simple SOFR”) or (ii) term SOFR plus 0.10%, plus, in each case, a margin ranging from 0.70% to 1.40% (depending on our credit rating) or (b) the base rate plus a margin ranging from 0.00% to 0.40% (based upon our credit rating). The base rate is the highest of the administrative agent’s prime rate, the federal funds rate plus 0.50% and Adjusted Daily Simple SOFR plus 1.0%. In addition, the Amended Credit Agreement requires the payment of a facility fee equal to 0.10% to 0.30% (depending on our credit rating) on the \$500.0 million committed capacity in respect of the Amended and Restated Revolving Credit Facility, without regard to usage. The initial interest rate is based on Adjusted Daily Simple SOFR plus a margin of 0.85% and the initial facility fee equals 0.20%.

As of September 30, 2025, the interest rate on the Amended and Restated Revolving Credit Facility was based on the Adjusted Daily Simple SOFR (inclusive of the 0.10% credit spread adjustment) plus 0.85% applicable margin, the daily SOFR was 4.24% and the facility fee was 0.20%.

All outstanding advances for the Amended and Restated Revolving Credit Facility are due and payable upon maturity in July 2028, unless extended pursuant to one or both of the two six-month extension options. Interest only payments are due and payable generally on a monthly basis.

The amount of the Amended and Restated Revolving Credit Facility’s unsecured line of credit unused and available at September 30, 2025 was as follows (in thousands):

Committed capacity	\$	500,000
Borrowings outstanding		(186,000)
Unused and available	\$	<u>314,000</u>

We executed borrowings and repayments on the Amended and Restated Revolving Credit Facility during the 2025 Period as follows (in thousands):

Balance, December 31, 2024	\$	176,000
Borrowings		119,000
Repayments		<u>(109,000)</u>
Balance, September 30, 2025	\$	<u>186,000</u>

NOTE 5: NOTES PAYABLE

During 2023, we entered into a \$125.0 million unsecured term loan (the “2023 Term Loan”) with an interest rate of SOFR (subject to a credit spread adjustment of 10 basis points) plus a margin of 95 basis points (subject to adjustment depending on Elme Communities’ credit rating). The 2023 Term Loan had an initial two-year term ending in January 2025, with two one-year extension options. We used the proceeds to prepay the remaining \$100.0 million portion of the \$250.0 million unsecured 2018 term loan in full and a portion of our borrowings under our previous revolving credit facility.

During 2024, we entered into a first amendment of the 2023 Term Loan (the “Term Loan Amendment”). The Term Loan Amendment implements various covenant and technical amendments to make the 2023 Term Loan consistent with corresponding provisions in the Amended Credit Agreement. The Term Loan Amendment does not change the maturity or any of the pricing terms of the term loan outstanding under the 2023 Term Loan.

During 2024, we exercised one of two one-year extension options on the 2023 Term Loan to extend the maturity of the loan to January 10, 2026. The interest rate on the 2023 Term Loan is effectively fixed at 5.77% by two interest rate swap arrangements through its maturity date of January 10, 2026 (see note 6).

NOTE 6: DERIVATIVE INSTRUMENTS

During 2023, we entered into two interest rate swap arrangements with an aggregate notional amount of \$125.0 million that effectively fixed the interest rate at 4.73% for the 2023 Term Loan beginning on July 21, 2023 through the 2023 Term Loan's initial maturity date of January 10, 2025.

During the 2024 Quarter, we entered into two forward interest rate swap arrangements with an aggregate notional amount of \$150.0 million beginning on January 10, 2025 through January 10, 2026. These forward interest rate swap arrangements effectively fix (i) a portion of our variable rate debt based on an adjusted daily SOFR at 4.72% (subject to applicable interest rate margins) and (ii) the 2023 Term Loan's interest rate at 5.77% beginning on January 10, 2025 through the extended loan maturity date of January 10, 2026.

The interest rate swap arrangements are recorded at fair value in accordance with GAAP, based on discounted cash flow methodologies and observable inputs. We record the effective portion of changes in fair value of the cash flow hedges in Other comprehensive income (loss). We assess the effectiveness of a cash flow hedge both at inception and on an ongoing basis. If a cash flow hedge is no longer expected to be effective, hedge accounting is discontinued. Hedge ineffectiveness of our cash flow hedges is recorded in earnings.

The fair values of the interest rate swaps as of September 30, 2025 and December 31, 2024, were as follows (in thousands):

Derivative Instrument	Aggregate Notional Amount	Effective Date	Maturity Date	Fair Value Derivative Assets (Liabilities)	
				September 30, 2025	December 31, 2024
Interest rate swap	\$ 75,000	July 21, 2023	January 10, 2025	\$ —	\$ 14
Interest rate swap	50,000	July 21, 2023	January 10, 2025	—	9
Interest rate swap	100,000	January 10, 2025	January 10, 2026	(210)	(624)
Interest rate swap	50,000	January 10, 2025	January 10, 2026	(105)	(312)
				<u>\$ (315)</u>	<u>\$ (913)</u>

We record interest rate swaps on our consolidated balance sheets within Prepaid expenses and other assets when in a net asset position and within Accounts payable and other liabilities when in a net liability position. The net unrealized gains and losses on the effective swaps were recognized in Other comprehensive income (loss), as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Unrealized gain (loss) on interest rate hedges	\$ 175	\$ (2,181)	\$ 598	\$ (2,894)

Amounts reported in Accumulated other comprehensive loss related to effective cash flow hedges will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the next twelve months, we estimate that an additional \$0.3 million related to our outstanding interest rate swap arrangements will be reclassified as a net increase to interest expense.

The losses reclassified from Accumulated other comprehensive loss into interest expense for the three and nine months ended September 30, 2025 and 2024, were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Loss reclassified from accumulated other comprehensive loss into interest expense	\$ 510	\$ 509	\$ 1,529	\$ 1,529

During the next twelve months, we estimate that an additional \$2.0 million related to the previously settled interest rate swap arrangements will be reclassified as an increase to interest expense.

We have agreements with each of our derivative counterparties that contain a provision whereby we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to our default on the indebtedness. As of September 30, 2025, the fair value of derivative liabilities was \$0.3 million. As of September 30, 2025, we have not posted any collateral related to these agreements.

Derivative instruments expose us to credit risk in the event of non-performance by the counterparty under the terms of the interest rate hedge agreements. We believe that we minimize our credit risk on these transactions by dealing with major, creditworthy financial institutions. We monitor the credit ratings of counterparties and our exposure to any single entity, thus minimizing our credit risk concentration.

NOTE 7: FAIR VALUE DISCLOSURES

Assets and Liabilities Measured at Fair Value on a Recurring Basis

For assets and liabilities measured at fair value on a recurring basis, quantitative disclosures about the fair value measurements are required to be disclosed separately for each major category of assets and liabilities, as follows:

Level 1: Quoted prices in active markets for identical assets

Level 2: Significant other observable inputs

Level 3: Significant unobservable inputs

The only assets or liabilities we had at September 30, 2025 and December 31, 2024 that are recorded at fair value on a recurring basis are the assets held in the Supplemental Executive Retirement Plan ("SERP"), which primarily consist of investments in mutual funds, and the interest rate derivatives (see note 6).

We base the valuations related to the SERP on quoted prices in active markets and accordingly these valuations fall into Level 1 in the fair value hierarchy.

The valuation of the interest rate derivatives is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each interest rate derivative. This analysis reflects the contractual terms of the interest rate derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate derivatives are determined using the market standard methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. To comply with the provisions of ASC Topic 820, *Fair Value Measurement*, we incorporate credit valuation adjustments in the fair value measurements to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk. These credit valuation adjustments were concluded to not be significant inputs for the fair value calculations for the periods presented. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as the posting of collateral, thresholds, mutual puts and guarantees. The valuation of interest rate derivatives fall into Level 2 in the fair value hierarchy.

The fair values of these assets as of September 30, 2025 and December 31, 2024 were as follows (in thousands):

	September 30, 2025				December 31, 2024			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Assets:								
SERP	\$ 3,270	\$ 3,270	\$ —	\$ —	\$ 2,648	\$ 2,648	\$ —	\$ —
Interest rate swaps	—	—	—	—	23	—	23	—
Liabilities:								
Interest rate swaps	(315)	—	(315)	—	(936)	—	(936)	—

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets not measured at fair value on an ongoing basis but subject to fair value adjustments only in certain circumstances, such as when there is evidence of impairment, are measured at fair value on a nonrecurring basis. In the 2025 Quarter, we measured the fair value of several residential communities and other properties as there was evidence of impairment (see note 3).

Financial Assets and Liabilities Not Measured at Fair Value

The following disclosures of estimated fair value were determined by management using available market information and established valuation methodologies, including discounted cash flow models. Many of these estimates involve significant judgment. The estimated fair value disclosed may not necessarily be indicative of the amounts we could realize on disposition of the financial instruments. The use of different market assumptions or estimation methodologies could have an effect on the estimated fair value amounts. In addition, fair value estimates are made at a point in time and thus, estimates of fair value subsequent to September 30, 2025 may differ significantly from the amounts presented. The valuations of cash and cash equivalents and restricted cash fall into Level 1 in the fair value hierarchy and the valuations of debt instruments fall into Level 3 in the fair value hierarchy.

As of September 30, 2025 and December 31, 2024, the carrying values and estimated fair values of our financial instruments were as follows (in thousands):

	September 30, 2025		December 31, 2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 7,088	\$ 7,088	\$ 6,144	\$ 6,144
Restricted cash	2,293	2,293	2,465	2,465
Line of credit	186,000	186,000	176,000	176,000
Notes payable, net	523,329	490,245	522,953	472,412

NOTE 8: SHARE-BASED COMPENSATION

Elme Communities maintains short-term and long-term incentive plans that allow for stock-based awards to officers and non-officer employees. Stock based awards are provided to officers and non-officer employees, as well as trustees, under the Elme Communities 2016 Omnibus Incentive Plan, as amended and restated effective May 30, 2024 (the “Omnibus Incentive Plan”). An amendment and restatement of the Omnibus Incentive Plan was approved by our board of trustees in April 2024 and approved by our shareholders in May 2024 to, among other changes, increase the number of shares available to be issued by 2,900,000, from 2,400,000 shares to 5,300,000 shares (including shares issued pursuant to awards made under the Omnibus Incentive Plan prior to its amendment). The Omnibus Incentive Plan allows for awards in the form of restricted shares, restricted share units, options and other awards up to an aggregate of 5,300,000 shares over the ten-year period in which the plan is in effect. Restricted share units are converted into shares of our stock upon full vesting through the issuance of new shares.

Total Compensation Expense

Total compensation expense recognized in the consolidated financial statements for all outstanding share-based awards was \$1.7 million and \$1.6 million for the 2025 Quarter and 2024 Quarter, respectively, and \$4.8 million and \$3.7 million for the 2025 Period and 2024 Period, respectively.

Restricted Share Awards

The total fair values of restricted share awards vested was \$1.2 million and \$1.0 million for the 2025 Period and 2024 Period, respectively.

The total unvested restricted share awards at September 30, 2025 was 461,080 shares, which had a weighted average grant date fair value of \$15.82 per share. As of September 30, 2025, the total compensation cost related to unvested restricted share awards was \$3.9 million, which we expect to recognize over a weighted average period of 19 months.

NOTE 9: EARNINGS PER COMMON SHARE

We determine “Basic earnings per share” using the two-class method as our unvested restricted share awards and units have non-forfeitable rights to dividends, and are therefore considered participating securities. We compute basic earnings per share by dividing net income less the allocation of undistributed earnings to unvested restricted share awards and units by the weighted-average number of common shares outstanding for the period.

We also determine “Diluted earnings per share” as the more dilutive of the two-class method or the treasury stock method with respect to the unvested restricted share awards. We further evaluate any other potentially dilutive securities at the end of the

period and adjust the basic earnings per share calculation for the impact of those securities that are dilutive. Our dilutive earnings per share calculation includes the dilutive impact of operating partnership units under the if-converted method and our share-based awards with performance conditions prior to the grant date and all market condition awards under the contingently issuable method.

The computations of basic and diluted earnings per share for the three and nine months ended September 30, 2025 and 2024 were as follows (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Numerator:				
Net loss	\$ (123,514)	\$ (2,970)	\$ (131,755)	\$ (10,088)
Allocation of earnings to unvested restricted share awards	(83)	(78)	(260)	(236)
Adjusted net loss	\$ (123,597)	\$ (3,048)	\$ (132,015)	\$ (10,324)
Denominator:				
Weighted average shares outstanding – basic and diluted	88,109	87,930	88,089	87,909
Basic net loss per common share	\$ (1.40)	\$ (0.03)	\$ (1.50)	\$ (0.12)
Diluted net loss per common share	\$ (1.40)	\$ (0.03)	\$ (1.50)	\$ (0.12)
Dividends declared per common share	\$ 0.18	\$ 0.18	\$ 0.54	\$ 0.54

NOTE 10: SEGMENT INFORMATION

We operate in a single reportable segment which includes the ownership, development, redevelopment and acquisition of apartment communities (the “Residential segment”). Within the Residential segment, we do not distinguish or group our consolidated operations based on size (only one community, Riverside Apartments, comprises more than 10% of consolidated revenues), type (all assets in the segment are residential) or geography (all but six communities are within the Washington, DC metro region). Further, our apartment communities have similar long-term economic characteristics and provide similar products and services to our residents.

We have one office property, Watergate 600, which does not meet the quantitative or qualitative criteria for a reportable segment and has been classified within “Other”, along with business activities that are not part of an operating segment, on our segment disclosure tables.

Our CODM, the Chief Executive Officer, reviews financial information presented on a consolidated basis for purposes of assessing the performance and allocating resources to the operating segment. The CODM uses net operating income (“NOI”), defined as real estate rental revenue less real estate expenses (the significant segment expense), as the key basis of measurement for the reported segment profit or loss.

We evaluate performance based upon NOI of the combined properties in the segment. Our reportable operating segment consolidates similar properties. GAAP requires that segment disclosures present the measure(s) used by the CODM for purposes of assessing each segment’s performance.

The following tables present revenues, NOI, capital expenditures and total assets for the three and nine months ended September 30, 2025 and 2024 from our Residential segment as well as Other, and reconcile NOI to net loss as reported (in thousands):

	Three Months Ended September 30, 2025		
	Residential	Other	Consolidated
Real estate rental revenue	\$ 57,687	\$ 4,416	\$ 62,103
Real estate expenses	22,706	1,433	24,139
Net operating income	\$ 34,981	\$ 2,983	\$ 37,964
Other expense:			

Property management expenses				(2,263)
General and administrative expenses				(14,064)
Depreciation and amortization				(23,771)
Interest expense				(9,661)
Real estate impairment				(111,719)
Net loss				<u>\$ (123,514)</u>
Capital expenditures	\$	8,684	\$ 1	\$ 8,685
Total assets	\$	1,598,307	\$ 88,552	\$ 1,686,859

Three Months Ended September 30, 2024					
	Residential		Other		Consolidated
Real estate rental revenue	\$	56,427	\$	4,628	\$ 61,055
Real estate expenses		20,820		1,438	22,258
Net operating income	\$	35,607	\$	3,190	\$ 38,797
Other expense:					
Property management expenses					(2,235)
General and administrative expenses					(6,354)
Depreciation and amortization					(23,474)
Interest expense					(9,557)
Loss on extinguishment of debt					(147)
Net loss					<u>\$ (2,970)</u>
Capital expenditures	\$	11,883	\$	55	\$ 11,938
Total assets	\$	1,728,078	\$	125,081	\$ 1,853,159

Nine Months Ended September 30, 2025					
	Residential		Other		Consolidated
Real estate rental revenue	\$	172,377		13,318	\$ 185,695
Real estate expenses		64,576		4,219	68,795
Net operating income	\$	107,801	\$	9,099	\$ 116,900
Other income (expense):					
Property management expenses					(6,765)
General and administrative expenses					(30,982)
Depreciation and amortization					(70,570)
Interest expense					(28,619)
Real estate impairment					(111,719)
Net loss					<u>\$ (131,755)</u>
Capital expenditures	\$	23,054	\$	82	\$ 23,136

Nine Months Ended September 30, 2024					
	Residential		Other		Consolidated
Real estate rental revenue	\$	166,790		13,881	\$ 180,671
Real estate expenses		61,800		4,159	65,959
Net operating income	\$	104,990	\$	9,722	\$ 114,712
Other income (expense):					
Property management expenses					(6,628)
General and administrative expenses					(18,688)
Depreciation and amortization					(72,312)

Interest expense					(28,435)
Loss on extinguishment of debt					(147)
Other income					1,410
Net loss					<u>\$ (10,088)</u>
Capital expenditures	\$	33,320	\$	164	<u>\$ 33,484</u>

NOTE 11: SHAREHOLDERS' EQUITY

On February 20, 2024, we entered into an equity distribution agreement (the “Equity Distribution Agreement”) with Wells Fargo Securities, LLC, BNY Mellon Capital Markets, LLC, Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, KeyBanc Capital Markets Inc., TD Securities (USA) LLC and Truist Securities, Inc. as agents and forward sellers, as applicable, (collectively, the “Agents” or “Forward Sellers”, as applicable), and Wells Fargo Bank, National Association, The Bank of New York Mellon, Citibank, N.A., Goldman Sachs & Co. LLC, KeyBanc Capital Markets Inc., The Toronto-Dominion Bank and Truist Bank as forward purchasers pursuant to which up to an aggregate gross sales price of \$350.0 million of Elme Communities’ common shares of beneficial interest, \$0.01 par value per share, may be offered and sold from time to time through the Agents, acting as the Company’s sales agents or, if applicable, the Forward Sellers, or directly to the Agents as principals for their own accounts. In connection with entry into the Equity Distribution Agreement, we terminated our prior at-the-market offering program. At the time of such termination, approximately \$340.0 million remained unsold under such prior program.

We did not issue common shares under the Equity Distribution Agreement or any prior equity distribution agreements during the 2025 Period or 2024 Period.

We have a dividend reinvestment program, whereby shareholders may use their dividends and optional cash payments to purchase common shares. The common shares sold under this program may either be common shares issued by us or common shares purchased in the open market. Net proceeds under this program are used for general corporate purposes. In September 2025, the Company suspended its dividend reinvestment program. During the suspension period, dividend payments are not automatically reinvested in additional shares of our common shares of beneficial interest and participants in the dividend reinvestment program are not able to purchase shares of our common shares of beneficial interest through optional cash investments under the dividend reinvestment program.

We did not issue common shares under the dividend reinvestment program during the 2025 Period or 2024 Period.

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

The following discussion should be read in conjunction with our consolidated financial statements and the notes thereto appearing in Item 1 of this report and the more detailed information contained in our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the Securities and Exchange Commission ("SEC") on February 14, 2025.

We refer to the three months ended September 30, 2025 and September 30, 2024 as the "2025 Quarter" and the "2024 Quarter," respectively, and the nine months ended September 30, 2025 and September 30, 2024 as the "2025 Period" and "2024 Period," respectively.

Forward-Looking Statements

This Form 10-Q contains forward-looking statements within the meaning of federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. Such statements involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Additional factors which may cause our actual results, performance, or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements include, but are not limited to: the satisfaction or waiver of other conditions to closing the Portfolio Sale Transaction pursuant to the Purchase Agreement; the possibility that our shareholders do not approve the Portfolio Sale Transaction and/or Plan of Sale and Liquidation (together, the "Proposed Transactions") or that other conditions to the closing of the Portfolio Sale Transaction are not satisfied or waived at all or on the anticipated timeline; the possibility that our shareholders approve one but not both of the Portfolio Sale Transaction and the Plan of Sale and Liquidation; unanticipated difficulties or expenditures relating to the Proposed Transactions; changes in the amount and timing of the total liquidating distributions, including but not limited to as a result of unexpected levels of transaction costs, unexpected additional capital or financing requirements, delayed or terminated closings, defaults under future sale agreements pursuant to the Plan of Sale and Liquidation, liquidation costs or unpaid or additional liabilities and obligations, including but not limited to tax liabilities; the inability to close our proposed new debt financing on the terms or timeline or for the amount anticipated, including the anticipated fees associated with the repayment of our existing indebtedness; the possibility of converting to a liquidating trust or other liquidating entity; the ability of our board of trustees to terminate the Plan of Sale and Liquidation, whether or not approved by shareholders; the possibility that we do not reserve adequate funds to cover expenses and liabilities, and the possibility that our creditors, in that instance, could seek repayment from our shareholders up to the amount of the total liquidating distributions; the response of our residents, tenants and business partners to the announcement of the Proposed Transactions; potential difficulties in retaining our executive officers and other key personnel as a result of announcement of the Proposed Transactions; the occurrence of any event, change or other circumstances that could give rise to the termination of the Portfolio Sale Transaction; the outcome of legal proceedings that may be instituted against us, our trustees and others related to the Proposed Transactions; the risk that disruptions caused by or relating to the Proposed Transactions will harm our ongoing business, including current plans and operations; risks relating to the market value of our common shares, including following approval of the Proposed Transactions by our shareholders and any requirements that certain institutional shareholders sell their common shares; risks relating to the delisting of our common shares from the NYSE; risks relating to the expense of complying with public company reporting requirements; risks associated with the limitations set forth in the Purchase Agreement regarding our ability to pursue alternatives to the Portfolio Sale Transaction; risks associated with third party contracts containing consent and/or other provisions that may be triggered by the Proposed Transactions; restrictions during the pendency of the Portfolio Sale Transaction that may impact our ability to pursue certain business opportunities or strategic transactions; risks associated with any change in our basis of accounting; general risks affecting the real estate industry and local real estate markets, including, without limitation, the market value of our properties and potential illiquidity of our remaining real estate investments; the economic health of the areas in which our properties are located, particularly with respect to the greater Washington, DC metro and Sunbelt regions; reductions in or actual or threatened changes to the timing of federal government spending; the economic health of our residents; the impact from macroeconomic factors (including inflation, increases in interest rates, potential economic slowdowns or recessions, tariffs and trade barriers, supply chain disruptions and geopolitical conflicts); risks related to our ability to control our expenses if revenues decrease; compliance with applicable laws and corporate social responsibility goals, including those concerning the environment and access by persons with disabilities; risks related to legal proceedings, including those proceedings related to the Proposed Transactions; risks related to not having adequate insurance to cover potential losses; changes in the market value of securities, including following approval of the Proposed Transactions by our

shareholders; terrorist attacks or actions and/or cyber-attacks; whether we will succeed in the day-to-day property management and leasing activities that we have previously outsourced; the availability and terms of financing and capital and the general volatility of securities markets; the risks related to our organizational structure and limitations of share ownership; whether or not the sale of one or more of our properties may be considered a prohibited transaction under the Code; failure to qualify and maintain our qualification as a REIT and the risks of changes in laws affecting REITs; the risks associated with ownership of real estate in general and our real estate assets in particular; general economic and market developments and conditions; volatility and uncertainty in the financial markets; and other risks and uncertainties detailed from time to time in our filings with the SEC, including our 2024 Form 10-K filed on February 14, 2025 and this Quarterly Report on Form 10-Q. While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We undertake no obligation to update our forward-looking statements or risk factors to reflect new information, future events, or otherwise.

General

Introductory Matters

We provide our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations and financial condition. We organize the MD&A as follows:

- *Overview.* Discussion of our business outlook, operating results, investment and financing activity and capital requirements to provide context for the remainder of MD&A.
- *Results of Operations.* Discussion of our financial results comparing the 2025 Quarter to the 2024 Quarter and the 2025 Period to the 2024 Period.
- *Liquidity and Capital Resources.* Discussion of our financial condition and analysis of changes in our capital structure and cash flows.
- *Funds From Operations.* Calculation of NAREIT Funds From Operations ("NAREIT FFO"), a non-GAAP supplemental measure to net income.
- *Critical Accounting Estimates.* Descriptions of accounting policies that reflect significant judgments and estimates used in the preparation of our consolidated financial statements.

When evaluating our financial condition and operating performance, we focus on the following financial and non-financial indicators:

- *Net operating income ("NOI"),* calculated as set forth below under the caption "Results of Operations - Net Operating Income." NOI is a non-GAAP supplemental measure to net income.
- *Funds From Operations ("NAREIT FFO"),* calculated as set forth below under the caption "Funds from Operations." NAREIT FFO is a non-GAAP supplemental measure to net income.
- *Average occupancy,* calculated as average daily occupied apartment homes as a percentage of total apartment homes.

For purposes of evaluating comparative operating performance, we categorize our properties as "same-store" or "non-same-store." Same-store portfolio properties include properties that were owned for the entirety of the years being compared, and exclude properties under redevelopment or development and properties acquired, sold or classified as held for sale during the years being compared. We define development properties as those for which we have planned or ongoing major construction activities on existing or acquired land pursuant to an authorized development plan. Development properties are categorized as same-store when they have reached stabilized occupancy (90%) before the start of the prior year. We define redevelopment properties as those for which we have planned or ongoing significant development and construction activities on existing or acquired buildings pursuant to an authorized plan, which has an impact on current operating results, occupancy and the ability to lease space with the intended result of a higher economic return on the property. We categorize a redevelopment property as same-store when redevelopment activities have been complete for the majority of each year being compared.

Overview

Our revenues are derived primarily from the ownership and operation of income producing property. As of September 30, 2025, we owned approximately 9,400 residential apartment homes in the Washington, DC and Atlanta metro regions. We also own and operate approximately 300,000 square feet of commercial space in the Washington, DC metro region.

Outlook

Proposed Purchase and Sale Agreement and Plan of Sale and Liquidation

On August 1, 2025, we entered into a Purchase Agreement (the “Purchase Agreement”), by and among Elme Communities, WashREIT OP LLC, a Delaware limited liability company and wholly owned subsidiary of Elme Communities (“Seller”), Echo Sub LLC, a Delaware limited liability company and wholly owned subsidiary of Seller (“Echo Sub” and together with Elme Communities and Seller, the “Company Parties”), CEVF VI Capital Holdings, LLC, a Delaware limited liability company (“Buyer”), and CEVF VI Co-Invest I Venture, LLC, a Delaware limited liability company (“Buyer Parent” and together with Buyer, the “Buyer Parties”). Pursuant to and subject to the terms and conditions of the Purchase Agreement, Buyer has agreed to purchase all of the limited liability company interests of Echo Sub in exchange for an aggregate purchase price of \$1,605,560,100, subject to customary adjustments (the “Portfolio Sale Transaction”).

Immediately prior to the consummation of the Portfolio Sale Transaction, Echo Sub will hold all of the equity interests of our subsidiaries which own The Wellington; Trove; Elme Alexandria; Elme Manassas; Elme Druid Hills; Elme Dulles; Elme Herndon; Cascade at Landmark; Yale West; The Maxwell; Park Adams; Elme Eagles Landing; The Paramount; Roosevelt Towers; Elme Cumberland; Elme Leesburg; The Ashby; Bennett Park; and Clayborne Apartments (collectively, the “Sale Portfolio”).

In connection with approval of the Purchase Agreement, the board of trustees approved a Plan of Sale and Liquidation (“Plan of Sale and Liquidation”). The Plan of Sale and Liquidation includes a plan of liquidation that provides for our complete liquidation and dissolution in accordance with Section 331, Section 336 and Section 346(a) of the Code.

Consummation of the Portfolio Sale Transaction and effectiveness of the Plan of Sale and Liquidation are subject to approval by the affirmative vote of the holders of our shares of beneficial interests entitled to cast a majority of all the votes entitled to be cast on the matter. The Portfolio Sale Transaction is also subject to other customary closing conditions.

Concurrently with the consummation of the Portfolio Sale Transaction, we intend to repay all of the amounts outstanding under our Amended and Restated Revolving Credit Facility, our 2023 Term Loan, our 30-Year Unsecured Notes due 2028 and our 10-year notes due 2030.

Commitment Letter

In connection with entering into the Purchase Agreement and approval of the Plan of Sale and Liquidation by the board of trustees, we obtained a commitment to provide debt financing in the original principal amount of \$520 million (or \$565 million if one of the 19 properties is not included in the closing of the Portfolio Sale Transaction) (the “Loan”) which will be secured by substantially all of our real estate assets and subsidiary equity interests that remain after the closing under the Purchase Agreement, pursuant to a commitment letter (the “Commitment Letter”) from Goldman Sachs Bank USA. The Loan will have an initial term of one year with a one-year extension option, that may be exercised subject to certain conditions specified in the Commitment Letter. The funding of the Loan provided for in the Commitment Letter is contingent on the satisfaction of customary conditions, including but not limited to (a) execution and delivery of definitive documentation with respect to the Loan in accordance with the terms set forth in the Commitment Letter, and (b) closing of the Portfolio Sale Transaction. The actual documentation governing the Loan has not been finalized, and accordingly, the actual terms may differ from the description of such terms in the Commitment Letter.

Operating Results

Net loss, NOI and NAREIT FFO for the three months ended September 30, 2025 and 2024 were as follows (in thousands):

	Three Months Ended September 30,		\$ Change	% Change
	2025	2024		
Net loss	\$ (123,514)	\$ (2,970)	\$ (120,544)	4,058.7 %
NOI ⁽¹⁾	\$ 37,964	\$ 38,797	\$ (833)	(2.1)%
NAREIT FFO ⁽²⁾	\$ 10,238	\$ 20,504	\$ (10,266)	(50.1)%

⁽¹⁾ See page 25 of the MD&A for a reconciliation of NOI to net income.

⁽²⁾ See page 34 of the MD&A for a reconciliation of NAREIT FFO to net income.

The increase in net loss is primarily due to the real estate impairment during the 2025 Quarter (\$111.7 million), higher general and administrative expenses (\$7.7 million), and lower NOI (\$0.8 million).

The decrease in NOI is primarily due to lower NOI from same-store properties (\$0.6 million) and Watergate 600 (\$0.2 million). Residential same-store average occupancy for our portfolio decreased to 94.4% for three months ended September 30, 2025 from 95.2% for the three months ended September 30, 2024.

The decrease in NAREIT FFO is primarily due to higher general and administrative expenses (\$7.7 million), higher other real estate impairment (\$1.7 million), and lower NOI (\$0.8 million).

Investment Activity

There were no significant investment transactions during the 2025 Period.

Financing Activity

As of October 21, 2025, our Amended and Restated Revolving Credit Facility has a borrowing capacity of \$300.0 million.

As of September 30, 2025, the interest rate on the Amended and Restated Revolving Credit Facility was based on the Adjusted Daily Simple SOFR (inclusive of the 0.10% credit spread adjustment) plus 0.85% applicable margin, the daily SOFR was 4.24% and the facility fee was 0.20%.

Capital Requirements

We have no debt maturities scheduled until 2026. We expect to have additional capital requirements as set forth on page [30](#) (Liquidity and Capital Resources – Capital Requirements).

Recent Tax Legislation

Effective July 4, 2025, certain changes to U.S. tax law were approved that may impact us and our shareholders. Among other changes, this legislation (i) permanently extended the 20% deduction for “qualified REIT dividends” for individuals and other non-corporate taxpayers under Section 199A of the Internal Revenue Code (the “Code”), (ii) increased the percentage limit under the REIT asset test applicable to taxable REIT subsidiaries (“TRSs”) from 20% to 25% for taxable years beginning after December 31, 2025, and (iii) increased the base on which the 30% interest deduction limit under Section 163(j) of the Code applies by excluding depreciation, amortization and depletion from the definition of “adjusted taxable income” (i.e. based on EBITDA rather than EBIT) for taxable years beginning after December 31, 2024.

Results of Operations

The discussion that follows is based on our consolidated results of operations for the 2025 Quarter and the 2024 Quarter and the 2025 Period and 2024 Period.

Net Operating Income

NOI, defined as real estate rental revenue less direct real estate operating expenses, is a non-GAAP measure. NOI is calculated as net income, less non-real estate revenue and the results of discontinued operations (including the gain or loss on sale, if any), plus interest expense, depreciation and amortization, lease origination expenses, general and administrative expenses, acquisition costs, real estate impairment, casualty gain and losses and gain or loss on extinguishment of debt. NOI does not include management expenses, which consist of corporate property management costs and property management fees paid to third parties. NOI is the primary performance measure we use to assess the results of our operations at the property level. We believe that NOI is a useful performance measure because, when compared across periods, it reflects the impact on operations of trends in occupancy rates, rental rates and operating costs on an unleveraged basis, providing perspective not immediately apparent from net income. NOI excludes certain components from net income in order to provide results more closely related to a property's results of operations. For example, interest expense is not necessarily linked to the operating performance of a real estate asset. In addition, depreciation and amortization, because of historical cost accounting and useful life estimates, may distort operating performance at the property level. As a result of the foregoing, we provide NOI as a supplement to net income, calculated in accordance with GAAP. NOI does not represent net income or income from continuing operations calculated in accordance with GAAP. As such, NOI should not be considered an alternative to these measures as an indication of our operating performance. A reconciliation of net loss to NOI follows.

2025 Quarter Compared to 2024 Quarter

The following table reconciles net loss to NOI and provides the basis for our discussion of our consolidated results of operations and NOI in the 2025 Quarter compared to the 2024 Quarter.

	Three Months Ended September 30,		\$ Change	% Change
	2025	2024		
Net loss	\$ (123,514)	\$ (2,970)	\$ (120,544)	4,058.7 %
Adjustments:				
Property management expenses	2,263	2,235	28	1.3 %
General and administrative expenses	14,064	6,354	7,710	121.3 %
Real estate depreciation and amortization	23,771	23,474	297	1.3 %
Real estate impairment	111,719	—	111,719	100.0 %
Interest expense	9,661	9,557	104	1.1 %
Loss on extinguishment of debt, net	—	147	(147)	100.0 %
Total net operating income (NOI)	\$ 37,964	\$ 38,797	\$ (833)	(2.1)%
Residential revenue:				
Same-store portfolio	\$ 57,687	\$ 56,427	\$ 1,260	2.2 %
Total	57,687	56,427	1,260	2.2 %
Residential expenses:				
Same-store portfolio	22,644	20,759	1,885	9.1 %
Development	62	61	1	1.6 %
Total	22,706	20,820	1,886	9.1 %
Residential NOI:				
Same-store portfolio	35,043	35,668	(625)	(1.8)%
Development	(62)	(61)	(1)	1.6 %
Total	34,981	35,607	(626)	(1.8)%
Other NOI ⁽¹⁾	2,983	3,190	(207)	(6.5)%
Total NOI	\$ 37,964	\$ 38,797	\$ (833)	(2.1)%

(1) Other: Watergate 600

Residential Revenue

Residential revenue is comprised of (a) rent from operating leases of multifamily residential apartments with terms of approximately one year or less, recognized on a straight-line basis, (b) revenue from the recovery of operating expenses from our residents, (c) credit losses on lease related receivables, (d) revenue from leases of retail space at our apartment communities and (e) parking and other tenant charges.

Residential revenue from same-store residential properties increased \$1.3 million, or 2.2%, to \$57.7 million for the 2025 Quarter, compared to \$56.4 million for the 2024 Quarter, primarily due to higher rental income (\$0.7 million), higher recoveries (\$0.3 million) and lower credit losses (\$0.3 million).

Average occupancy for residential properties for the 2025 Quarter and 2024 Quarter was as follows:

September 30, 2025			September 30, 2024			% Change		
Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total
94.4 %	NA	94.4 %	95.2 %	NA	95.2 %	(0.8)%	NA	(0.8)%

The decrease in same-store average occupancy was primarily due to lower average occupancy at The Kenmore, Yale West, Elme Herndon, Clayborne Apartments, and The Paramount, partially offset by higher average occupancy at Elme Marietta and Elme Eagles Landing.

Residential Expenses

Residential expenses as a percentage of residential revenue for the 2025 Quarter and the 2024 Quarter were 39.4% and 36.9%, respectively.

Residential expenses from same-store residential properties increased \$1.9 million, or 9.1%, to \$22.6 million for the 2025 Quarter, compared to \$20.8 million for the 2024 Quarter, primarily due to higher repairs and maintenance (\$0.7 million), higher turnover (\$0.4 million), higher personnel compensation (\$0.4 million), and higher contract services (\$0.3 million) expenses.

Other NOI

Other NOI decreased (\$0.2 million) due to lower rental revenue at Watergate 600.

Other Income and Expenses

General and administrative expenses: Increase of \$7.7 million primarily due to higher professional fees (\$6.8 million) in connection with activities related to the Proposed Transactions and prepaid equity offering write-off (\$0.9 million).

Real estate depreciation and amortization: Increase of \$0.3 million primarily due to expensing previously capitalized costs during the 2025 Quarter.

Interest expense: Interest expense by debt type for the three months ended September 30, 2025 and 2024 was as follows (in thousands):

Debt Type	Three Months Ended September 30,		\$ Change	% Change
	2025	2024		
Notes payable	\$ 6,403	\$ 6,130	\$ 273	4.5 %
Line of credit	3,258	3,427	(169)	(4.9)%
Total	\$ 9,661	\$ 9,557	\$ 104	1.1 %

- Notes payable:* Increase primarily due to a higher effective interest rate in the 2025 Quarter driven by the interest rate swap arrangements that became effective on January 10, 2025.

- *Line of credit:* Decrease primarily due to a lower weighted average interest rate of 5.4% in the 2025 Quarter, as compared to a weighted average interest rate of 6.3% in the 2024 Quarter, partially offset by a higher weighted average borrowings of \$186.0 million in the 2025 Quarter, as compared to weighted average borrowings of \$168.8 million in the 2024 Quarter.

Real estate impairment: We incurred a real estate impairment charge of \$111.7 million during the 2025 Quarter. Refer to note 3 to the consolidated financial statements.

Loss on Extinguishment of Debt: Loss during the 2024 Quarter was due to a write-off of capitalized debt origination costs in association with the execution of our Amended and Restated Revolving Credit Facility in July 2024.

2025 Period Compared to 2024 Period

The following tables reconcile net loss to NOI and provide the basis for our discussion of our consolidated results of operations and NOI in the 2025 Period compared to the 2024 Period. All amounts are in thousands, except percentage amounts.

	Nine Months Ended September 30,		\$ Change	% Change
	2025	2024		
Net loss	\$ (131,755)	\$ (10,088)	\$ (121,667)	1206.1 %
Adjustments:				
Property management expenses	6,765	6,628	137	2.1 %
General and administrative expenses	30,982	18,688	12,294	65.8 %
Real estate depreciation and amortization	70,570	72,312	(1,742)	(2.4)%
Real estate impairment	111,719	—	111,719	(100.0)%
Interest expense	28,619	28,435	184	0.6 %
Loss on extinguishment of debt, net	—	147	(147)	(100.0)%
Other income	—	(1,410)	1,410	(100.0)%
Total net operating income (NOI)	\$ 116,900	\$ 114,712	\$ 2,188	1.9 %
Residential revenue:				
Same-store portfolio	\$ 172,377	\$ 166,790	\$ 5,587	3.3 %
Total	172,377	166,790	5,587	3.3 %
Residential expenses:				
Same-store portfolio	64,390	61,625	2,765	4.5 %
Development	186	175	11	6.3 %
Total	64,576	61,800	2,776	4.5 %
Residential NOI:				
Same-store portfolio	107,987	105,165	2,822	2.7 %
Development	(186)	(175)	(11)	6.3 %
Total	107,801	104,990	2,811	2.7 %
Other NOI ⁽¹⁾	9,099	9,722	(623)	(6.4)%
Total NOI	\$ 116,900	\$ 114,712	\$ 2,188	1.9 %

(1) Other: Watgate 600

Real Estate Rental Revenue

Real estate rental revenue from our apartment communities is comprised of (a) rent from operating leases of multifamily residential apartments with terms of approximately one year or less, recognized on a straight-line basis, (b) revenue from the recovery of operating expenses from our residents, (c) credit losses on lease related receivables, (d) revenue from leases of retail space at our apartment communities and (e) parking and other tenant charges.

Real estate rental revenue from same-store residential properties increased \$5.6 million, or 3.3%, to \$172.4 million for the 2025 Period, compared to \$166.8 million for the 2024 Period, primarily due to higher rental income (\$2.5 million), lower vacancy loss (\$0.9 million), lower credit losses (\$0.8 million), higher ancillary income (\$0.7 million), and higher recoveries (\$0.6 million).

Average occupancy for residential properties for the 2025 Period and 2024 Period was as follows:

September 30, 2025			September 30, 2024			% Change		
Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total
94.6 %	NA	94.6 %	94.6 %	NA	94.6 %	— %	NA	— %

Same-store average occupancy remained consistent at 94.6% in the 2025 Period and the 2024 Period. Higher average occupancy at The Ashby at McLean, Elme Cumberland, Elme Eagles Landing and Elme Marietta was partially offset by lower average occupancy at Elme Conyers, The Kenmore and Yale West.

Real Estate Expenses

Residential real estate expenses as a percentage of residential revenue for the 2025 Period and 2024 Period were 37.5% and 37.1%, respectively.

Real estate expenses from same-store residential properties increased by \$2.8 million, or 4.5%, to \$64.4 million for the 2025 Period, compared to \$61.6 million for the 2024 Period, primarily due to higher repairs and maintenance (\$1.2 million), higher personnel compensation (\$0.5 million), higher administrative (\$0.5 million), higher contract services (\$0.4 million), higher utilities (\$0.3 million), higher turnover (\$0.3 million) and higher insurance (\$0.2 million) expenses. The increase is partially offset by lower real estate taxes (\$0.6 million).

Other NOI

Other NOI decreased \$0.6 million due to lower rental revenue (\$0.5 million) and higher operating expenses (\$0.1 million) at Watergate 600.

Other Income and Expenses

Property management expenses: Increase of \$0.1 million primarily due to higher internal management fee expenses at same-store properties.

General and administrative expenses: Increase of \$12.3 million primarily due to higher professional fees (\$10.0 million) in connection with activities related to the Proposed Transactions, higher incentive compensation (\$1.8 million), and prepaid equity offering write-off (\$0.9 million), partially offset by higher internal management fee offset (\$0.2 million).

Real estate depreciation and amortization: Decrease of \$1.7 million primarily due to in-place lease amortization at Elme Druid Hills (\$2.1 million) in the 2024 Period and lower other amortization (\$0.2 million), partially offset by higher depreciation (\$0.5 million).

Interest expense: Interest expense by debt type for the nine months ended September 30, 2025 and 2024 was as follows (in thousands):

Debt Type	Nine Months Ended September 30,		\$ Change	% Change
	2025	2024		
Notes payable	\$ 19,126	\$ 18,368	\$ 758	4.1 %
Line of credit	9,493	10,067	(574)	(5.7)%
Total	<u>\$ 28,619</u>	<u>\$ 28,435</u>	<u>\$ 184</u>	<u>0.6 %</u>

- *Notes payable:* Increase primarily due to a higher effective interest rate in the 2025 Period driven by the interest rate swap arrangements that became effective on January 10, 2025.
- *Line of credit:* Decrease primarily due to a lower weighted average interest rate of 5.4% in the 2025 Period, as compared to a weighted average interest rate of 6.3% in the 2024 Period, partially offset by a higher weighted average borrowings of \$183.1 million in the 2025 Period, as compared to weighted average borrowings of \$166.2 million in the 2024 Period.

Other Income: Other income during the 2024 Period consists of additional payments received with respect to easements previously conveyed at The Wellington and Takoma Park, a previously owned retail property.

Real estate impairment: We incurred a real estate impairment charge of \$111.7 million during the 2025 Period. Refer to note 3 to the consolidated financial statements.

Loss on Extinguishment of Debt: Loss during the 2024 Period was due to a write-off of capitalized debt origination costs in association with the execution of our Amended and Restated Revolving Credit Facility in July 2024.

Liquidity and Capital Resources

Our board of trustees approved the Proposed Transactions, and, on August 1, 2025, we entered into the Purchase Agreement. If the Proposed Transactions are approved by our shareholders, we expect it will materially impact our short and long-term capital needs and our plan to meet those needs. As of September 30, 2025, whether the Proposed Transactions are approved by our shareholders, and the Portfolio Sale Transaction is consummated, we believe we will have adequate liquidity over the next twelve months to operate our business and to meet our cash requirements, including meeting our debt obligations, capital and contractual obligations, as well as the payment of dividends.

If the Proposed Transactions are not approved by our shareholders, we believe we would have adequate liquidity beyond 2025 and would have no debt maturities until 2026 and only \$361.0 million of scheduled debt maturities prior to 2029, based on current amounts outstanding under our Amended and Restated Revolving Credit Facility. As of October 21, 2025, we had cash and cash equivalents totaling \$2.2 million and a borrowing capacity of \$300.0 million on our Amended and Restated Revolving Credit Facility, resulting in a total liquidity position of \$302.2 million. Concurrently with the consummation of the Portfolio Sale Transaction, we intend to repay all of the amounts outstanding under our Amended and Restated Revolving Credit Facility, our 2023 Term Loan, our 30-Year Unsecured Notes due 2028 and our 10-year notes due 2030, and to enter into the Loan to provide liquidity while we complete the sale of our remaining assets, which we are aiming to complete in the next 12 months, and our winddown (subject to shareholder approval of the Plan of Sale and Liquidation).

Capital Requirements

As of the end of the 2025 Period, our full-year 2025 capital requirements are summarized below:

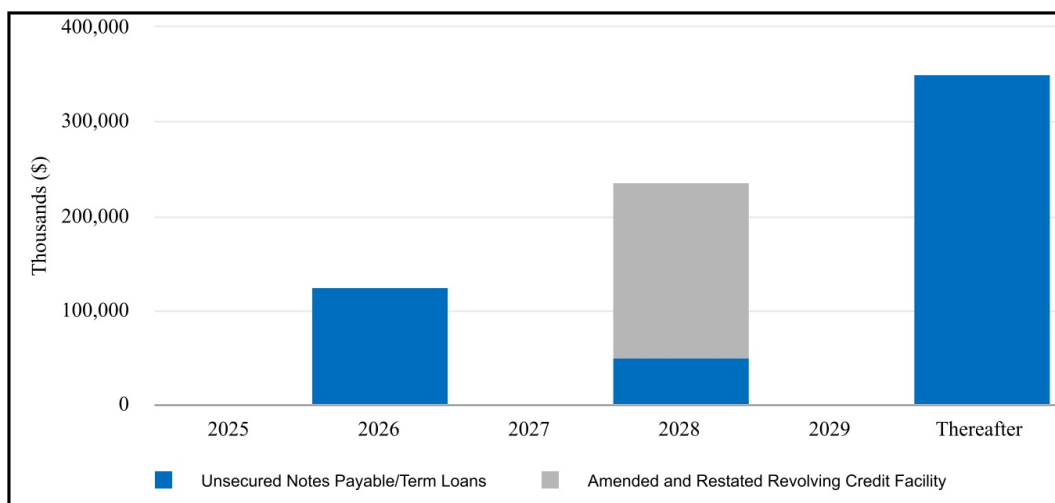
- Funding dividends and distributions to our shareholders (following the closing of the Portfolio Sale Transaction, we expect to suspend our regular quarterly distributions); and
- Approximately \$28.0 - \$33.0 million to invest in our existing portfolio of operating assets, inclusive of \$14.0 - \$18.0 million of major capital expenditures.

There can be no assurance that our capital requirements will not be materially higher or lower than the above expectations. We currently believe that we will generate sufficient cash flow from operations and potential property sales, including the Portfolio Sale Transaction, and have access to the capital resources necessary to fund our requirements for the remainder of 2025. However, as a result of the uncertainty of the general market conditions in the greater Washington, DC metro and Sunbelt regions, economic conditions affecting the ability to attract and retain residents and tenants or achieve anticipated rental rates, declines in our share price, unfavorable changes in the supply of competing properties, the effects of our announced Portfolio Sale Transaction and Plan of Sale and Liquidation, if the Loan we expect to receive if we consummate the Portfolio Sale Transaction is not available on the timing or for the amounts anticipated or our properties not performing as expected, we may not generate sufficient cash flow from operations and property sales or otherwise have access to capital on favorable terms, or at all. If we are unable to obtain capital from other sources, we may need to alter capital spending to be materially different than what is stated above. If capital were not available, we may be unable to satisfy the distribution requirement applicable to REITs, make required principal and interest payments or make necessary and/or routine capital improvements.

Debt Financing

We generally use secured or unsecured, corporate-level debt, including unsecured notes, our Amended and Restated Revolving Credit Facility, bank term loans and mortgages to meet our borrowing needs. Long-term, we generally use fixed rate debt instruments in order to match the returns from our real estate assets. If we issue unsecured debt in the future, we will seek to “ladder” the maturities of our debt to mitigate exposure to interest rate risk in any particular future year. We also utilize variable rate debt for short-term financing purposes. At times, our mix of variable and fixed rate debt may not suit our needs. At those times, we may use derivative financial instruments including interest rate swaps and caps, forward interest rate options or interest rate options in order to assist us in managing our debt mix. We may either hedge our variable rate debt to give it an effective fixed interest rate or hedge fixed rate debt to give it an effective variable interest rate.

As of September 30, 2025, our future debt principal payments are scheduled as follows (in thousands):



Future Maturities of Debt					
Year	Unsecured Debt	Amended and Restated Revolving Credit Facility	Total Debt	Average Interest Rate	
2025	\$ —	\$ —	\$ —	—%	
2026	125,000 ⁽¹⁾	—	125,000	5.8%	
2027	—	—	—	—%	
2028	50,000	186,000 ⁽²⁾	236,000	5.6%	
2029	—	—	—	—%	
Thereafter	350,000	—	350,000	4.1%	
Scheduled principal payments	\$ 525,000	\$ 186,000	\$ 711,000	4.9%	
Net discounts/premiums	(54)	—	(54)		
Loan costs, net of amortization	(1,616)	—	(1,616)		
Total maturities	\$ 523,330	\$ 186,000	\$ 709,330	4.9%	

(1) During 2023, we entered into the 2023 Term Loan, which had an initial two-year term ending in January 2025, and provided for two one-year extension options. In the fourth quarter of 2024, we exercised one of two one-year extension options on the 2023 Term Loan to extend the maturity of the loan to January 10, 2026. In the first quarter of 2023, we entered into two interest rate swap arrangements with an aggregate notional amount of \$125.0 million that effectively fixed the 2023 Term Loan's interest rate at 4.73% beginning on July 21, 2023 through the 2023 Term Loan's initial maturity date of January 10, 2025. In the second quarter of 2024, we entered into two forward interest rate swap arrangements with an aggregate notional amount of \$150.0 million beginning on January 10, 2025 through the loan maturity date of January 10, 2026. These forward interest rate swap arrangements effectively fix (i) a portion of our variable rate debt based on an adjusted daily SOFR at 4.72% (subject to applicable interest rate margins) and (ii) the 2023 Term Loan's interest rate at 5.77% beginning on January 10, 2025 through the loan maturity date of January 10, 2026.

(2) During the third quarter of 2024, we executed the Amended Credit Agreement that provides for a revolving credit facility of \$500.0 million that matures in July 2028, with two six-month extension options.

As of September 30, 2025, the weighted average maturity for our debt is 3.6 years. If principal amounts due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, our cash flow may be insufficient to repay all maturing debt. Prevailing interest rates or other factors at the time of a refinancing, such as possible reluctance of lenders to make commercial real estate loans, may result in higher interest rates and increased interest expense or inhibit our ability to finance our obligations.

From time to time, we may seek to repurchase and cancel our outstanding unsecured notes and term loans through open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

In connection with entering into the Purchase Agreement and approval of the Plan of Sale and Liquidation by the board of trustees, we obtained a commitment for the Loan which will be secured by substantially all of our real estate assets and subsidiary equity interests that remain after the closing under the Purchase Agreement, pursuant to the Commitment Letter. The Loan is a property portfolio mortgage financing with an initial term of one year with a one-year extension option, that may be exercised subject to certain conditions specified in the Commitment Letter. The Loan is expected to be repaid with the proceeds of each sale of the our remaining real estate assets.

Debt Covenants

Pursuant to the terms of the Amended Credit Agreement, 2023 Term Loan and unsecured notes, we are subject to customary operating covenants and maintenance of various financial ratios.

Failure to comply with any of the covenants under the Amended Credit Agreement, 2023 Term Loan, unsecured notes or other debt instruments, could result in a default under one or more of our debt instruments. This could cause our lenders to accelerate the timing of payments and could therefore have a material adverse effect on our business, operations, financial condition and liquidity. In addition, our ability to draw on our Amended and Restated Revolving Credit Facility or incur other unsecured debt in the future could be restricted by the debt covenants.

As of September 30, 2025, we were in compliance with the covenants related to our Amended Credit Agreement, 2023 Term Loan, and unsecured notes.

Common Equity

We have authorized for issuance 150.0 million common shares, of which 88.2 million shares were outstanding at September 30, 2025.

On February 20, 2024, we entered into an equity distribution agreement (the “Equity Distribution Agreement”) with Wells Fargo Securities, LLC, BNY Mellon Capital Markets, LLC, Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, KeyBanc Capital Markets Inc., TD Securities (USA) LLC and Truist Securities, Inc. as agents and forward sellers, as applicable, (collectively, the “Agents” or “Forward Sellers”, as applicable), and Wells Fargo Bank, National Association, The Bank of New York Mellon, Citibank, N.A., Goldman Sachs & Co. LLC, KeyBanc Capital Markets Inc., The Toronto-Dominion Bank and Truist Bank as forward purchasers pursuant to which up to an aggregate gross sales price of \$350.0 million of Elme Communities’ common shares of beneficial interest, \$0.01 par value per share, may be offered and sold from time to time through the Agents, acting as our sales agents or, if applicable, the Forward Sellers, or directly to the Agents as principals for their own accounts. In connection with entry into the Equity Distribution Agreement, we terminated our prior at-the-market offering program. At the time of such termination, approximately \$340.0 million remained unsold under such prior program.

We did not issue common shares under the Equity Distribution Agreement or any prior equity distribution agreements during the 2025 Period or 2024 Period.

We have a dividend reinvestment program whereby shareholders may use their dividends and optional cash payments to purchase common shares. The common shares sold under this program may either be common shares issued by us or common shares purchased in the open market. We intend to use the proceeds of the sale of any newly issued common shares issued under this program, if any, for general corporate purposes. In September 2025, the Company suspended its dividend reinvestment program. During the suspension period, dividend payments are not automatically reinvested in additional shares of our common shares of beneficial interest and participants in the dividend reinvestment program are not able to purchase shares of our common shares of beneficial interest through optional cash investments under the dividend reinvestment program.

We did not issue common shares under the dividend reinvestment program during the 2025 Period or 2024 Period.

Preferred Equity

Elme Communities’ board of trustees can, at its discretion, authorize the issuance of up to 10.0 million preferred shares. As of September 30, 2025, no preferred shares were issued and outstanding.

Historical Cash Flows

Cash flows from operations are an important factor in our ability to sustain our dividend at its current rate. If our cash flows from operations were to decline significantly from current levels, we may have to reduce our dividend. Consolidated cash flow information is summarized as follows (in thousands):

	Nine Months Ended September 30,		Change	
	2025	2024	\$	%
Net cash provided by operating activities	\$ 61,935	\$ 70,739	\$ (8,804)	(12.4)%
Net cash used in investing activities	(23,136)	(29,622)	6,486	(21.9)%
Net cash used in financing activities	(38,027)	(42,457)	4,430	(10.4)%

Net cash provided by operating activities decreased primarily due to higher net loss due to higher general and administrative expenses.

Net cash used in investing activities decreased primarily due to lower expenditure on capital improvements during the 2025 Period, partially offset by the cash provided by the land easements in the 2024 Period.

Net cash used in financing activities decreased primarily due to lower payment of financing costs during the 2025 Period.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as of September 30, 2025 that are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Funds From Operations

NAREIT FFO is a widely used measure of operating performance for real estate companies. In its 2018 NAREIT FFO White Paper Restatement, the National Association of Real Estate Investment Trusts, Inc. ("NAREIT") defines NAREIT FFO as net income (computed in accordance with GAAP) excluding gains (or losses) associated with sales of properties; impairments of depreciable real estate, and real estate depreciation and amortization. We consider NAREIT FFO to be a standard supplemental measure for REITs, and believe it is a useful metric because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which historically assumes that the value of real estate assets diminishes predictably over time. Since real estate values have instead historically risen or fallen with market conditions, we believe that NAREIT FFO more accurately provides investors an indication of our ability to incur and service debt, make capital expenditures and fund other needs. Our NAREIT FFO may not be comparable to FFO reported by other REITs. These other REITs may not define the term in accordance with the current NAREIT definition or may interpret the current NAREIT definition differently.

The following table provides the calculation of our NAREIT FFO and a reconciliation of net loss to NAREIT FFO for the three and nine months ended September 30, 2025 and 2024 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net loss	\$ (123,514)	\$ (2,970)	\$ (131,755)	\$ (10,088)
Adjustment:				
Depreciation and amortization	23,771	23,474	70,570	72,312
Real estate impairment - depreciable assets	109,981	—	109,981	—
NAREIT FFO	<u>\$ 10,238</u>	<u>\$ 20,504</u>	<u>\$ 48,796</u>	<u>\$ 62,224</u>

Critical Accounting Estimates

We base the discussion and analysis of our financial condition and results of operations upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. There were no changes made by management to the critical accounting policies in the three and nine months ended September 30, 2025. We discuss the most critical estimates in our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the SEC on February 14, 2025.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The principal material financial market risk to which we are exposed is interest rate risk. Our exposure to market risk for changes in interest rates relates primarily to refinancing long-term fixed-rate obligations, the opportunity cost of fixed-rate obligations in a falling interest rate environment and our variable rate line of credit.

The table below presents principal, interest and related weighted average interest rates by year of maturity, with respect to debt outstanding on September 30, 2025 (in thousands):

	2025	2026	2027	2028	2029	Thereafter	Total	Fair Value
Unsecured fixed rate debt								
Principal	\$ —	\$ 125,000 ⁽¹⁾	\$ —	\$ 50,000	—	\$ 350,000	\$ 525,000	\$ 490,245
Interest payments	\$ 1,803	\$ 18,189	\$ 17,995	\$ 16,155	\$ 14,315	\$ 14,315	\$ 82,772	
Interest rate on debt maturities	— %	5.8 %	— %	5.6 %	— %	4.1 %	4.9 %	
Unsecured variable rate debt								
Principal	\$ —	\$ —	\$ —	\$ 186,000	\$ —	\$ —	\$ 186,000	\$ 186,000
Variable interest rate on debt maturities				5.3 %			5.3 %	

(1) Represents the 2023 Term Loan with a floating interest rate. The full amount of the 2023 Term Loan was effectively fixed by two interest rate swaps that became effective on July 21, 2023 and expired on the loan's initial maturity date of January 10, 2025. In the fourth quarter of 2024, we exercised one of two one-year extension options on the 2023 Term Loan to extend the maturity of the loan to January 10, 2026. The full amount of the 2023 Term Loan is effectively fixed by two interest rate swaps that became effective on January 10, 2025 and expire on the loan maturity date of January 10, 2026.

We enter into interest rate swap arrangements designated and qualifying as cash flow hedges to reduce our exposure to the variability in future cash flows attributable to changes in interest rates. Derivative instruments expose us to credit risk in the event of non-performance by the counterparty under the terms of the interest rate hedge agreement. We believe that we minimize our credit risk on these transactions by dealing with major, creditworthy financial institutions. As part of our ongoing control procedures, we monitor the credit ratings of counterparties and our exposure to any single entity, thus minimizing our credit risk concentration.

The following table sets forth information pertaining to interest rate swap contracts in place as of September 30, 2025 and December 31, 2024 and their respective fair values (in thousands):

Notional Amount	Fixed Rate	Floating Index Rate	Effective Date	Expiration Date	Fair Value as of:	
					September 30, 2025	December 31, 2024
\$ 75,000	3.677%	USD-SOFR	7/21/2023	1/10/2025	\$ —	\$ 14
50,000	3.676%	USD-SOFR	7/21/2023	1/10/2025	—	9
100,000	4.719%	USD-SOFR	1/10/2025	1/10/2026	(210)	(624)
50,000	4.720%	USD-SOFR	1/10/2025	1/10/2026	(105)	(312)
					<u>\$ (315)</u>	<u>\$ (913)</u>

We enter into debt obligations primarily to support general corporate purposes including acquisition of real estate properties, capital improvements and working capital needs.

As the majority of our outstanding debt is long-term, fixed rate debt, our interest rate risk has not changed significantly from what was disclosed in our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the SEC on February 14, 2025. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Debt Financing."

ITEM 4: CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, Chief Financial Officer and Chief Administrative Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Chief Administrative Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer, Chief Financial Officer and Chief Administrative Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There have not been any changes in Elme Communities' internal control over financial reporting (as defined by Rule 13a-15(f)) that occurred during the period covered by the report that have materially affected, or are reasonably likely to materially affect, Elme Communities' internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

None.

ITEM 1A: RISK FACTORS

The following risk factors update and supplement the risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2024, filed on February 14, 2025.

The announcement and pendency of the proposed Portfolio Sale Transaction and Plan of Sale and Liquidation present certain risks to our ongoing business and operations.

On August 1, 2025, we entered into the Purchase Agreement. The transactions under the Purchase Agreement are expected to close in the fourth quarter of 2025 (currently expected to be in early November), subject to customary closing conditions, including the receipt of approval from our shareholders. In connection with approving the Purchase Agreement, the board of trustees approved the Plan of Sale and Liquidation. Effectiveness of the Plan of Sale and Liquidation is also subject to the receipt of approval from our shareholders.

The Company is aiming to complete the sales of the assets remaining in the Company following the Portfolio Sale Transaction (the “Remaining Company Assets”) by June 30, 2026. Because the Portfolio Sale Transaction is subject to a number of conditions, including some that are outside our control, and the sales of the Remaining Company Assets are subject to, among other things, completion of the marketing and sale process, negotiation of sale terms and completion of the sales, the exact timing of completing the Proposed Transactions cannot be determined at this time.

Prior to the closing of the Portfolio Sale Transaction and completion of the sales of all the Remaining Company Assets, as well as the wind-down of the Company’s business and affairs, and termination of the Company’s existence in accordance with the Plan of Sale and Liquidation, the Proposed Transactions present certain risks to our business and operations, which could materially and adversely affect our business, financial results and share price, including, among other things, that:

- we may fail to complete the Portfolio Sale Transaction, including due to the failure of our shareholders to approve the proposal to approve the Portfolio Sale Transaction or the failure of us or Buyer to satisfy other closing conditions;
- we may have difficulty completing, or fail to complete, the Remaining Company Asset sales;
- we expect to incur substantial expenses related to the Proposed Transactions, whether or not the Portfolio Sale Transaction is completed and the Plan of Sale and Liquidation is approved by our shareholders; and
- our business and operations could be adversely affected, including by diverting significant focus of management, employees and other resources, by impacting our ability to retain our employees and our relationships with residents, tenants, vendors and other third parties, as a result of limitations on our conduct under purchase agreements (including the Purchase Agreement) during the pendency of sales under such agreements.

Additionally, prior to the closing of the Portfolio Sale Transaction and completing the sales of all of the Remaining Company Assets, we will remain subject to all of the risks of operating our properties, including those described in the “Risk Factors” sections included in our annual and quarterly reports filed with the SEC, the risk that the cash flow and net working capital generated from the Company’s operations prior to completing the wind-down of the Company’s business and affairs and termination of the Company’s existence may be lower than we anticipate, and the risks and the costs associated with remaining a public company. In addition, such risks may result in our incurring additional obligations and liabilities which may be retained by us following the closing of the Portfolio Sale Transaction and the sales of the Remaining Company Assets and, in such event, could reduce the amounts ultimately available for distribution to our shareholders.

We cannot determine at this time the amount or timing of distributions to our shareholders in connection with the Portfolio Sale Transaction and the Plan of Sale and Liquidation because there are many factors, some of which are not within our control, that could affect the amount or timing of any such distributions.

There can be no assurances regarding the amounts of any shareholder distributions or the timing thereof. Our estimated range of distributions in connection with the Proposed Transactions was estimated as of a specific date and does not take into account interest rate, market volatility or other changes since that time or in the future and was derived, in part, from the estimated range of gross asset sales for the properties, less estimates for transaction costs, service costs and debt repayment amounts for the

Loan, general and administrative costs, including employee retention costs, capital expenditure requirements and REIT compliance costs, but adjusted upwards for estimated cash flow/net working capital to be generated from the Company's operations prior to completing the sale of all of our properties. These estimates may overstate the proceeds from asset sales or understate the actual expenses, which means actual distributions may be significantly less than the estimated range.

Other uncertainties that could cause the aggregate amount of liquidating distributions to be less than our estimate, or the timing of distributions to be delayed, in addition to other risks described elsewhere in this section, our Annual Report on Form 10-K for the year ended December 31, 2024 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2025, include the following:

- failure to close the Portfolio Sale Transaction;
- the estimated net proceeds from the Loan may be lower than we estimate due to, among other things, the results of lender real estate diligence, including property appraisals for lending purposes, establishment of customary reserves for property maintenance costs or special reserves for issues identified during lender real estate diligence and/or higher than estimated third party expenses associated with consummating the Loan;
- the costs and expenses of the Portfolio Sale Transaction and the Plan of Sale and Liquidation may be higher than our estimates;
- the estimated amount of cash flow/net working capital to be generated from the Company's operations prior to completing the wind-down of the Company's business and affairs and termination of the Company's existence pursuant to the Plan of Sale and Liquidation may be lower than we anticipate;
- costs and expenses of continuing to operate the Company, including as a public company, such as the need for additional retention costs, particularly if the liquidation takes longer than expected, may be higher than estimated;
- unanticipated or emergency capital expenditures may result in the need to incur additional debt financing or other costs and expenses that are not included in our estimates and which we cannot reasonably estimate at this time;
- unknown or additional costs or liabilities that arise in the future, including future litigation, which we cannot reasonably estimate at this time, could delay completion of our liquidation and cause us to incur additional costs and expenses;
- costs incurred to maintain our REIT status may be higher than estimated;
- the number of issued and outstanding shares we used to calculate the estimated ranges of the distributions could change; and
- the reserve amounts we may establish to satisfy known liabilities and liquidating expenses and estimated, unascertained or contingent liabilities and expenses may be higher than estimated.

Any of these uncertainties could impact the amount and timing of the estimated distributions.

Additionally, there can be no assurances regarding the amounts of your potential total return from receiving such distributions. Your total return will depend on the amount you paid for your common shares and the date on which you purchased such common shares. Please consult with your financial advisor for more information about your potential total return.

There can be no assurance that the sale of all of our assets as contemplated in the Proposed Transactions will result in greater returns to you on your investment, within a reasonable period of time, than you would receive through other alternatives reasonably available to us.

If our shareholders approve each of the Proposed Transactions, we will generally be focused on winding-down our operations, subject to the board of trustees' determination to amend or terminate the Plan of Sale and Liquidation if it determines that doing so is in the best interest of shareholders. This, among other factors, may adversely affect the value that a potential acquirer might place on us or our ability to sell the Sale Portfolio if the Portfolio Sale Transaction does not occur, or any remaining assets if the Portfolio Sale Transaction occurs. Once our assets are sold, you will no longer participate in any future earnings or growth of such assets or benefit from any increases in the value of such assets. It is possible that continuing with the status quo or pursuing one or more other strategic alternatives could result in greater returns on your investment over time. If the Plan of Sale and Liquidation becomes effective, we will be foregoing those alternative opportunities.

If shareholders do not approve both the proposal to approve the Portfolio Sale Transaction and the proposal to approve the Plan of Sale and Liquidation at the special meeting, we would be subject to a number of additional material risks.

If shareholders approve the proposal to approve the Portfolio Sale Transaction, but not the proposal to approve the Plan of Sale and Liquidation, in addition to the other risks described in this "Risk Factors" section and in our other filings with the SEC, we would be subject to a number of additional material risks, including the following:

- under the terms of the Purchase Agreement, we would remain obligated to complete the Portfolio Sale Transaction in accordance with its terms;

- we would not move forward with an orderly wind-down of the Company’s business and affairs and termination of the Company’s existence by voluntary dissolution;
- we would not be obligated to cease, and we intend to move forward with, the marketing and potential sale of certain of the Remaining Company Assets, regardless of the outcome of the shareholder vote on the proposal to approve the Plan of Sale and Liquidation (or the proposal to approve the Portfolio Sale Transaction);
- if we complete the Portfolio Sale Transaction, the Company would have a significantly reduced number of assets with which to generate operating revenue and support ongoing operating activity, and operating expenses may not proportionally decrease, which will result in our ongoing operating expenses potentially exceeding revenue generated by our Remaining Company Assets, and we therefore may experience difficulty continuing as a going concern;
- we may be required to continue to comply with the full reporting requirements of the Exchange Act, and other requirements under law and of regulatory bodies applicable to public companies and incur costs associated with such compliance, as well as the costs of certain insurance coverage;
- assuming we continue to desire to remain a REIT, our estimated REIT compliance costs may increase; and
- any distributions will generally be treated first as taxable dividends to the extent of the Company’s earnings and profits rather than tax-free liquidating distributions to the extent of a shareholder’s basis in their shares.

If shareholders approve the proposal to approve the Plan of Sale and Liquidation, but not the proposal to approve the Portfolio Sale Transaction, in addition to the other risks described in this “Risk Factors” section and in our other filings with the SEC, we would be subject to a number of additional material risks, including that our board of trustees may decide to review strategic alternatives again, and could determine not to move forward with the liquidation of the Company under the Plan of Sale and Liquidation and instead pursue another option or continue the Company’s operations in its current form.

The occurrence of any of these events may impair our ability to conduct our business, including continuing as a going concern, may adversely affect our share price, may increase our costs or may reduce or delay the amounts otherwise available for distribution to our shareholders.

Even if our shareholders approve the Portfolio Sale Transaction and the Plan of Sale and Liquidation, they may not be completed.

In addition to the required approval of our shareholders, the closing of the Portfolio Sale Transaction is subject to several closing conditions, some of which are not entirely within our control, including:

- the absence of a material adverse effect on either the Company Parties or Buyer;
- the absence of an injunction or other judgment, order or decree restricting or prohibiting the Portfolio Sale Transaction;
- the performance of the parties’ obligations under the Purchase Agreement; and
- the accuracy, subject to certain materiality standards, of the representations and warranties made by the parties in the Purchase Agreement.

The Portfolio Sale Transaction may not be completed on the terms or timeline currently contemplated, or at all, and other events may intervene to delay the Portfolio Sale Transaction or result in the termination of the Purchase Agreement, including if the conditions to the closing of the Portfolio Sale Transaction are not satisfied, and, as a result, even if the Portfolio Sale Transaction is approved by our shareholders, there can be no assurance that the Portfolio Sale Transaction will be completed.

If the Portfolio Sale Transaction is not completed, we would be subject to a number of material risks.

If the Portfolio Sale Transaction is not completed, we would be subject to a number of material risks, including the following:

- we may be unable to dispose of the Sale Portfolio, or the properties comprising the Sale Portfolio, for a price, individually or in the aggregate, equaling or exceeding the allocated purchase price in the Portfolio Sale Transaction;
- we may be unable to enter into an alternative transaction to dispose of the Sale Portfolio on terms that are acceptable to the board of trustees;
- we would still be required to pay expenses incurred in connection with the Portfolio Sale Transaction, including legal, accounting, financial advisory, filing, printing and mailing fees;
- if our shareholders do not approve the proposal to approve the Portfolio Sale Transaction, we would be required to reimburse the Buyer Parent for up to \$3 million in reasonable out-of-pocket costs, fees and expenses incurred by the Buyer Parties in connection with the Purchase Agreement and the transactions contemplated thereby;
- we may be required to pay a termination fee of \$37.5 million in certain specified circumstances; and
- the price of our common shares could decline.

The occurrence of any of these events may impair our ability to conduct our business, may reduce the amounts otherwise available for distribution to our shareholders and the board of trustees could decide to conduct our liquidation and termination of the Company’s existence differently than as currently planned, or not at all.

The Purchase Agreement significantly limits our ability to pursue alternatives to the Portfolio Sale Transaction.

The Purchase Agreement contains provisions that make it more difficult for us to enter into a transaction with a party other than Buyer regarding an alternative acquisition proposal, including a proposal to acquire all or a significant portion of the Sale Portfolio or the entire Company. These provisions include the general prohibition on our soliciting any third-party acquisition proposal or entering into any agreement for an alternative acquisition proposal, and the requirement that we pay a termination fee of \$37.5 million if the Purchase Agreement is terminated in specified circumstances.

These provisions of the Purchase Agreement could discourage a third party that might have an interest in acquiring all or any portion of the Sale Portfolio or the entire Company from considering or proposing a transaction, even if that party were prepared to pay consideration with a higher value relative to the purchase price to be paid by Buyer for the Sale Portfolio. Furthermore, a termination fee of \$37.5 million may result in a potential acquiror offering to pay a lower purchase price to acquire all or any portion of the Sale Portfolio or the entire Company than it might otherwise have offered to pay. The payment of a termination fee of \$37.5 million (and cancellation of the Portfolio Sale Transaction) could also have an adverse effect on our financial condition and may reduce the amounts of any distributions to our shareholders.

If the Plan of Sale and Liquidation is approved by our shareholders, we would be subject to a number of material risks.

If the Plan of Sale and Liquidation is approved by our shareholders, we would be subject to a number of material risks, including the following:

- additional liabilities and obligations could arise during the liquidation process;
- we may be unable to find buyers for the Remaining Company Assets on a timely basis or at our expected sales prices, which may reduce or delay our liquidating distributions;
- our ability to implement the Plan of Sale and Liquidation depends upon the participation of key personnel who may not remain in place;
- we may require additional capital or financing to complete the wind-down of the Company's business and affairs, dissolution and termination of the Company's existence under the Plan of Sale and Liquidation, which may reduce the amount available for distribution to shareholders;
- shareholders may be liable to our creditors, up to the amounts received from us pursuant to the Plan of Sale and Liquidation, if our reserve fund or the assets transferred to a liquidating trust are inadequate;
- during the course of the liquidation process, we will change our basis of accounting, which could require us to write down our assets;
- costs and expenses of continuing to operate the Company, including as a public company, such as the need for additional retention costs, particularly if the liquidation takes longer than expected, may be higher than estimated; and
- we anticipate that our common shares will be delisted from the NYSE at a future date to be determined by the board of trustees.

The occurrence of any of these events may impair our ability to conduct our business, including completing the liquidation process, may reduce the amounts otherwise available for distribution to our shareholders and the board of trustees could decide to conduct our liquidation and termination of the Company's existence differently than as currently planned, or not at all.

The sale of properties may cause us to incur penalty taxes, or own and sell properties through taxable REIT subsidiaries ("TRS"), each of which would reduce the amount available for distribution to our shareholders.

The sale of one or more of our properties may be considered a prohibited transaction under the Code. Any "inventory-like" sales or dealer sales could be considered such a prohibited transaction. If we are deemed to have engaged in a "prohibited transaction" (i.e., sale of a property held by us primarily for sale in the ordinary course of our trade or business), all net gain that we derive from such sale would be subject to a 100% penalty tax. The Code sets forth a safe harbor for REITs that wish to sell property without risking the imposition of the 100% penalty tax. The sale of our properties in anticipation of or in connection with the Plan of Sale and Liquidation, or the sales of our properties if shareholders do not approve the proposal to approve the Plan of Sale and Liquidation, may not satisfy the prohibited transaction safe harbor, depending on the circumstances in which such sales are completed.

If we desire to sell a property pursuant to a transaction that does not satisfy the safe harbor, we may be able to avoid the prohibited transaction tax if, among other alternatives, we hold and sell the property through a TRS. In that case, any gain would be taxable to the TRS at regular corporate income tax rates.

As a result of the foregoing circumstances, the amount available for distribution to our shareholders could be significantly reduced.

The Portfolio Sale Transaction and the Plan of Sale and Liquidation, and the actions and transactions contemplated thereby, may lead to shareholder litigation which could result in substantial costs and distract management.

Historically, extraordinary corporate actions such as the proposed Portfolio Sale Transaction and Plan of Sale and Liquidation, and the actions and transactions contemplated thereby, sometimes lead to securities class action lawsuits being filed against the company taking such actions, which can delay or prevent altogether the completion of such actions. We may become involved in this type of litigation as a result of the shareholder votes on the Portfolio Sale Transaction and/or the Plan of Sale and Liquidation. As of the date of this 10-Q, two purported holders of the Company's common shares have filed substantially similar complaints against the Company and its members of the board of trustees in the Supreme Court of the State of New York, County of New York, alleging that the proxy statement negligently misrepresents or omits material information in violation of New York common law and seeking, among other things, to enjoin or rescind the Proposed Transactions, an award of damages if the Proposed Transactions are consummated and an award of expenses and attorneys' fees. With respect to any lawsuits filed against us, the litigation costs may be expensive, and, even if we ultimately prevail, the process will divert our attention from implementing the Portfolio Sale Transaction and, following the closing thereof, the wind-down of the Company's business and affairs and termination of the Company's existence. If we were not to prevail in such a lawsuit, we cannot predict the amount of any damages for which we may be obligated and if any plaintiffs are successful in obtaining an injunction, it may prohibit us from conducting the wind-down and termination of the Company's existence under the Plan of Sale and Liquidation or from completing the Portfolio Sale Transaction. If applicable, any such damages may be significant, may have a material adverse effect on our financial condition and may reduce, eliminate or delay the amounts available for distribution to our shareholders.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

A summary of our repurchases of shares of our common stock for the three months ended September 30, 2025 was as follows:

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased
July 1 - July 31, 2025	673	\$ 16.29	—	\$50,000,000
August 1 - August 31, 2025	—	—	—	\$50,000,000
September 1 - September 30, 2025	—	—	—	\$50,000,000
Total	673	\$ 16.29	—	—

(1) Represents restricted shares surrendered by employees to Elme to satisfy such employees' applicable statutory minimum tax withholding obligations in connection with the vesting of restricted shares.

(2) On October 26, 2023, the board of trustees authorized and approved a share repurchase program of up to \$50.0 million of the Company's common shares of beneficial interest over a period of two years, subject to any applicable limitations or restrictions set forth in our existing credit facility and other debt agreements. The share repurchase program is scheduled to expire on October 25, 2025, and is not expected to be extended.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: MINE SAFETY DISCLOSURES

None.

ITEM 5: OTHER INFORMATION

Trading Arrangements

During the three months ended September 30, 2025, no trustee or officer of Elme Communities adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6: EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File Number	Exhibit	Filing Date	
2.1	Purchase and Sale Agreement, dated August 1, 2025, by and among Elme Communities, WashREIT OP LLC, Echo Sub LLC, CEVF VI Capital Holdings, LLC and CEVF VI Co-Invest I Venture, LLC	8-K	001-06622	2.1	8/4/2025	
2.2	Plan of Sale and Liquidation	8-K	001-06622	2.2	8/4/2025	
3.1	Articles of Amendment and Restatement of Declaration of Trust of the Company, as amended	10-K	001-06622	3.1	2/17/2023	
3.2	Articles Supplementary of Elme Communities	8-K	001-06622	3.1	3/20/2025	
3.3	Amended and Restated Bylaws of Elme Communities, as amended	8-K	001-06622	3.1	9/20/2023	
10.1	Commitment Letter, dated August 1, 2025, by and between Goldman Sachs Bank USA and Elme Communities	8-K	001-06622	10.1	8/4/2025	
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended ("the Exchange Act")					X
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
31.3	Certification of the Chief Administrative Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
32	Certification of the Chief Executive Officer, Chief Financial Officer and Chief Administrative Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)					

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.

ELME COMMUNITIES

/s/ Paul T. McDermott

Paul T. McDermott
President and Chief Executive Officer

/s/ Steven M. Freishtat

Steven M. Freishtat
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ W. Drew Hammond

W. Drew Hammond
Senior Vice President, Chief Administrative Officer and Treasurer
(Principal Accounting Officer)

DATE: October 24, 2025

CERTIFICATION

I, Paul T. McDermott, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Elme Communities;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: October 24, 2025

/s/ Paul T. McDermott

Paul T. McDermott
Chief Executive Officer

CERTIFICATION

I, Steven M. Freishtat, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Elme Communities;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: October 24, 2025

/s/ Steven M. Freishtat

Steven M. Freishtat

Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

I, W. Drew Hammond, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Elme Communities;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: October 24, 2025

/s/ W. Drew Hammond

W. Drew Hammond
Chief Administrative Officer
(Principal Accounting Officer)

WRITTEN STATEMENT OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the President and Chief Executive Officer, the Chief Financial Officer and Chief Administrative Officer of Elme Communities, each hereby certifies on the date hereof, that:

- (a) the Quarterly Report on Form 10-Q for the quarter ended September 30, 2025 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Elme Communities.

DATE: October 24, 2025

/s/ Paul T. McDermott

Paul T. McDermott

President and Chief Executive Officer

DATE: October 24, 2025

/s/ Steven M. Freishtat

Steven M. Freishtat

Chief Financial Officer

(Principal Financial Officer)

DATE: October 24, 2025

/s/ W. Drew Hammond

W. Drew Hammond

Chief Administrative Officer

(Principal Accounting Officer)