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, 2022

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	**53-0261100**
(State of incorporation)	**(IRS Employer Identification Number)**

1775 EYE STREET, NW, SUITE 1000, WASHINGTON, DC 20006
(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 24, 2022, 87,517,479 common shares were outstanding.

ELME COMMUNITIES

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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, 2021 included in our 2021 Annual Report on Form 10-K filed on February 18, 2022.

ELME COMMUNITIES AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	September 30, 2022 (Unaudited)	December 31, 2021
Assets		
Land	$ 373,171	$ 322,623
Income producing property	1,882,235	1,642,147
	2,255,406	1,964,770
Accumulated depreciation and amortization	(461,293)	(402,560)
Net income producing property	1,794,113	1,562,210
Properties under development or held for future development	31,232	30,631
Total real estate held for investment, net	1,825,345	1,592,841
Cash and cash equivalents	8,436	233,600
Restricted cash	1,437	620
Rents and other receivables	16,088	15,067
Prepaid expenses and other assets	28,228	33,866
Total assets	$ 1,879,534	$ 1,875,994
Liabilities		
Notes payable, net	$ 497,247	$ 496,946
Line of credit	43,000	—
Accounts payable and other liabilities	36,219	40,585
Dividend payable	14,919	14,650
Advance rents	1,489	2,082
Tenant security deposits	5,461	4,669
Total liabilities	598,335	558,932
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 and 100,000 shares authorized; 87,504 and 86,261 shares issued and outstanding, as of September 30, 2022 and December 31, 2021, respectively	875	863
Additional paid in capital	1,728,840	1,697,477
Distributions in excess of net income	(434,539)	(362,494)
Accumulated other comprehensive loss	(14,278)	(19,091)
Total shareholders’ equity	1,280,898	1,316,755
Noncontrolling interests in subsidiaries	301	307
Total equity	1,281,199	1,317,062
Total liabilities and equity	$ 1,879,534	$ 1,875,994

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, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Revenue				
Real estate rental revenue	$ 54,603	$ 42,499	$ 153,787	$ 124,403
Expenses				
Property operating and maintenance	13,092	9,901	35,404	28,655
Real estate taxes and insurance	6,469	5,544	19,893	16,525
Property management	1,916	1,499	5,462	4,448
General and administrative	6,403	7,909	20,998	19,838
Transformation costs	2,399	1,016	6,645	4,796
Depreciation and amortization	23,632	18,252	69,871	52,542
	53,911	44,121	158,273	126,804
Real estate operating gain (loss)	692	(1,622)	(4,486)	(2,401)
Other income (expense)				
Interest expense	(6,582)	(8,106)	(18,388)	(28,387)
Loss on interest rate derivatives	—	(106)	—	(5,866)
Loss on extinguishment of debt	(4,917)	(12,727)	(4,917)	(12,727)
Other income	68	231	454	3,037
	(11,431)	(20,708)	(22,851)	(43,943)
Loss from continuing operations	(10,739)	(22,330)	(27,337)	(46,344)
Discontinued operations:				
Income from operations of properties sold or held for sale	—	7,208	—	23,083
Gain on sale of real estate, net	—	46,441	—	46,441
Income from discontinued operations	—	53,649	—	69,524
Net (loss) income	$ (10,739)	$ 31,319	$ (27,337)	$ 23,180
Basic net (loss) income per common share:				
Continuing operations	$ (0.12)	$ (0.26)	$ (0.32)	$ (0.55)
Discontinued operations	—	0.63	—	0.82
Basic net (loss) income per common share	$ (0.12)	$ 0.37	$ (0.32)	$ 0.27
Diluted net (loss) income per common share:				
Continuing operations	$ (0.12)	$ (0.26)	$ (0.32)	$ (0.55)
Discontinued operations	—	0.63	—	0.82
Diluted net (loss) income per common share	$ (0.12)	$ 0.37	$ (0.32)	$ 0.27
Weighted average shares outstanding – basic	87,453	84,496	87,354	84,457
Weighted average shares outstanding – diluted	87,453	84,496	87,354	84,457

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,	
	2022	2021	2022	2021
Net (loss) income	$ (10,739)	$ 31,319	$ (27,337)	$ 23,180
Other comprehensive income:				
Unrealized gain on interest rate hedges	442	221	3,284	2,805
Reclassification of unrealized loss on interest rate derivatives to earnings	509	511	1,529	7,290
Comprehensive (loss) income	$ (9,788)	$ 32,051	$ (22,524)	$ 33,275

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, 2021	86,261	$ 863	$ 1,697,477	$ (362,494)	$ (19,091)	$ 1,316,755	$ 307	$ 1,317,062
Net loss	—	—	—	(27,337)	—	(27,337)	—	(27,337)
Unrealized gain on interest rate hedges	—	—	—	—	3,284	3,284	—	3,284
Amortization of swap settlements	—	—	—	—	1,529	1,529	—	1,529
Distributions to noncontrolling interests	—	—	—	—	—	—	(6)	(6)
Dividends ($0.51 per common share)	—	—	—	(44,708)	—	(44,708)	—	(44,708)
Equity issuances, net of issuance costs	1,032	10	26,841	—	—	26,851	—	26,851
Shares issued under Dividend Reinvestment Program	32	—	777	—	—	777	—	777
Share grants, net of forfeitures and tax withholdings	179	2	3,745	—	—	3,747	—	3,747
Balance, September 30, 2022	87,504	$ 875	$ 1,728,840	$ (434,539)	$ (14,278)	$ 1,280,898	$ 301	$ 1,281,199

	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, 2020	84,409	$ 844	$ 1,649,366	$ (298,860)	$ (30,563)	$ 1,320,787	$ 322	$ 1,321,109
Net income	—	—	—	23,180	—	23,180	—	23,180
Unrealized gain on interest rate hedges	—	—	—	—	2,805	2,805	—	2,805
Loss on interest rate derivatives	—	—	—	—	5,760	5,760	—	5,760
Amortization of swap settlements	—	—	—	—	1,530	1,530	—	1,530
Distributions to noncontrolling interests	—	—	—	—	—	—	(13)	(13)
Dividends ($0.77 per common share)	—	—	—	(65,372)	—	(65,372)	—	(65,372)
Equity issuances, net of issuance costs	24	—	467	—	—	467	—	467
Shares issued under Dividend Reinvestment Program	65	—	1,468	—	—	1,468	—	1,468
Share grants, net of forfeitures and tax withholdings	130	2	5,520	—	—	5,522	—	5,522
Balance, September 30, 2021	84,628	$ 846	$ 1,656,821	$ (341,052)	$ (20,468)	$ 1,296,147	$ 309	$ 1,296,456

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, 2022	87,392	$ 874	$ 1,727,031	$ (408,882)	$ (15,229)	$ 1,303,794	$ 302	$ 1,304,096
Net loss	—	—	—	(10,739)	—	(10,739)	—	(10,739)
Unrealized gain on interest rate hedges	—	—	—	—	442	442	—	442
Amortization of swap settlements	—	—	—	—	509	509	—	509
Distributions to noncontrolling interests	—	—	—	—	—	—	(1)	(1)
Dividends ($0.17 per common share)	—	—	—	(14,918)	—	(14,918)	—	(14,918)
Shares issued under Dividend Reinvestment Program	12	—	259	—	—	259	—	259
Share grants, net of share grant amortization and forfeitures	100	1	1,550	—	—	1,551	—	1,551
Balance, September 30, 2022	87,504	$ 875	$ 1,728,840	$ (434,539)	$ (14,278)	$ 1,280,898	$ 301	$ 1,281,199

	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, 2021	84,590	$ 846	$ 1,654,409	$ (357,934)	$ (21,200)	$ 1,276,121	$ 314	$ 1,276,435
Net income	—	—	—	31,319	—	31,319	—	31,319
Unrealized gain on interest rate hedges	—	—	—	—	221	221	—	221
Amortization of swap settlements	—	—	—	—	511	511	—	511
Distributions to noncontrolling interests	—	—	—	—	—	—	(5)	(5)
Dividends ($0.17 per common share)	—	—	—	(14,437)	—	(14,437)	—	(14,437)
Shares issued under Dividend Reinvestment Program	20	—	459	—	—	459	—	459
Share grants, net of forfeitures and tax withholdings	18	—	1,953	—	—	1,953	—	1,953
Balance, September 30, 2021	84,628	$ 846	$ 1,656,821	$ (341,052)	$ (20,468)	$ 1,296,147	$ 309	$ 1,296,456

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,	
	2022	2021
Cash flows from operating activities		
Net loss	$ (27,337)	$ 23,180
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	69,871	75,446
Credit losses on lease related receivables	1,816	1,631
(Gain) loss on sale of real estate, net	—	(46,441)
Share-based compensation expense	6,157	6,478
Net amortization of debt premiums, discounts and related financing costs	3,084	3,322
Loss on interest rate derivatives	—	5,866
Loss (gain) on extinguishment of debt	4,917	12,727
Changes in operating other assets	(952)	(4,720)
Changes in operating other liabilities	(6,100)	(11,106)
Net cash provided by operating activities	51,456	66,383
Cash flows from investing activities		
Real estate acquisitions, net	(204,433)	(47,757)
Net cash received for sale of real estate	—	897,783
Capital improvements to real estate	(19,046)	(18,649)
Development in progress	(671)	(8,099)
Insurance proceeds	2,224	—
Non-real estate capital improvements	(1,322)	(37)
Net cash (used in) provided by investing activities	(223,248)	823,241
Cash flows from financing activities		
Line of credit repayments, net	43,000	(42,000)
Dividends paid	(44,440)	(76,292)
Repayments of mortgage notes payable	(76,598)	—
Repayments of unsecured notes payable, including penalties for early extinguishment	—	(311,894)
Repayments of unsecured term loan debt	—	(150,000)
Settlement of interest rate derivatives	—	(5,866)
Payment of financing costs	(39)	(4,828)
Distributions to noncontrolling interests	(6)	(13)
Proceeds from dividend reinvestment program	777	1,468
Net proceeds from equity issuances	26,851	467
Payment of tax withholdings for restricted share awards	(2,100)	(554)
Net cash used in financing activities	(52,555)	(589,512)
Net decrease in cash, cash equivalents and restricted cash	(224,347)	300,112
Cash, cash equivalents and restricted cash at beginning of period	234,220	8,290
Cash, cash equivalents and restricted cash at end of period	$ 9,873	$ 308,402

ELME COMMUNITIES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Nine Months Ended September 30,	
	2022	2021
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 18,386	$ 26,409
Change in accrued capital improvements and development costs	2,510	(4,885)
Dividend payable	14,919	14,440
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 8,436	$ 307,797
Restricted cash	1,437	605
Cash, cash equivalents and restricted cash	$ 9,873	$ 308,402

See accompanying notes to the consolidated financial statements.

ELME COMMUNITIES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2022
(UNAUDITED)

NOTE 1: NATURE OF BUSINESS

Elme Communities, a Maryland real estate investment trust, is a self-administered equity real estate investment trust, successor to a trust organized in 1960. In October 2022, the Company changed its name from Washington Real Estate Investment Trust to Elme Communities to reflect the Company's continued transition into a focused multifamily company, and subsequent geographic expansion into Sunbelt markets. On October 20, 2022, the Company's ticker symbol on the New York Stock Exchange changed from "WRE" to "ELME." 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, 2022 and September 30, 2021 as the "2022 Quarter" and the "2021 Quarter," respectively, and the nine months ended September 30, 2022 and September 30, 2021 as the "2022 Period" and the "2021 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, 2022 and December 31, 2021, our TRS had a deferred tax asset of $1.4 million that was fully reserved.

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, 2021.

Principles of Consolidation and Basis of Presentation

The accompanying unaudited consolidated financial statements include the consolidated accounts of Elme Communities, our majority-owned subsidiaries and entities in which Elme Communities has a controlling 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 Securities and Exchange Commission ("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, 2021.

Held for Sale and Discontinued Operations

We classify properties as held for sale when they meet the necessary criteria, which include: (a) senior management commits to a plan to sell the assets; (b) the assets are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets; (c) an active program to locate a buyer and other actions required to complete the plan to sell the assets has been initiated; (d) the sale of the assets is probable and transfer of the assets is expected to qualify for recognition as a completed sale within one year; (e) the assets are being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (f) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Depreciation on these properties is discontinued at the time they are classified as held for sale, but operating revenues, operating expenses and interest expense continue to be recognized until the date of sale.

Revenues and expenses of properties that are either sold or classified as held for sale are presented as discontinued operations for all periods presented in the consolidated statements of operations if the dispositions represent a strategic shift that has (or will have) a major effect on our operations and financial results. If the dispositions do not represent a strategic shift that has (or will have) a major effect on our operations and financial results, then the revenues and expenses of the properties that are classified as sold or held for sale are presented as continuing operations in the consolidated statements of operations for all periods presented.

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 term. As of September 30, 2022, our balance sheet included $1.1 million in a right-of-use asset and liability, net of amortization. During the 2022 Quarter, we remeasured the the right-of-use asset and liability due to a decrease in the estimated term of our corporate office operating lease, resulting in a $2.0 million decrease in both the asset and the liability.

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 expense on the consolidated statements of operations.

Restricted Cash

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

Transformation Costs

Transformation costs include costs related to the strategic shift away from the commercial sector to the residential sector, including the allocation of internal costs, consulting, advisory and termination benefits.

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

Acquisitions

We acquired the following properties during the 2022 Period:

Acquisition Date	Property	Type	# of homes	Ending Occupancy [1]	Contract Purchase Price (in thousands)
February 1, 2022	Carlyle of Sandy Springs	Residential	389	93.1%	$ 105,586
May 5, 2022	Marietta Crossing	Residential	420	94.5%	107,900
May 5, 2022	Alder Park	Residential	270	95.2%	69,750
			1,079		$ 283,236

[1] As of September 30, 2022.

The results of operations from the acquired operating properties are included in the condensed consolidated statements of operations as of their acquisition date and were as follows (in thousands):

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Real estate rental revenue	$ 4,897	$ 9,623
Net loss	(7,427)	(11,034)

We accounted for the 2022 acquisitions as asset acquisitions. We measured the value of the acquired physical assets (land and building), in-place leases (absorption costs) and mortgage notes by allocating the total cost of the acquisition on a relative fair value basis.

The total cost of the 2022 acquisitions was as follows (in thousands):

Contract purchase price	$ 283,236
Capitalized acquisition costs	478
Total	$ 283,714

We have recorded the 2022 acquisitions as follows (in thousands):

Land	$ 50,547
Building	220,825
Absorption costs	7,300
Aggregate discount on assumed mortgages	5,042
Total acquisition cost	283,714
Outstanding balance on assumed mortgages	(76,554)
Total carrying amounts recorded	$ 207,160

The weighted remaining average life for the absorption costs is two months.

The difference in the total acquisition cost of $283.7 million for the 2022 acquisitions and the cash paid for the acquisitions per the consolidated statements of cash flows of $204.4 million is due to the assumption of two mortgage notes secured by Marietta Crossing and Alder Park for an aggregate outstanding balance of $76.6 million and credits received at settlement totaling $2.8 million. In September 2022, we extinguished the liabilities associated with the two mortgage notes though defeasance arrangements.

Development/Redevelopment

We have properties under development/redevelopment and held for current or future development. As of September 30, 2022, 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. However, we continue to capitalize qualifying costs on several other projects with minor development activity necessary to ready each project for its intended use.

Properties Sold and Held for Sale

We intend to hold our properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning our properties and to make occasional sales of properties that no longer meet our long-term strategy or return objectives and where market conditions for sale are favorable. The proceeds from the sales may be reinvested into other properties, used to fund development operations or to support other corporate needs or distributed to our shareholders. Depreciation on these properties is discontinued at the time they are classified as held for sale, but operating revenues, operating expenses and interest expense continue to be recognized until the date of sale.

We did not sell or classify any properties as held for sale during the 2022 Period. We sold the following properties during 2021 ($ in thousands):

Disposition Date	Property Name	Property Type	Rentable Square Feet	Contract Sales Price	(Loss) Gain on Sale
July 26, 2021	Office Portfolio [(1)]	Office	2,370,000	$ 766,000	$ (11,220)
September 22, 2021	Retail Portfolio [(2)]	Retail	693,000	168,314	57,661
		Total 2021	3,063,000	$ 934,314	$ 46,441

(1) Consists of twelve office properties: 1901 Pennsylvania Avenue, 515 King Street, 1220 19th Street, 1600 Wilson Boulevard, Silverline Center, Courthouse Square, 2000 M Street, 1140 Connecticut Avenue, Army Navy Club, 1775 Eye Street, Fairgate at Ballston and Arlington Tower.

(2) Consists of eight retail properties: Takoma Park, Westminster, Concord Centre, Chevy Chase Metro Plaza, 800 S. Washington Street, Randolph Shopping Center, Montrose Shopping Center and Spring Valley Village.

We have fully transferred control of the assets sold in 2021 and do not have continuing involvement in their operations.

The dispositions of the Office Portfolio and the Retail Portfolio represent a strategic shift that had a major effect on our financial results and we have accordingly reported the Office Portfolio and Retail Portfolio as discontinued operations.

As of September 30, 2022, we assessed our properties, including assets held for development, for impairment and did not recognize any impairment charges during the 2022 Period. We applied reasonable estimates and judgments in evaluating each of the properties as of September 30, 2022. 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.

Discontinued Operations

The results of the Office Portfolio and Retail Portfolio are classified as discontinued operations and are summarized as follows (amounts in thousands, except for share data):

	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Real estate rental revenue	$ 10,932	$ 70,519
Expenses		
Property operating and maintenance	(1,870)	(11,201)
Real estate taxes and insurance	(1,476)	(11,136)
Property management	(378)	(2,195)
Depreciation and amortization	—	(22,904)
Gain on sale of real estate, net	46,441	46,441
Income from discontinued operations	$ 53,649	$ 69,524
Basic net income per share	$ 0.63	$ 0.82
Diluted net income per share	$ 0.63	$ 0.82
Capital expenditures	$ 833	$ 3,316

All assets and liabilities related to the Office Portfolio and Retail Portfolio were sold as of December 31, 2021.

NOTE 4: UNSECURED LINE OF CREDIT PAYABLE

During the third quarter of 2021, we entered into an amended and restated credit agreement ("Credit Agreement") which provides for a $700.0 million unsecured revolving credit facility ("Revolving Credit Facility") and the continuation of an existing $250.0 million unsecured term loan ("2018 Term Loan"). The Revolving Credit Facility has a four-year term ending in August 2025, with two six-month extension options. The Credit Agreement has an accordion feature that allows us to increase the aggregate facility to $1.5 billion, subject to the lenders' agreement to provide additional revolving loan commitments or term loans.

The Revolving Credit Facility bears interest at a rate of either one month LIBOR plus a margin ranging from 0.70% to 1.40% or the base rate plus a margin ranging from 0.0% to 0.40% (in each case depending upon Elme Communities' credit rating). The base rate is the highest of the administrative agent's prime rate, the federal funds rate plus 0.50% and the LIBOR market index rate plus 1.0%. In addition, the Revolving Credit Facility requires the payment of a facility fee ranging from 0.10% to 0.30% (depending on Elme Communities' credit rating) on the $700.0 million committed revolving loan capacity, without regard to usage. As of September 30, 2022, the interest rate on the Revolving Credit Facility is one month LIBOR plus 0.85%, the one month LIBOR is 3.14% and the facility fee is 0.20%.

All outstanding advances for the Revolving Credit Facility are due and payable upon maturity in August 2025, 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 2018 Term Loan increased and replaced the $150.0 million unsecured term loan, initially entered into on July 22, 2016 ("2016 Term Loan"), that was scheduled to mature in July 2023. The 2018 Term Loan is scheduled to mature in July 2023 and bears interest at a rate of either one month LIBOR plus a margin ranging from 0.85% to 1.75% or the base rate plus a margin ranging from 0.0% to 0.75% (in each case depending upon Elme Communities' credit rating). We used the $100.0 million of additional proceeds from the 2018 Term Loan primarily to repay outstanding borrowings on the Revolving Credit Facility.

On September 27, 2021, we prepaid a $150.0 million portion of the 2018 Term Loan using proceeds from the sale of the Office Portfolio and Retail Portfolio (see note 3). We currently expect to hold the remaining $100.0 million portion of the 2018 Term Loan until maturity.

The amount of the Revolving Credit Facility's unsecured line of credit unused and available at September 30, 2022 was as follows (in thousands):

Committed capacity	$	700,000
Borrowings outstanding		(43,000)
Unused and available	$	657,000

In the first and second quarters of 2022, there were no borrowings or repayments on the Revolving Credit Facility. We executed borrowings and repayments on the Revolving Credit Facility during the 2022 Quarter as follows (in thousands):

Balance at June 30, 2022	$	—
Borrowings		65,000
Repayments		(22,000)
Balance at September 30, 2022	$	43,000

NOTE 5: MORTGAGE NOTES PAYABLE

In May 2022, we assumed a $42.8 million mortgage note in connection with the acquisition of Marietta Crossing. This mortgage note bears interest at 3.36% per annum. The effective interest rate on this mortgage note is 4.50% based on quotes obtained for similar loans. We recorded the mortgage note at its estimated fair value of $40.0 million. Principal and interest are payable monthly until May 1, 2030, at which time all unpaid principal and interest are payable in full.

In May 2022, we assumed a $33.7 million mortgage note in connection with the acquisition of Alder Park. This mortgage note bears interest at 2.93% per annum. The effective interest rate on this mortgage note is 4.00% based on quotes obtained for similar loans. We recorded the mortgage note at its estimated fair value of $31.5 million. Principal and interest are payable monthly until May 1, 2030, at which time all unpaid principal and interest are payable in full.

In September 2022, we extinguished the liabilities associated with both of the mortgage notes through defeasance arrangements, recognizing aggregate losses on extinguishment of debt of $4.9 million.

NOTE 6: DERIVATIVE INSTRUMENTS

We have one interest rate swap arrangement with a notional amount of $100.0 million that effectively fixes the remaining $100.0 million portion of the 2018 Term Loan. The interest rate swap arrangement is 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 hedge 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 swap as of September 30, 2022 and December 31, 2021, were as follows (in thousands):

					Fair Value Derivative Assets (Liabilities)	
Derivative Instrument	**Aggregate Notional Amount**		**Effective Date**	**Maturity Date**	**September 30, 2022**	**December 31, 2021**
Interest rate swap	$	100,000	March 31, 2017	July 21, 2023	$ 2,463	$ (821)

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 or 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,	
	2022	**2021**	**2022**	**2021**
Unrealized gain on interest rate hedges	$ 442	$ 221	$ 3,284	$ 2,805

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. The gains or losses reclassified from Accumulated other comprehensive loss into interest expense for the three and nine months ended September 30, 2022 and 2021, were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Loss reclassified from accumulated other comprehensive loss into interest expense	$ 509	$ 511	$ 1,529	$ 1,530

During the next twelve months, we estimate that an additional $2.5 million will be reclassified as a decrease 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, 2022, the fair value of derivative assets, including accrued interest, was $2.5 million and we did not have any derivatives in a liability position. As of September 30, 2022, 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

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, 2022 and December 31, 2021 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 assumptions derived from significant other observable inputs and accordingly these valuations fall into Level 2 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 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 and liabilities at September 30, 2022 and December 31, 2021 were as follows (in thousands):

	September 30, 2022				December 31, 2021			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Assets:								
SERP	$ 1,969	$ —	$ 1,969	$ —	$ 2,566	$ —	$ 2,566	$ —
Interest rate derivatives	2,463	—	2,463	—	—	—	—	—
Liabilities:								
Interest rate derivatives	$ —	$ —	$ —	$ —	$ (821)	$ —	$ (821)	$ —

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, 2022 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, 2022 and December 31, 2021, the carrying values and estimated fair values of our financial instruments were as follows (in thousands):

	September 30, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	$ 8,436	$ 8,436	$ 233,600	$ 233,600
Restricted cash	1,437	1,437	620	620
Line of credit	43,000	43,000	—	—
Notes payable, net	497,247	459,725	496,946	515,341

NOTE 8: STOCK BASED COMPENSATION

Elme Communities maintains short-term ("STIP") and long-term ("LTIP") 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 Washington Real Estate Investment Trust 2016 Omnibus Incentive Plan which allows for awards in the form of restricted shares, restricted share units, options and other awards up to an aggregate of 2,400,000 shares over the ten-year period in which the plan will be 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 $1.9 million and $2.7 million for the 2022 Quarter and 2021 Quarter, respectively and $6.2 million and $6.5 million for the 2022 and 2021 Period, respectively.

Restricted Share Awards

The total fair values of restricted share awards vested was $4.8 million and $1.6 million for the 2022 Period and 2021 Period, respectively.

The total unvested restricted share awards at September 30, 2022 was 401,416 shares, which had a weighted average grant date fair value of $23.51 per share. As of September 30, 2022, the total compensation cost related to unvested restricted share awards was $5.8 million, which we expect to recognize over a weighted average period of 32 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, 2022 and 2021 were as follows (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Loss from continuing operations	$ (10,739)	$ (22,330)	$ (27,337)	$ (46,344)
Allocation of earnings to unvested restricted share awards	(68)	121	(191)	(349)
Adjusted net loss from continuing operations	(10,807)	(22,209)	(27,528)	(46,693)
Income from discontinued operations	—	53,649	—	69,524
Allocation of earnings from discontinued operations to unvested restricted share awards	—	(283)	—	—
Adjusted income from discontinuing operations	—	53,366	—	69,524
Adjusted net (loss) income	$ (10,807)	$ 31,157	$ (27,528)	$ 22,831
Denominator:				
Weighted average shares outstanding – basic and diluted	87,453	84,496	87,354	84,457
Earnings per common share, basic:				
Continuing operations	$ (0.12)	$ (0.26)	$ (0.32)	$ (0.55)
Discontinued operations	—	0.63	—	0.82
Basic net (loss) income per common share	$ (0.12)	$ 0.37	$ (0.32)	$ 0.27
Earnings per common share, diluted:				
Continuing operations	$ (0.12)	$ (0.26)	$ (0.32)	$ (0.55)
Discontinued operations	—	0.63	—	0.82
Diluted net(loss) income per common share	$ (0.12)	$ 0.37	$ (0.32)	$ 0.27
Dividends declared per common share	$ 0.17	$ 0.17	$ 0.51	$ 0.77

NOTE 10: SEGMENT INFORMATION

We operate in a single reportable segment which includes the ownership, development, redevelopment and acquisition of apartment communities. None of our operating properties meet the criteria to be considered separate operating segments on a stand-alone basis. 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 five 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. As a result, our operating properties are aggregated into a single reportable segment: residential.

Prior to the end of the second quarter of 2021, we hadtwo reportable segments: office and residential. During the third quarter of 2021, we closed on the sales of the Office Portfolio and the Retail Portfolio (see note 3), and following such sales, we have one remaining office property, Watergate 600, which does not meet the criteria for a reportable segment, and has been classified within "Other" on our segment disclosure tables.

We evaluate performance based upon net operating income ("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 chief operating decision maker for purposes of assessing each segment's performance. NOI is a key measurement of our segment profit and loss and is defined as real estate rental revenue less real estate expenses.

The following tables present revenues, NOI, capital expenditures and total assets for the three and nine months ended September 30, 2022 and 2021 from our Residential segment as well as Other, and reconcile NOI to net income (loss) as reported (in thousands):

	Three Months Ended September 30, 2022		
	Residential	Other [1]	Consolidated
Real estate rental revenue	49,889	4,714	$ 54,603
Real estate expenses	18,198	1,363	19,561
Net operating income	$ 31,691	$ 3,351	$ 35,042
Other income (expense):			
Property management expenses			(1,916)
General and administrative expenses			(6,403)
Transformation costs			(2,399)
Depreciation and amortization			(23,632)
Interest expense			(6,582)
Loss on extinguishment of debt			(4,917)
Other income			68
Net loss			$ (10,739)
Capital expenditures	$ 7,764	$ 567	$ 8,331
Total assets	$ 1,694,750	$ 184,784	$ 1,879,534

	Three Months Ended September 30, 2021		
	Residential	Other [1], [2]	Consolidated
Real estate rental revenue	38,046	4,453	$ 42,499
Real estate expenses	14,146	1,299	15,445
Net operating income	$ 23,900	$ 3,154	$ 27,054
Other income (expense):			
Property management expenses			(1,499)
General and administrative expenses			(7,909)
Transformation costs			(1,016)
Depreciation and amortization			(18,252)
Interest expense			(8,106)
Loss on interest rate derivatives			(106)
Loss on extinguishment of debt			(12,727)
Other income			231
Discontinued operations:			
Income from operations of properties sold or held for sale			7,208
Gain on sale of real estate			46,441
Net income			$ 31,319
Capital expenditures	$ 7,283	$ 1,002	$ 8,285
Total assets	$ 1,355,893	$ 496,917	$ 1,852,810

(1) Other represents Watergate 600, an office property that does not meet the qualitative or quantitative criteria for a reportable segment.

(2) Total assets and capital expenditures include office and retail properties classified as discontinued operations.

	Nine Months Ended September 30, 2022		
	Residential	Other [1]	Consolidated
Real estate rental revenue	$ 139,869	13,918	$ 153,787
Real estate expenses	51,411	3,886	55,297
Net operating income	$ 88,458	$ 10,032	$ 98,490
Other income (expense):			
Property management expenses			(5,462)
General and administrative expenses			(20,998)
Transformation costs			(6,645)
Depreciation and amortization			(69,871)
Interest expense			(18,388)
Loss on extinguishment of debt			(4,917)
Other income			454
Net loss			$ (27,337)
Capital expenditures	$ 17,623	$ 2,745	$ 20,368

	Nine Months Ended September 30, 2021		
	Residential	Other [1], [2]	Consolidated
Real estate rental revenue	111,075	13,328	$ 124,403
Real estate expenses	41,440	3,740	45,180
Net operating income	$ 69,635	$ 9,588	$ 79,223
Other income (expense):			
Property management expenses			(4,448)
General and administrative expenses			(19,838)
Transformation costs			(4,796)
Depreciation and amortization			(52,542)
Interest expense			(28,387)
Other income			3,037
Loss on extinguishment of debt			(12,727)
Loss on interest rate derivatives			(5,866)
Discontinued operations:			
Income from operations of properties sold or held for sale			23,083
Gain on sale of real estate			46,441
Net income			$ 23,180
Capital expenditures	$ 15,082	$ 3,604	$ 18,686

(1) Other represents Watergate 600, an office property that does not meet the qualitative or quantitative criteria for a reportable segment.
(2) Total assets and capital expenditures include office and retail properties classified as discontinued operations.

NOTE 11: SHAREHOLDERS' EQUITY

On February 17, 2021, we entered into separate amendments to each of our existing equity distribution agreements (“Original Equity Distribution Agreements”) with each of Wells Fargo Securities, LLC, BNY Mellon Capital Markets, LLC, Capital One Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc. and Truist Securities, Inc. (f/k/a SunTrust Robinson Humphrey, Inc.), each dated May 4, 2018 (collectively, as amended, the “Equity Distribution Agreements”) for our at-the-market program. Also on February 17, 2021, we entered into a separate equity distribution agreement with BTIG, LLC on the same terms as the Amended Equity Distribution Agreements (the “BTIG Equity Distribution Agreement”). On September 22, 2021, BTIG, LLC notified us that it was terminating the BTIG Equity Distribution Agreement, effective as of September 27, 2021. Pursuant to the Equity Distribution Agreements, we may sell, from time to time, up to an aggregate price of $550.0 million of our common shares of beneficial interest, $0.01 par value per share. Issuances of our common shares are made at market prices prevailing at the time of issuance. We may use net proceeds from the issuance of common shares under this program for general business purposes, including, without limitation, working capital, the acquisition, renovation, expansion, improvement, development or redevelopment of income producing properties or the repayment of debt. We did not issue common shares under the Equity Distribution Agreements during the 2022 Quarter or 2021 Quarter. Our issuances and net proceeds on the Equity Distribution Agreements for the 2022 Period and 2021 Period were as follows ($ in thousands, except per share data):

	Nine Months Ended September 30,	
	2022	2021
Issuance of common shares	1,032	24
Weighted average price per share	$ 26.27	$ 22.06
Net proceeds	$ 26,851	$ 467

We have a dividend reinvestment program whereby shareholders may use their dividends and optional cash payments to purchase common shares. The 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.

Our issuances and net proceeds on the dividend reinvestment program for the three and nine months ended September 30, 2022 and 2021 were as follows ($ in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Issuance of common shares	12	19	32	65
Weighted average price per share	$ 21.15	$ 23.73	$ 24.01	$ 22.97
Net proceeds	$ 259	$ 459	$ 777	$ 1,468

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, 2021 filed with the Securities and Exchange Commission ("SEC") on February 18, 2022.

We refer to the three months ended September 30, 2022 and September 30, 2021 as the "2022 Quarter" and the "2021 Quarter," respectively, and the nine months ended September 30, 2022 and September 30, 2021 as the "2022 Period" and "2021 Period," respectively.

Forward-Looking Statements

This Form 10-Q contains forward-looking statements which involve risks and uncertainties. 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 the actual results, performance, or achievements of Elme Communities to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Additional factors which may cause the actual results, performance, or achievements of Elme Communities to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements include, but are not limited to: risks associated with our ability to execute on our strategies, including new strategies with respect to our operations and our portfolio, including the acquisition of apartment homes in the Sunbelt markets, on the terms anticipated, or at all, the operational benefits from our operating model redesign on the timing contemplated or at all, and to realize any anticipated returns and benefits, including the performance of any acquired residential properties at the levels anticipated; the risks associated with ownership of real estate in general and our real estate assets in particular; the economic health of the areas in which our properties are located, particularly with respect to greater Washington, DC metro region and the larger Sunbelt region; the risk of failure to enter into and/or complete contemplated acquisitions and dispositions, at all, within the price ranges anticipated and on the terms and timing anticipated; changes in the composition of our portfolio; fluctuations in interest rates and other risks related to changes in interest rates; reductions in or actual or threatened changes to the timing of federal government spending; the risks related to use of third-party providers; the economic health of our residents; the ultimate duration of the COVID-19 global pandemic, including any mutations thereof, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment measures, the effectiveness and willingness of people to take COVID-19 vaccines, and the duration of associated immunity and efficacy of the vaccines against emerging variants of COVID-19; the impact from macroeconomic factors (including inflation, increases in interest rates, potential economic slowdown or a recession and geopolitical conflicts; compliance with applicable laws and corporate social responsibility goals, including those concerning the environment and access by persons with disabilities; the risks related to not having adequate insurance to cover potential losses; changes in the market value of securities; 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 stock ownership; failure to qualify and maintain our qualification as a REIT and the risks of changes in laws affecting REITs; whether our estimated transformation costs for 2022 will be correct; and other risks and uncertainties detailed from time to time in our filings with the SEC, including our 2021 Form 10-K filed on February 18, 2022. 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 2022 Quarter to the 2021 Quarter and the 2022 Period to the 2021 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 National Association of Real Estate Investment Trusts, Inc. (“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.
- *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 properties. As of September 30, 2022, we owned approximately 8,900 residential apartment homes in the Washington, DC metro and Sunbelt regions. We also own and operate approximately 300,000 square feet of commercial space in the Washington, DC metro region.

During the third quarter of 2021, we sold twelve office properties (the “Office Portfolio”) and eight retail properties (the “Retail Portfolio”) (see note 3 to the condensed consolidated financial statements) for contract sale prices of $766.0 million and $168.3 million, respectively. Both the Office Portfolio and Retail Portfolio meet the criteria for classification as discontinued operations in our condensed consolidated financial statements. Our remaining office property, Watergate 600, does not meet the qualitative or quantitative criteria for a reportable segment (see note 10 to the condensed consolidated financial statements).

The dispositions of the Office Portfolio and Retail Portfolio are part of a strategic shift away from the commercial sector to the residential sector, which simplified our portfolio to one reportable segment (residential) (the “strategic transformation”). We used the net proceeds from the sales to fund the expansion of our residential platform through acquisitions in Sunbelt markets and to reduce our leverage by repaying outstanding debt. During the third and fourth quarters of 2021, we completed the acquisitions of two apartment communities in Georgia for contract purchase prices of $48.0 million and $106.0 million, respectively. The apartment communities have a combined total of 730 apartment homes. During the 2022 Period, we completed acquisitions of three apartment communities in Georgia with a combined total of 1,079 apartment homes for a total contract purchase price of $283.2 million. We believe the successful execution of this research-driven strategic shift will lead to greater, more sustainable growth.

In connection with this strategic transformation, we are redesigning our operating model for purposes of more efficiently and effectively supporting residential operations. This operating model redesign includes insourcing the property-level management activities currently performed by third-party management companies. Costs related to the strategic transformation, including the allocation of internal costs, consulting, advisory and termination benefits, are included in Transformation costs on our consolidated statements of operations. We recognized $2.4 million and $6.6 million of transformation costs, net of amounts capitalized, on the condensed consolidated statements of operations during the 2022 Quarter and 2022 Period, respectively, and anticipate incurring approximately $3.0 - $4.0 million of additional transformation costs during 2022. Community onboarding is expected to be completed in phases starting in October 2022. We expect to realize significant operational benefits from this operating model redesign and complete its implementation in 2023.

In October 2022, the Company changed its name from Washington Real Estate Investment Trust to Elme Communities reflecting the Company's continued transition into a focused multifamily company, and subsequent geographic expansion into Sunbelt markets. On October 20, 2022, the Company's ticker symbol on the New York Stock Exchange changed from "WRE" to "ELME."

Operating Results

Net loss, NOI and NAREIT FFO for the three months ended September 30, 2022 and 2021 were as follows (in thousands):

	Three Months Ended September 30,			
	2022	**2021**	**$ Change**	**% Change**
Net (loss) income	$ (10,739)	$ 31,319	$ (42,058)	(134.3)%
NOI [1]	$ 35,042	$ 27,054	$ 7,988	29.5 %
NAREIT FFO [2]	$ 12,893	$ 3,130	$ 9,763	311.9 %

[1] See page 30 of the MD&A for a reconciliation of NOI to net income.
[2] See page 41 of the MD&A for a reconciliation of NAREIT FFO to net income.

The increase in net loss is primarily due to gains on sale of real estate ($46.4 million) in 2021 and lower income from discontinued operations ($7.2 million) due to the sales of the Office Portfolio and Retail Portfolio during 2021, higher depreciation and amortization expenses ($5.4 million), higher transformation expenses ($1.4 million) and higher property management expenses ($0.4 million). These were partially offset by higher NOI ($8.0 million), lower loss on extinguishment of debt ($7.8 million), lower general and administrative expenses ($1.5 million) and lower interest expense ($1.5 million).

The higher NOI is primarily due to the acquisitions of Assembly Eagles Landing ($1.2 million) and The Oxford ($0.2 million) in 2021 and Carlyle of Sandy Spring ($1.4 million), Marietta Crossing ($1.1 million) and Alder Park ($0.8 million) in 2022, higher NOI from same-store properties ($2.3 million) and higher NOI from Trove ($0.8 million), which achieved stabilization in the fourth quarter of 2021, and higher NOI at Watergate 600 ($0.2 million). The higher same-store NOI was primarily due to higher rental rates. Residential same-store average occupancy for our portfolio decreased to 95.6% as of September 30, 2022 from 95.8% as of September 30, 2021.

The higher NAREIT FFO is primarily due to higher NOI ($8.0 million), lower loss on extinguishment of debt ($7.8 million), lower general and administrative expenses ($1.5 million) and lower interest expense ($1.5 million), partially offset by lower income from discontinued operations ($7.2 million), higher transformation expenses ($1.4 million) and higher property management expenses ($0.4 million).

Investment Activity

Significant investment transactions during the 2022 Period included the following:
- Acquisition of Carlyle of Sandy Springs, a 389-unit apartment community in Sandy Springs, Georgia for a contract purchase price of $105.6 million during the first quarter of 2022.
- Acquisition of Marietta Crossing, a 420-unit apartment community in Marietta, Georgia for a contract purchase price of $107.9 million during the 2022 Quarter. We assumed a $42.8 million mortgage with this acquisition.
- Acquisition of Alder Park, a 270-unit apartment community in Smyrna, Georgia for a contract purchase price of $69.8 million during the 2022 Quarter. We assumed a $33.7 million mortgage with this acquisition.

Financing Activity

Significant financing transactions during the 2022 Period included the following:
- Issuance of 1.0 million common shares at a weighted average price per share of $26.27 for net proceeds of $26.9 million through our at-the-market program.
- In September 2022, we extinguished the aggregate $76.5 million of mortgages secured by Marietta Crossing and Alder Park through defeasance arrangements, recognizing an aggregate loss on extinguishment of debt of $4.9 million. We partially funded the defeasances with a $65.0 million draw on our unsecured revolving credit facility.

As of September 30, 2022, the interest rate on the $700.0 million unsecured revolving credit facility ("Revolving Credit Facility") was one month LIBOR plus 0.85% and the facility fee was 0.20%. As of October 24, 2022, our Revolving Credit Facility has a borrowing capacity of $634.0 million.

Capital Requirements

We have no debt maturities scheduled until the third quarter of 2023. We expect to have additional capital requirements as set forth on page33 (Liquidity and Capital Resources – Capital Requirements).

Results of Operations

The discussion that follows is based on our consolidated results of operations for the 2022 Quarter and 2021 Quarter. The ability to compare one period to another is significantly affected by acquisitions and dispositions made during 2022 and 2021 (see note 3 to the consolidated financial statements).

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. 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 NOI to net loss follows.

2022 Quarter Compared to 2021 Quarter

The following table reconciles NOI to net loss and provides the basis for our discussion of our consolidated results of operations and NOI in the 2022 Quarter compared to the 2021 Quarter. All amounts are in thousands, except percentage amounts.

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	$ Change	% Change
Residential revenue:				
Same-store portfolio	$ 38,771	$ 35,408	$ 3,363	9.5 %
Acquisitions [(1)]	8,150	488	7,662	1,570.1 %
Development [(2)]	2,711	1,846	865	46.9 %
Non-residential [(3)]	257	304	(47)	(15.5)%
Total	49,889	38,046	11,843	31.1 %
Residential expenses:				
Same-store portfolio	14,031	13,003	1,028	7.9 %
Acquisitions	3,157	212	2,945	1,389.2 %
Development	941	846	95	11.2 %
Non-residential	69	85	(16)	(18.8)%
Total	18,198	14,146	4,052	28.6 %
Residential NOI:				
Same-store portfolio	24,740	22,405	2,335	10.4 %
Acquisitions	4,993	276	4,717	1,709.1 %
Development	1,770	1,000	770	77.0 %
Non-residential	188	219	(31)	(14.2)%
Total	31,691	23,900	7,791	32.6 %
Other NOI [(4)]	3,351	3,154	197	6.2 %
Total NOI	35,042	27,054	7,988	29.5 %
Reconciliation to net (loss) income:				
Property management expenses	(1,916)	(1,499)	(417)	27.8 %
General and administrative expenses	(6,403)	(7,909)	1,506	(19.0)%
Transformation costs	(2,399)	(1,016)	(1,383)	136.1 %
Depreciation and amortization	(23,632)	(18,252)	(5,380)	29.5 %
Interest expense	(6,582)	(8,106)	1,524	(18.8)%
Loss on interest rate derivatives	—	(106)	106	(100.0)%
Loss on extinguishment of debt	(4,917)	(12,727)	7,810	(61.4)%
Other income	68	231	(163)	(70.6)%
Discontinued operations [(5)]:				
Income from operations of properties sold or held for sale	—	7,208	(7,208)	(100.0)%
Gain on sale of real estate, net	—	46,441	(46,441)	(100.0)%
Net (loss) income	$ (10,739)	$ 31,319	$ (42,058)	(134.3)%

(1) Acquisitions:
2021: The Oxford and Assembly Eagles Landing
2022: Carlyle of Sandy Springs, Alder Park, Marietta Crossing
(2) Development/redevelopment: Trove, Riverside Development (multifamily development adjacent to Riverside Apartments)
(3) Non-residential: Includes revenues and expenses from retail operations at residential properties.
(4) Other (classified as continuing operations): Watergate 600
(5) Discontinued operations:
2021 Office - 1901 Pennsylvania Avenue, 515 King Street, 1220 19th Street, 1600 Wilson Boulevard, Silverline Center, Courthouse Square, 2000 M Street, 1140 Connecticut Avenue, Army Navy Club, 1775 Eye Street, Fairgate at Ballston and Arlington Tower
2021 Retail - Takoma Park, Westminster, Concord Centre, Chevy Chase Metro Plaza, 800 S. Washington Street, Randolph Shopping Center, Montrose Shopping Center and Spring Valley Village

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 $3.4 million, or 9.5%, to $38.8 million for the 2022 Quarter, compared to $35.4 million for the 2021 Quarter, primarily due to higher rental income ($2.4 million), lower rent abatements ($0.7 million), higher move-in charges ($0.1 million) and lower credit losses ($0.1 million).

Real estate rental revenue from acquisitions increased $7.7 million due to the acquisitions of Carlyle of Sandy Springs ($1.8 million) during the first quarter of 2022, Marietta Crossing ($1.8 million) and Alder Park ($1.3 million) during the second quarter of 2022, Assembly Eagles Landing ($2.2 million) during the fourth quarter of 2021, and The Oxford ($0.6 million) during the third quarter of 2021.

Real estate rental revenue from development properties increased $0.9 million due to the continued lease-up of Trove, which reached stabilization in the fourth quarter of 2021.

Average occupancy for residential properties for the 2022 Quarter and 2021 Quarter was as follows:

September 30, 2022			September 30, 2021			% Change		
Same-Store	**Non-Same-Store**	**Total**	**Same-Store**	**Non-Same-Store**	**Total**	**Same-Store**	**Non-Same-Store**	**Total**
95.6 %	94.3 %	95.3 %	95.8 %	82.0 %	94.7 %	(0.2)%	12.3 %	0.6 %

The decrease in same-store average occupancy was primarily due to lower average occupancy at Roosevelt Towers, Assembly Leesburg, The Paramount and Assembly Alexandria, partially offset by higher average occupancy at The Kenmore, Clayborne Apartments and Maxwell.

Real Estate Expenses

Residential real estate expenses as a percentage of residential revenue for the 2022 Quarter and the 2021 Quarter were 36.5% and 37.2%, respectively.

Real estate expenses from same-store residential properties increased $1.0 million, or 7.9%, to $14.0 million for the 2022 Quarter, compared to $13.0 million for the 2021 Quarter, primarily due to higher repairs and maintenance ($0.3 million), administrative ($0.3 million), contract maintenance and supplies ($0.2 million) and real estate tax ($0.2 million) expenses.

Real estate expenses from acquisitions increased $2.9 million due to the acquisitions of Carlyle of Sandy Springs ($0.4 million) during the first quarter of 2022, Marietta Crossing ($0.7 million) and Alder Park ($0.4 million) during the 2022 Quarter, Assembly Eagles Landing ($1.0 million) during the fourth quarter of 2021, and The Oxford ($0.4 million) during the third quarter of 2021.

Other NOI

Other NOI classified as continuing operations increased due to higher NOI at Watergate 600 ($0.2 million).

Other Income and Expenses

Property management expenses: Increase of $0.4 million primarily due to acquisitions.

General and administrative expenses: Decrease of $1.5 million primarily due to lower short term incentive compensation expense ($0.9 million) and lower share based compensation expense ($0.4 million) during the 2022 Quarter.

Transformation costs: Increase of $1.4 million during the 2022 Quarter primarily due to higher consulting and professional fees ($0.7 million) and higher employee time allocations ($0.6 million).

Depreciation and amortization: Increase of $5.4 million primarily due to the acquisitions of Marietta Crossing ($2.7 million), Alder Park ($1.3 million), Carlyle of Sandy Springs ($1.1 million), Assembly Eagles Landing ($1.0 million) and higher depreciation and amortization at Watergate 600 ($0.3 million). The increase was partially offset by lower depreciation and amortization at same-store residential properties ($0.9 million) and The Oxford ($0.1 million).

Interest Expense: Interest expense by debt type for the three months ended September 30, 2022 and 2021 was as follows (in thousands):

	Three Months Ended September 30,			
Debt Type	**2022**	**2021**	**$ Change**	**% Change**
Notes payable	$ 5,127	7,523	$ (2,396)	(31.8)%
Mortgage notes payable	524	—	524	100.0 %
Line of credit	931	765	166	21.7 %
Capitalized interest	—	(182)	182	(100.0)%
Total	$ 6,582	$ 8,106	$ (1,524)	(18.8)%

- *Notes payable*: Decrease primarily due to the prepayment of $300.0 million of unsecured notes during the third quarter of 2021 that had been scheduled to mature in October 2022 and the prepayment of a $150.0 million portion of the 2018 Term Loan during the third quarter of 2021.
- *Mortgage notes payable*: Increase due to assumed mortgages of $42.8 million and $33.7 million in the acquisitions of Marietta Crossing and Alder Park, respectively, during the second quarter of 2022. In September 2022, we extinguished the liabilities associated with these mortgages though defeasance arrangements.
- *Line of credit*: Increase primarily due to higher weighted average borrowings of $22.4 million and a weighted average interest rate of 3.34% in the 2022 Quarter, as compared to weighted average borrowings of $20.9 million and a weighted average interest rate of 1.1% during the 2021 Quarter.
- *Capitalized interest*: Decrease primarily due to ceasing capitalization of interest on spending related to the multifamily development adjacent to Riverside Apartments due to a pause in development activities resulting from macroeconomic uncertainty.

Loss on extinguishment of debt: During the 2022 Quarter, we extinguished the liabilities associated with mortgage notes payable for Marietta Crossing and Alder Park through defeasance arrangements, recognizing aggregate losses on extinguishment of debt of $4.9 million. During the 2021 Quarter, we recognized a $12.3 million loss on extinguishment of debt related to the prepayment of the $300.0 million of unsecured notes that were originally scheduled to mature in October 2022, a $0.2 million loss on extinguishment of debt related to the prepayment of a $150.0 million portion of the $250.0 million 2018 Term Loan and a $0.2 million loss on extinguishment of debt related to the renewal of our Revolving Credit Facility.

Discontinued operations

Income from operations of properties sold or held for sale: Decrease due to the sale of the Office Portfolio and the Retail Portfolio during the 2021 Quarter.

Gain on sale of real estate, net: The net gain during 2021 is due to the gain on sale of the Retail Portfolio ($57.7 million), partially offset by the loss on sale of the Office Portfolio ($11.2 million).

2022 Period Compared to 2021 Period

The following tables reconcile NOI to net income (loss) and provide the basis for our discussion of our consolidated results of operations and NOI in the 2022 Period compared to the 2021 Period. All amounts are in thousands, except percentage amounts.

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
Residential revenue:				
Same-store portfolio	$ 112,702	$ 105,641	$ 7,061	6.7 %
Acquisitions [1]	18,718	488	18,230	3,735.7 %
Development [2]	7,642	4,152	3,490	84.1 %
Non-residential [3]	807	794	13	1.6 %
Total	139,869	111,075	28,794	25.9 %
Residential expenses:				
Same-store portfolio	40,428	38,589	1,839	4.8 %
Acquisitions	8,049	212	7,837	3,696.7 %
Development	2,720	2,420	300	12.4 %
Non-residential	214	219	(5)	(2.3)%
Total	51,411	41,440	9,971	24.1 %
Residential NOI:				
Same-store portfolio	72,274	67,052	5,222	7.8 %
Acquisitions	10,669	276	10,393	3,765.6 %
Development	4,922	1,732	3,190	184.2 %
Non-residential	593	575	18	3.1 %
Total	88,458	69,635	18,823	27.0 %
Other NOI [4]	10,032	9,588	444	4.6 %
Total NOI	98,490	79,223	19,267	24.3 %
Reconciliation to net loss:				
Property management expenses	(5,462)	(4,448)	(1,014)	22.8 %
General and administrative expenses	(20,998)	(19,838)	(1,160)	5.8 %
Transformation costs	(6,645)	(4,796)	(1,849)	38.6 %
Depreciation and amortization	(69,871)	(52,542)	(17,329)	33.0 %
Interest expense	(18,388)	(28,387)	9,999	(35.2)%
Loss on interest rate derivatives	—	(5,866)	5,866	(100.0)%
Loss on extinguishment of debt	(4,917)	(12,727)	7,810	(61.4)%
Other income	454	3,037	(2,583)	(85.1)%
Discontinued operations [5]:				
Income from operations of properties sold or held for sale	—	23,083	(23,083)	(100.0)%
Gain on sale of real estate, net	—	46,441	(46,441)	(100.0)%
Net (loss) income	$ (27,337)	$ 23,180	$ (50,517)	(217.9)%

(1) Acquisitions:
2021: The Oxford and Assembly Eagles Landing
2022: Carlyle of Sandy Springs, Alder Park, Marietta Crossing

(2) Development/redevelopment:
Trove, Riverside Development (multifamily development adjacent to Riverside Apartments)

(3) Non-residential:
Includes revenues and expenses from retail operations at residential properties.

(4) Other (classified as continuing operations)
Watergate 600

(5) Discontinued operations:
2021 Office - 1901 Pennsylvania Avenue, 515 King Street, 1220 19th Street, 1600 Wilson Boulevard, Silverline Center, Courthouse Square, 2000 M Street, 1140 Connecticut Avenue, Army Navy Club, 1775 Eye Street, Fairgate at Ballston and Arlington Tower

2021 Retail - Takoma Park, Westminster, Concord Centre, Chevy Chase Metro Plaza, 800 S. Washington Street, Randolph Shopping Center, Montrose Shopping Center and Spring Valley Village

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 $7.1 million, or 6.7%, to $112.7 million for the 2022 Period, compared to $105.6 million for the 2021 Period, primarily due to higher rental income ($5.6 million), lower rent abatements ($1.3 million) and higher one time fees ($0.4 million), partially offset by higher credit losses ($0.2 million).

Real estate rental revenue from acquisitions increased $18.2 million due to the acquisitions of Carlyle of Sandy Springs ($4.6 million) during the first quarter of 2022, Marietta Crossing ($2.9 million) and Alder Park ($2.1 million) during the 2022 Quarter, Assembly Eagles Landing ($6.1 million) during the fourth quarter of 2021 and The Oxford ($2.5 million) during the third quarter of 2021.

Real estate rental revenue from development properties increased $3.5 million due to the continued lease-up of the Trove development, which reached stabilization in the fourth quarter of 2021.

Average occupancy for residential properties for the 2022 Period and 2021 Period was as follows:

September 30, 2022			September 30, 2021			% Change		
Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total
95.7 %	94.4 %	95.4 %	95.1 %	57.6 %	92.7 %	0.6 %	36.8 %	2.7 %

The increase in same-store average occupancy was primarily due to higher average occupancy at The Kenmore, 3801 Connecticut Avenue, Assembly Germantown, Assembly Herndon and Park Adams, partially offset by lower average occupancy at The Ashby at McLean.

Real Estate Expenses

Residential real estate expenses as a percentage of residential revenue for the 2022 Period and 2021 Period were 36.8% and 37.3%, respectively.

Real estate expenses from same-store residential properties increased $1.8 million, or 4.8%, to $40.4 million for the 2022 Period, compared to $38.6 million for the nine months ended September 30, 2021, primarily due to higher administrative ($0.5 million), real estate tax ($0.5 million), utilities ($0.3 million), insurance ($0.3 million) and contract maintenance and supplies ($0.2 million) expenses.

Real estate expenses from acquisitions increased $7.8 million due to the acquisitions of Carlyle of Sandy Springs ($1.9 million) during the first quarter of 2022, Marietta Crossing ($1.1 million) and Alder Park ($0.7 million) during the 2022 Quarter, Assembly Eagles Landing ($2.7 million) during the fourth quarter of 2021, and The Oxford ($1.4 million) during the 2021 Quarter.

Other NOI

Other NOI classified as continuing operations increased due to higher NOI at Watergate 600 ($0.4 million).

Other Income and Expenses

Property management expenses: Increase of $1.0 million primarily due to the acquisitions of The Oxford and Assembly Eagles Landing during the third and fourth quarters of 2021, the acquisitions of Carlyle of Sandy Springs, Marietta Crossing and Alder Park during the 2022 Period and Trove reaching stabilization during the fourth quarter of 2021.

General and administrative expenses: Increase of $1.2 million primarily due to corporate overhead no longer being allocated to office management due to the sales of the Office and Retail Portfolios in 2021 ($2.0 million), higher legal fees ($0.9 million), higher office rent ($0.6 million) from the commencement of the corporate office lease during the third quarter of 2021 and higher recruitment fees ($0.2 million). The increase was partially offset by lower short term incentive compensation expense ($1.8 million) and lower leasing expenses ($0.7 million) during the 2022 Period.

Transformation costs: Increase of $1.8 million primarily due to higher employee time allocations ($1.2 million) related to the strategic transformation, higher software depreciation ($1.2 million) and higher software costs ($0.6 million), partially offset by lower severance expenses ($1.3 million).

Depreciation and amortization: Increase of $17.3 million primarily due to the acquisitions of Assembly Eagles Landing ($5.7 million), Carlyle of Sandy Springs ($4.8 million), Marietta Crossing ($4.0 million), Alder Park ($1.9 million) and The Oxford ($1.0 million) and higher depreciation and amortization at Watergate 600 ($0.6 million). These increases were partially offset by lower depreciation and amortization at same-store residential properties ($0.6 million) and Trove ($0.1 million).

Interest Expense: Interest expense by debt type for the nine months ended September 30, 2022 and 2021 was as follows (in thousands):

Debt Type	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	$ Change	% Change
Notes payable	$ 15,331	$ 26,484	$ (11,153)	(42.1)%
Mortgage notes payable	1,014	—	1,014	100.0 %
Line of credit	2,326	2,464	(138)	(5.6)%
Capitalized interest	(283)	(561)	278	(49.6)%
Total	$ 18,388	$ 28,387	$ (9,999)	(35.2)%

- *Notes payable*: Decrease primarily due to the prepayment of $300.0 million of unsecured notes during the third quarter of 2021 that had been scheduled to mature in October 2022 and the prepayment of a $150.0 million portion of the 2018 Term Loan during the third quarter of 2021.
- *Mortgage notes payable*: Increase due to the assumed mortgages of $42.8 million and $33.7 million in the acquisitions of Marietta Crossing and Alder Park, respectively, during the 2022 Period. In September 2022, we extinguished the liabilities associated with these mortgages though defeasance arrangements.
- *Line of credit*: Decrease primarily due to lower weighted average borrowings of $7.5 million and a weighted average interest rate of 3.34% in the 2022 Period, as compared to weighted average borrowings of $46.5 million and weighted average interest rate of 1.1% during the 2021 Period.
- *Capitalized interest*: Decrease primarily due to ceased capitalization of interest on spending related to the multifamily development adjacent to Riverside Apartments due to a pause in development activities.

Loss on interest rate derivatives: We terminated five interest rate swap arrangements with an aggregate notional value of $150.0 million and recognized a $5.9 million loss on interest rate derivatives during the 2021 Period (see note 6 to the consolidated financial statements).

Loss on extinguishment of debt: During the 2022 Period, we extinguished the liabilities associated with mortgage notes payable for Marietta Crossing and Alder Park through defeasance arrangements, recognizing aggregate losses on extinguishment of debt of $4.9 million. During the 2021 Period we recognized a $12.3 million loss on extinguishment of debt related to the prepayment of the $300.0 million of unsecured notes that were originally scheduled to mature in October 2022, a $0.2 million loss on extinguishment of debt related to the prepayment of a $150.0 million portion of the $250.0 million 2018 Term Loan and a $0.2 million loss on extinguishment of debt related to the renewal of our Revolving Credit Facility.

Other income: Income during the 2022 Period relates to real estate tax refunds ($0.4 million) received in the first quarter of 2022 on previously sold properties. During the 2021 Period, we recognized $1.3 million in other income related to a legal settlement, $1.3 million related to a real estate tax refund for an office property sold in 2018 and $0.4 million related to a construction easement at a retail property during the 2021 Period.

Discontinued operations

Income from properties sold or held for sale: Decrease due to the sale of the Office Portfolio and the Retail Portfolio during the 2021 Quarter.

Gain on sale of real estate, net: The net gain during 2021 is due to the gain on sale of the Retail Portfolio ($57.7 million), partially offset by the loss on sale of the Office Portfolio ($11.2 million).

Liquidity and Capital Resources

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 commitments and contractual obligations, as well as the payment of dividends, on-going transformational costs and funding possible growth opportunities. Through our Office Portfolio and Retail Portfolio sales in 2021, which had a combined contract sales price of approximately $934.3 million, we executed strategic transactions that will allow us to pursue residential expansion in Sunbelt markets, meet our debt obligations for the next twelve months, and pay a dividend on a quarterly basis. In connection with our strategic transformation, we are designing our operating model for purposes of more efficiently and effectively supporting residential operations. We recognized $2.4 million and $6.6 million of transformation costs, net of amounts capitalized, on the condensed consolidated statements of operations during the 2022 Quarter and 2022 Period, respectively, and anticipate incurring approximately $3.0 - $4.0 million of additional transformation costs during 2022. We expect to realize significant operational benefits from this operating model redesign and complete its implementation in 2023.

We also believe we have adequate liquidity beyond October 2022, with only $143.0 million of scheduled debt maturities prior to 2027. As of October 24, 2022, we had cash and cash equivalents totaling $19.7 million and a borrowing capacity of $634.0 million on our Revolving Credit Facility, resulting in a total liquidity position of $653.7 million.

While we currently intend to continue to pay dividends at or about current levels, we will continue to assess the payment of our dividends on a quarterly basis. Future determinations regarding the declaration and payment of dividends, if any, will be at the discretion of our board of trustees which considers, among other factors, trends in our levels of NAREIT FFO and ongoing capital requirements to achieve a targeted payout ratio.

Capital Requirements

As of the end of the 2022 Quarter, our full-year 2022 capital requirements are summarized below:

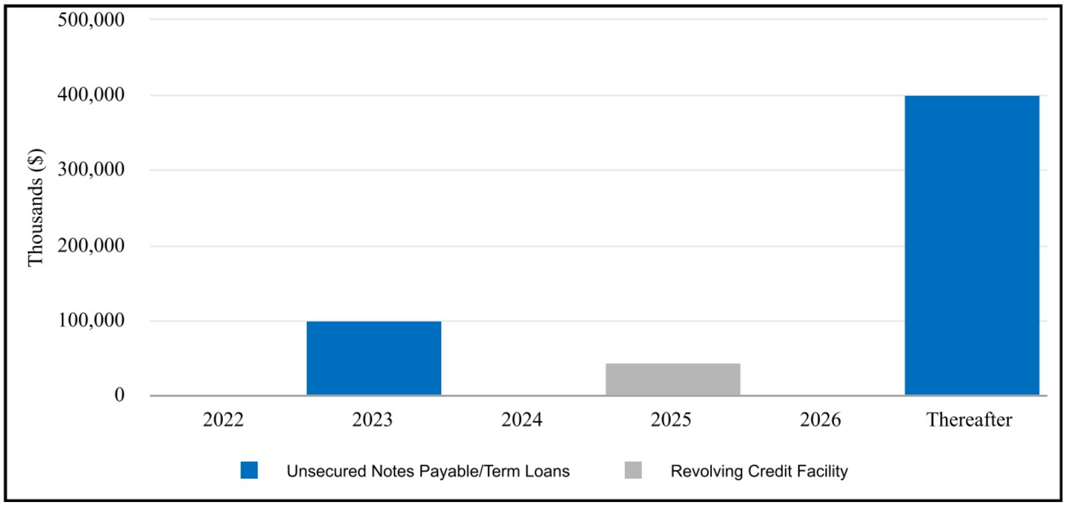
- Funding dividends and distributions to our shareholders;
- Approximately $25.0 - $30.0 million to invest in our existing portfolio of operating assets;
- Approximately $0.7 - $1.0 million to invest in our development and redevelopment projects; and
- Funding for potential property acquisitions throughout 2022, offset by proceeds from potential property dispositions.

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 and have access to the capital resources necessary to fund our requirements for the remainder of 2022. 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 tenants, declines in our share price, unfavorable changes in the supply of competing properties, 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, make strategic acquisitions or make necessary and/or routine capital improvements or undertake improvement/redevelopment opportunities with respect to our existing portfolio of operating assets.

Debt Financing

We generally use secured or unsecured, corporate-level debt, including unsecured notes, our 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, 2022, our future debt principal payments are scheduled as follows (in thousands):



	Future Maturities of Debt			
Year	**Unsecured Debt**	**Revolving Credit Facility**	**Total Debt**	**Ave Interest Rate**
2022	$ —	$ —	$ —	—
2023	100,000 [1]	—	100,000	2.3
2024	—	—	—	—
2025	—	43,000	43,000	4.0
2026	—	—	—	—
Thereafter	400,000	—	400,000	4.5
Scheduled principal payments	$ 500,000	$ 43,000	$ 543,000	4.1
Net premiums/discounts	(122)	—	(122)	
Loan costs, net of amortization	(2,631)	—	(2,631)	
Total	$ 497,247	$ 43,000	$ 540,247	4.1

(1) Elme Communities entered into an interest rate swap to effectively fix a LIBOR plus 110 basis points floating interest rate to a 2.31% all-in fixed rate for the remaining $100.0 million portion of the 2018 Term Loan. The interest rates are fixed through the term loan maturity of July 2023.

The weighted average maturity for our debt is 6.3 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 secured and 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.

Debt Covenants

Pursuant to the terms of our Revolving Credit Facility, 2018 Term Loan and secured 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 our Revolving Credit Facility, 2018 Term Loan, secured and 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 Revolving Credit Facility or incur other unsecured debt in the future could be restricted by the debt covenants.

As of September 30, 2022, we were in compliance with the covenants related to our Revolving Credit Facility, 2018 Term Loan, and unsecured notes.

Common Equity

We have authorized for issuance 150.0 million common shares, of which 87.5 million shares were outstanding at September 30, 2022.

On February 17, 2021, we entered into separate amendments to each of our existing equity distribution agreements ("Original Equity Distribution Agreements") with each of Wells Fargo Securities, LLC, BNY Mellon Capital Markets, LLC, Capital One Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc. and Truist Securities, Inc. (f/k/a SunTrust Robinson Humphrey, Inc.), each dated May 4, 2018 (collectively, as amended, the "Equity Distribution Agreements") for our at-the-market program. Also on February 17, 2021, we entered into a separate equity distribution agreement with BTIG, LLC on the same terms as the Amended Equity Distribution Agreements (the "BTIG Equity Distribution Agreement"). On September 22, 2021, BTIG, LLC notified us that it was terminating the BTIG Equity Distribution Agreement, effective as of September 27, 2021. Pursuant to the Equity Distribution Agreements, we may sell, from time to time, up to an aggregate price of $550.0 million of our common shares of beneficial interest, $0.01 par value per share. Issuances of our common shares are made at market prices prevailing at the time of issuance. We may use net proceeds from the issuance of common shares under this program for general business purposes, including, without limitation, working capital, the acquisition, renovation, expansion, improvement, development or redevelopment of income producing properties or the repayment of debt. We did not issue common shares under the Equity Distribution Agreements during the 2022 Quarter or 2021 Quarter. Our issuances and net proceeds on the Equity Distribution Agreements for the 2022 Period and 2021 Period were as follows ($ in thousands, except per share data):

	Nine Months Ended September 30,	
	2022	2021
Issuance of common shares	1,032	24
Weighted average price per share	$ 26.27	$ 22.06
Net proceeds	$ 26,851	$ 467

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.

Our issuances and net proceeds on the dividend reinvestment program for the three and nine months ended September 30, 2022 and 2021 were as follows ($ in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Issuance of common shares	12	19	32	65
Weighted average price per share	$ 21.15	$ 23.73	$ 24.01	$ 22.97
Net proceeds	$ 259	$ 459	$ 777	$ 1,468

Preferred Equity

Elme Communities' board of trustees can, at its discretion, authorize the issuance of up to 10.0 million preferred shares. The ability to issue preferred equity provides Elme Communities an additional financing tool that may be used to raise capital for future acquisitions or other business purposes. As of September 30, 2022, 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	
	2022	2021	$	%
Net cash provided by operating activities	$ 51,456	$ 66,383	$ (14,927)	(22.5)%
Net cash (used in) provided by investing activities	(223,248)	823,241	(1,046,489)	(127.1)%
Net cash used in financing activities	(52,555)	(589,512)	536,957	(91.1)%

Net cash provided by operating activities decreased primarily due to the sales of the Office Portfolio and Retail Portfolio in 2021 (see note 3 to the consolidated financial statements).

Net cash (used in) provided by investing activities increased primarily due to the sales of the Office and Retail portfolios during the 2021 Period and the acquisitions of Marietta Crossing, Alder Park and Carlyle of Sandy Springs during the 2022 Period.

Net cash used in financing activities decreased primarily due to a higher volume of debt repayments during the 2021 Period and higher net proceeds from equity issuances and lower dividends paid in the 2022 Period.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as of September 30, 2022 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 Whitepaper Restatement,NAREIT defined 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 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. NAREIT FFO is a non-GAAP measure.

The following table provides the calculation of our NAREIT FFO and a reconciliation of NAREIT FFO to net loss for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net (loss) income	$ (10,739)	$ 31,319	$ (27,337)	$ 23,180
Adjustments:				
Depreciation and amortization	23,632	18,252	69,871	52,542
Discontinued operations:				
Depreciation and amortization	—	—	—	22,904
Gain on sale of depreciable real estate	—	(46,441)	—	(46,441)
NAREIT FFO	$ 12,893	$ 3,130	$ 42,534	$ 52,185

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, 2022. We discuss the most critical estimates in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on February 18, 2022.

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, 2022 (in thousands):

	2022	2023	2024	2025	2026	Thereafter	Total	Fair Value
Unsecured fixed rate debt								
Principal	$ —	$ 100,000 (1)	$ —	$ —	$ —	$ 400,000	$ 500,000	$ 459,725
Interest payments	$ 576	$ 19,340	$ 17,995	$ 17,995	$ 17,995	$ 69,369	$ 143,270	
Interest rate on debt maturities	— %	2.3 %	— %	— %	— %	4.5 %	4.1 %	
Unsecured variable rate debt								
Principal	$ —	$ —	$ —	$ 43,000	$ —	$ —	$ 43,000	$ 43,000
Variable interest rate on debt maturities				4.0 %			4.0 %	

(1) Represents a $100.0 million term loan with a floating interest rate. The interest rate on the $100.0 million term loan is effectively fixed by interest rate swap arrangements at 2.31%.

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, 2022 and December 31, 2021 and their respective fair values (in thousands):

					Fair Value as of:	
Notional Amount	Fixed Rate	Floating Index Rate	Effective Date	Expiration Date	September 30, 2022	December 31, 2021
$ 100,000	1.205%	One-Month USD-LIBOR	3/31/2017	7/21/2023	$ 2,463	$ (821)

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, 2021 filed with the SEC on February 18, 2022. 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 Accounting 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 Accounting 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 Accounting 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

There have been no material changes from the risk factors previously disclosed in response to "Part I - Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2021 filed on February 18, 2022.

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

None.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: MINE SAFETY DISCLOSURES

None.

ITEM 5: OTHER INFORMATION

None.

ITEM 6: EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference: Form	File Number	Exhibit	Filing Date	Filed Herewith
3.1	Articles of Amendment and Restatement of Declaration of Trust of the Company, as amended	10-K	001-06622	3.1	2/16/2021	
3.2	Articles of Amendment to the Articles of Amendment and Restatement, effective as of October 17, 2022	8-K	001-06622	3.1	10/17/2022	
3.3	Amended and Restated Bylaws of Elme Communities, as amended	8-K	001-06622	3.2	10/17/2022	
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 Accounting Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
32	Certification of the Chief Executive Officer, Chief Financial Officer and Chief Accounting 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/ Stephen E. Riffee
Stephen E. Riffee
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ W. Drew Hammond
W. Drew Hammond
Vice President, Chief Accounting Officer and Treasurer
(Principal Accounting Officer)

DATE: October 28, 2022

Exhibit 31.1

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 28, 2022

/s/ Paul T. McDermott
Paul T. McDermott
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Stephen E. Riffee, 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 28, 2022

/s/ Stephen E. Riffee

Stephen E. Riffee
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.3

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 28, 2022

/s/ W. Drew Hammond

W. Drew Hammond
Vice President
Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 32

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 Accounting 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, 2022 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 28, 2022	/s/ Paul T. McDermott
	Paul T. McDermott Chief Executive Officer
DATE: October 28, 2022	/s/ Stephen E. Riffee
	Stephen E. Riffee Chief Financial Officer (Principal Financial Officer)
DATE: October 28, 2022	/s/ W. Drew Hammond
	W. Drew Hammond Chief Accounting Officer (Principal Accounting Officer)