DOT HILL SYSTEMS CORP
Form SC 13G
February 12, 2009

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

SCHEDULE 13G

Under the Securities Exchange Act of 1934
(Amendment No. 3)

Dot Hill Systems Corporation

(Name of Issuer)

COMMON STOCK

(Title of Class of Securities)

25848T109

(CUSIP Number)

SEC 1745 (3-98)   Page 1 of 9

December 31, 2008   13G   Page 2 of 9 Pages
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

/_X__/ Rule 13d-1(b)
/____/ Rule 13d-1(c)
/____/ Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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1   NAME OF REPORTING PERSONS
        IRS IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

        ICM Asset Management, Inc.   91-1150802

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-----------------------------------------------------------------
2       CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*
        (a)/ X /
        (b)/   /
-----------------------------------------------------------------
3       SEC USE ONLY

-----------------------------------------------------------------
4       CITIZENSHIP OR PLACE OF ORGANIZATION

        Washington
-----------------------------------------------------------------
          NUMBER OF     5 SOLE VOTING POWER
             SHARES        0
        BENEFICIALLY  ---------------------------------------
          OWNED BY      6 SHARED VOTING POWER
            EACH                 2,795,445
         REPORTING        ---------------------------------------
           PERSON       7 SOLE DISPOSITIVE POWER
            WITH                 0
                          ---------------------------------------
                        8 SHARED DISPOSITIVE POWER
                           2,864,010
-------------------------------------------------------------------
9       AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING
                PERSON
        2,864,010
-----------------------------------------------------------------
10      CHECK IF THE AGGREGATE AMOUNT IN ROW (9)
                EXCLUDES CERTAIN SHARES*

-----------------------------------------------------------------
11      PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9
        6.2%
-----------------------------------------------------------------
12      TYPE OF REPORTING PERSON (See Instructions)
        IA, CO
-----------------------------------------------------------------

CUSIP No. 25848T109            13G            Page 4 of 9 Pages
-----------------------------------------------------------------
1       NAME OF REPORTING PERSONS
        IRS IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

        James M. Simmons
-----------------------------------------------------------------
2       CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
                (See Instructions)
        (a)/ X /
        (b)/   /
-----------------------------------------------------------------
3       SEC USE ONLY

-----------------------------------------------------------------
4       CITIZENSHIP OR PLACE OF ORGANIZATION

        U.S.
-----------------------------------------------------------------
          NUMBER OF     5 SOLE VOTING POWER
            SHARES         20,600
        BENEFICIALLY  ---------------------------------------
          OWNED BY      6 SHARED VOTING POWER
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EACH REPORTING PERSON WITH	2,774,845
	7 SOLE DISPOSITIVE POWER 20,060
	8 SHARED DISPOSITIVE POWER 2,843,410

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
2,864,010

10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions)

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9
6.2%

12 TYPE OF REPORTING PERSON (See Instructions)
IN, HC

ITEM 1.

(a) The name of the issuer is Dot Hill Systems Corporation (the "Issuer").

(b) The principal executive office of the Issuer is located at:
2200 Faraday Avenue, Suite 100
Carlsbad, CA 92008

ITEM 2.

(a) The names of the persons filing this statement are:
ICM Asset Management, Inc. and
James M. Simmons, and
(collectively, the "Filers").

(b) The principal business office of the Filers is located at:
601 W. Main Avenue, Suite 600
Spokane, WA 99201.

(c) See Item 4 of the cover sheet for each Filer.

(d) This statement relates to shares of common stock of the Issuer (the "Stock").

(e) The CUSIP number of the Stock is 25848T109.

ITEM 3. If this statement is filed pursuant to rule 240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:

(a) ___ Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).

(b) ___ Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).

(c) ___ Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).

(d) ___ Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).

(e) _X__ An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E) (as to ICM Asset Management, Inc.).

(f) ___ An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F).

(g) _X__ A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G) (as to James M. Simmons).

(h) ___ A savings association as defined in section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(i) ___ A church plan that is excluded from the definition of an Investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3).

(j) _X__ Group, in accordance with section 240.13d-1(b)(1)(ii)(J) (as to ICM Asset Management, Inc. and James M. Simmons).

ITEM 4. OWNERSHIP

See Items 5-9 and 11 on the cover page for each Filer.

ITEM 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following /___/.

ITEM 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON

ICM Asset Management, Inc. is a registered investment adviser whose clients, have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the stock. James M. Simmons is the Chief Executive Officer and controlling shareholder of ICM Asset Management, Inc. No individual client's holdings of the stock are more than five percent of the outstanding stock.

ITEM 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY

Not applicable.

ITEM 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP

ICM Asset Management, Inc. and James M. Simmons constitute a group within the meaning of rule 13d-5(b)(1), but are not part of a group with any other person.

ITEM 9. NOTICE OF DISSOLUTION OF GROUP

Not applicable.

ITEM 10. CERTIFICATION

By ICM Asset Management, Inc. and James M. Simmons:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 11, 2009

ICM Asset Management, Inc.

____

By: James M. Simmons - CEO

____

James M. Simmons

onciled. Site improvements are valued using replacement cost. Management determines the as-if-vacant fair value of a property using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease- up periods considering current market conditions and costs to execute similar leases, including leasing commissions and other related costs. The values of furniture, fixtures, and equipment are estimated by calculating their replacement cost and reducing that value by factors based upon estimates of their remaining useful lives. Identifiable intangible assets In-place leases Multifamily communities and student housing properties The fair value of in-place leases are estimated by calculating the estimated time to fill a hypothetically empty apartment complex to its stabilization level (estimated to be 93% occupancy) based on historical observed move-in rates for each property, and which approximate market rates. Carrying costs during these hypothetical expected lease-up periods are estimated, considering current market conditions and include real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates. The intangible assets are calculated by estimating the net cash flows of the in-place leases to be realized, as compared to the net cash flows that would have occurred had the property been vacant at the time of acquisition and subject to lease-up. The acquired in-place lease values are amortized over the average remaining non-cancelable term of the respective in-place leases in the depreciation and amortization line of the statements of operations. Grocery-anchored shopping centers and office properties The fair value of in-place leases represent the value of direct costs associated with leasing, including opportunity costs associated with lost rentals that are avoided by acquiring in-place leases. Direct costs associated with obtaining a new tenant include commissions, legal and marketing costs, incentives such as tenant improvement allowances and other direct costs. Such direct costs are estimated based on our consideration of current market costs to execute a similar lease.

The value of opportunity costs is calculated using the estimated market lease rates and the estimated absorption period of the space. These direct costs and opportunity costs are included in the accompanying consolidated balance sheets as acquired intangible assets and are amortized over the remaining term of the respective leases in the depreciation and amortization line of the statements of operations. Above-market and below-market lease values Multifamily communities and student housing properties These values are usually not significant or are not applicable for these properties. Grocery-anchored shopping centers and office properties The values of above-market and below-market leases are developed by comparing the Company's estimate of the average market rents and expense reimbursements to the average contract rent at the property acquisition date. The amount by

which contract rent and expense reimbursements exceed estimated market rent are summed for each individual lease and discounted for a singular aggregate above-market lease intangible asset for the property. The amount by which estimated market rent exceeds contract rent and expense reimbursements are summed for each individual lease and discounted for a singular aggregate below-market lease intangible liability. The above-market or below-market lease values are recorded as a reduction or increase, respectively, to rental revenue over the remaining noncancelable term of the respective leases, plus any below-market probable renewal options.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 10 Impairment Assessment The Company evaluates its tangible and identifiable intangible real estate assets for impairment when events such as declines in a property's operating performance, deteriorating market conditions, or environmental or legal concerns bring recoverability of the carrying value of one or more assets into question. When qualitative factors indicate the possibility of impairment, the total undiscounted cash flows of the asset group, including proceeds from disposition, are compared to the net book value of the asset group. If this test indicates that impairment exists, an impairment loss is recorded in earnings equal to the shortage of the book value to fair value, calculated as the discounted net cash flows of the property. Deferred Leasing Costs Costs incurred to obtain tenant leases are amortized using the straight-line method over the term of the related lease agreement. Such costs include lease incentives, leasing commissions and legal costs. If the lease is terminated early, the remaining unamortized deferred leasing cost is written off. Real Estate Loans and Notes Receivable The Company carries its investments in real estate loans at amortized cost with assessments made for impairment in the event recoverability of the principal amount becomes doubtful. If, upon testing for impairment, the fair value result of the loan is lower than the carrying amount of the loan, a valuation allowance is recorded to lower the carrying amount to fair value, with a loss recorded in earnings. Recoveries of valuation allowances are only recognized in the event of maturity or a sale or disposition in an amount above carrying value. The balances of real estate loans presented on the consolidated balance sheets consist of drawn amounts on the loans, net of unamortized deferred loan origination fees. These loan balances are presented in the asset section of the consolidated balance sheets inclusive of loan balances from third party participant lenders, with the participant amount presented within the liabilities section. See the "Revenue Recognition" section of this Note for other loan-related policy disclosures required by ASC 310-10-50-6. Cash and Cash Equivalents and Restricted Cash The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Restricted cash includes cash restricted by state law or contractual requirement and relates primarily to real estate tax and insurance escrows, capital improvement reserves and resident security deposits. Fair Value Measurements Certain assets and liabilities are required to be carried at fair value, or if they are deemed impaired, to be adjusted to reflect this condition. The Company follows the guidance provided by ASC 820, Fair Value Measurements and Disclosures, in accounting and reporting for real estate assets where appropriate, as well as debt instruments both held for investment and as liabilities. The standard requires disclosure of fair values calculated utilizing each of the following input type within the following hierarchy: • Level 1 – Quoted prices in active markets for identical assets or liabilities at the measurement date. • Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. • Level 3 – Unobservable inputs for the asset or liability. Deferred Loan Costs Deferred loan costs are amortized using the straight-line method, which approximates the effective interest rate method, over the terms of the related indebtedness. Non-controlling Interest Non-controlling interest represents the equity interest of the Operating Partnership that is not owned by the Company. Non- controlling interest is adjusted for contributions, distributions and earnings or loss attributable to the non-controlling interest in the consolidated entity in accordance with the Agreement of Limited Partnership of the Operating Partnership, as amended.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 11 Redeemable Preferred Stock Shares of the Series A Redeemable Preferred Stock, stated value $1,000 per share, or Series A Preferred Stock, and Series M Redeemable Preferred Stock, stated value $1,000 per share, or mShares, are both redeemable at the option of the holder, subject to a declining redemption fee schedule. Redemptions are therefore outside the control of the Company. However, the Company retains the right to fund any redemptions of Series A Preferred Stock or mShares in either Common Stock or cash at its option. Therefore, the Company records the Series A Preferred Stock and mShares as components of permanent stockholders' equity. Deferred Offering Costs Deferred offering costs represent direct costs incurred by the Company related to current equity offerings, excluding costs specifically identifiable to a closing, such as commissions, dealer-manager fees, and other registration fees. For issuances of equity that occur on one specific date, associated offering costs are reclassified as a reduction of proceeds raised on the date of issue. Our ongoing offering of up to a maximum of 1,500,000 Units, consisting of one share of Series A Redeemable Preferred Stock and one warrant, or Warrant, to purchase 20 shares of Common Stock, or Units, generally closes on a bimonthly basis in variable amounts. Such offering is referred to herein as the $1.5 Billion Unit Offering, pursuant to our registration statement on Form S-3 (registration number 333-211924), as may be amended from time to time. Deferred offering costs related to the $1.5 Billion Unit Offering, Shelf Offering and mShares Offering (the latter two as defined in Note 5) are reclassified to the stockholders' equity section of the consolidated balance sheet as a reduction of proceeds raised on a pro-rata basis equal to the ratio of total Units or value of shares issued to the maximum number of Units, or the value of shares, as applicable, that are expected to be issued. Revenue Recognition Multifamily communities and student housing properties Rental revenue is recognized when earned from residents of the Company's multifamily communities, which is over the terms of rental agreements, typically of 12 months' duration. The Company evaluates the collectability of amounts due from residents and maintains an allowance for doubtful accounts for estimated losses resulting from the inability of residents to make required payments then due under lease agreements. The balance of amounts due from residents are generally deemed uncollectible 30 days beyond the due date, at which point they are fully reserved. Grocery-anchored shopping centers and office properties Rental revenue from tenants' operating leases in the Company's grocery-anchored shopping centers and office properties is recognized on a straight-line basis over the term of the lease. Revenue based on "percentage rent" provisions that provide for additional rents that become due upon achievement of specified sales revenue targets (as specified in each lease agreement) is recognized only after the tenant exceeds its specified sales revenue target. Revenue from reimbursements of the tenants' share of real estate taxes, insurance and common area maintenance, or CAM, costs are recognized in the period in which the related expenses are incurred. Lease termination revenues are recognized ratably over the revised remaining lease term after giving effect to the termination notice or when tenant vacates and the Company has no further obligations under the lease. Rents and tenant reimbursements collected in advance are recorded as prepaid rent within other liabilities in the accompanying consolidated balance sheets. The Company estimates the collectability of the tenant receivable related to rental and reimbursement billings due from tenants and straight-line rent receivables, which represent the cumulative amount of future adjustments necessary to present rental revenue on a straight-line basis, by taking into consideration the Company's historical write-off experience, tenant credit-worthiness, current economic trends, and remaining lease terms. The Company may provide grocery-anchored shopping center and office building tenants an allowance for the construction of leasehold improvements. These leasehold improvements are capitalized and depreciated over the shorter of the useful life of the improvements or the remaining lease term. If the allowance represents a payment for a purpose other than funding leasehold improvements, or in the event the Company is not considered the owner of the improvements, the allowance is considered to be a lease incentive and is recognized over the lease term as a reduction of rental revenue. Determination of the appropriate accounting for the payment of a tenant allowance is made on a lease-by-lease basis, considering the facts and circumstances of the individual tenant lease. When the Company is the owner of the leasehold improvements, recognition of rental revenue commences when the lessee is given possession of the leased space upon completion of tenant improvements. However, when the leasehold improvements are owned by the tenant, the lease inception date is the date the tenant obtains possession of the leased space for purposes of constructing its leasehold improvements. For our office properties, if the improvement is deemed to be a "landlord asset," and the tenant funded the tenant improvements, the cost is amortized over the term of the underlying lease with a corresponding recognition

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 12 of rental revenues. In order to qualify as a landlord asset, the specifics of the tenant's assets are reviewed, including the Company's approval of the tenant's detailed expenditures, whether such assets may be usable by other future tenants, whether the Company has consent to alter or remove the assets from the premises and generally remain the Company's property at the end of the lease. Real Estate Loans Interest income on real estate loans and notes receivable is recognized on an accrual basis over the lives of the loans or notes using the effective interest rate method. In the event that a loan or note is refinanced with the proceeds of another loan issued by the Company, any unamortized loan fee revenue from the first loan will be recognized as interest revenue at the date of refinancing. Direct loan origination fees applicable to real estate loans are amortized over the lives of the loans as adjustments to interest income. The accrual of interest on all these instruments ceases when there is concern as to the ultimate collection of principal or interest, which is generally a delinquency of 30 days in required payments of interest or principal. Any payments received on such non-accrual loans are recorded as interest income when the payments are received. Real estate loan assets are reclassified as accrual-basis once interest and principal payments become current. Certain real estate loan assets include limited purchase options and either exit fees or additional amounts of accrued interest. Exit fees or accrued interest due will be treated as additional consideration for the acquired project if the Company purchases the subject property. Additional accrued interest becomes due in cash to the Company on the earliest to occur of: (i) the maturity of the loan, (ii) any uncured event of default as defined in the associated loan agreement, (iii) the sale of the project or the refinancing of the loan (other than a refinancing loan by the Company or one of its affiliates) and (iv) any other repayment of the loan. Stock-Based Compensation The Company accounts for stock-based compensation in accordance with guidance provided by ASC 505-50, Equity-Based Payments to Non-Employees and ASC 718, Stock Compensation. We calculate the fair value of Class B Unit grants at the date of grant utilizing a Monte Carlo simulation model based upon estimates of their expected term, the expected volatility of and dividend yield on our Common Stock over this expected term period and the market risk-free rate of return. The compensation expense is accrued on a straight-line basis over the vesting period(s). We record the fair value of restricted stock awards based upon the closing stock price on the trading day immediately preceding the date of grant. Acquisition Costs Through December 31, 2016, the Company expensed property acquisition costs as incurred, which include costs such as due diligence, legal, certain accounting, environmental and consulting, when the acquisitions constituted business combinations. As described below in the section entitled New Accounting Pronouncements, Accounting Standards Update 2017-01 was adopted by the Company effective January 1, 2017, which changed the definition of a business. Under this new guidance, most property acquisitions made by the Company will fall within the category of acquired assets rather than acquired businesses. This distinction will cause the Company to capitalize its costs for acquisitions (including, effective July 1, 2017, a 1% acquisition fee), allocate them to the fair value of acquired assets and liabilities and amortize these costs over the remaining useful lives of those assets and liabilities. Should the Company complete any acquisitions in the future which qualify as acquisitions of businesses, associated acquisition costs would be expensed as incurred. Capitalization and Depreciation The Company capitalizes tenant improvements, replacements of furniture, fixtures and equipment, as well as carpet, appliances, air conditioning units, certain common area items and other assets. Significant repair and renovation costs that improve the usefulness or extend the useful life of the properties are also capitalized. These assets are then depreciated on a straight-line basis over their estimated useful lives, as follows: • Buildings: 30 - 50 years • Furniture, fixtures & equipment: 5 - 10 years • Improvements to buildings and land: 5 - 20 years • Tenant improvements: shorter of economic life or lease term Operating expenses related to unit turnover costs, such as carpet cleaning, mini-blind replacements and minor repairs are expensed as incurred.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 13 Income Taxes The Company has elected to be taxed as a REIT under the Code. To continue to qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of the Company's annual REIT taxable income to its stockholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, the Company generally will not be subject to federal income tax to the extent it distributes 100% of the Company's annual REIT taxable income to its stockholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income tax on its taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the Internal Revenue Service grants the Company relief under certain statutory provisions. Such an event could have a material adverse affect on the Company's net income and net cash available for distribution to stockholders. The Company intends to operate in such a manner as to maintain its election for treatment as a REIT. The Company recognizes a liability for uncertain tax positions. An uncertain tax position is defined as a position taken or expected to be taken in a tax return that is not based on clear and unambiguous tax law and which is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Company recognizes interest and penalties related to unrecognized tax benefits in its provision for income taxes. Earnings (Loss) Per Share Basic earnings (loss) per share is computed by dividing net income or loss available to common stockholders by the weighted average number of shares of Common Stock outstanding for the period. Net income or loss attributable to common stockholders is calculated by deducting dividends due to preferred stockholders, including deemed non-cash dividends emanating from beneficial conversion features within convertible preferred stock, as well as nonforfeitable dividends due to holders of unvested restricted stock, which are participating securities under the two-class method of calculating earnings per share. Diluted earnings (loss) per share is computed by dividing net income or net loss available to common stockholders by the weighted average number of shares of Common Stock outstanding adjusted for the effect of dilutive securities such as share grants or warrants. No adjustment is made for potential common stock equivalents that are anti-dilutive during the period. New Accounting Pronouncements In May 2014, the FASB issued Accounting Standards Update 2014-09 ("ASU 2014-09"), Revenue from Contracts with Customers (Topic 606). ASU 2014-09 provides a single comprehensive revenue recognition model for contracts with customers (excluding certain contracts, such as lease contracts) to improve comparability within industries. ASU 2014-09 requires an entity to recognize revenue to reflect the transfer of goods or services to customers at an amount the entity expects to be paid in exchange for those goods and services and provide enhanced disclosures, all to provide more comprehensive guidance for transactions such as service revenue and contract modifications. The new standard may be applied retrospectively to each prior period presented or prospectively with the cumulative effect, if any, recognized as of the date of adoption. The Company will adopt the new standard on January 1, R018,when effective, utilizing the modified retrospective transition method with a cumulative effect recognized as of the date of adoption. In addition, the evaluation of non-lease components under ASU 2014-09 will not be effective until Accounting Standards Update No. 2016-02, Leases (Topic 842), ("ASU 2016-02") becomes effective (see further discussion below), which will be January Q, 2019 for the Company. The Company has determined that approximately 90% of its consolidated revenues are derived from either long-term leases with its tenants and reimbursement of related property tax and insurance expenses (considered executory costs of leases) or its mezzanine loan interest income, which are excluded from the scope of the ASU 2014-09. Of the remaining approximately 10% of the Company’s revenues, the majority is comprised of common area maintenance (“CAM”) reimbursements and utility reimbursements, which are non-lease components under ASU 2014-09 and therefore within its scope of adoption. The Company has concluded that the adoption of ASU 2014-09 will have no material effect upon the timing of the recognition of reimbursement revenue and other miscellaneous income. The Company also evaluated its amenity and ancillary services to its multifamily and student housing residents and does not expect the timing and recognition of revenue to change as a result of implementing ASU 2014-09. Additional required disclosures regarding the nature and timing of the Company's revenue transactions will be provided upon adoption of the new standard.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 14 In January 2016, the FASB issued Accounting Standards Update 2016-01 ("ASU 2016-01"), Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities. The new standard's applicable provisions to the Company include an elimination of the disclosure requirement of the significant inputs and assumptions underlying the fair value calculations of its financial instruments which are carried at amortized cost. The standard is effective on January 1, 2018, and early adoption is not permitted. The adoption of ASU 2016-01 will not impact the Company's results of operations or financial condition, but will reduce the content of required disclosure concerning the fair value of its financial instruments. In February 2016, the FASB issued Accounting Standards Update 2016-02 ("ASU 2016-02"), Leases (ASC 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases and supersedes the previous standard, ASC 840 Leases. The standard is effective on January 1, 2019, with early adoption permitted. The new lease guidance requires an entity to separate lease components from non-lease components, such as maintenance services or other activities that transfer a good or service to our residents and tenants in a contract; it also considers the reimbursement of real estate taxes and insurance as executory costs of the lease and requires that such amounts be consolidated with the base rent revenue. For lessors, the consideration in the contract is allocated to the lease and non-lease components on a relative standalone price basis in accordance with the allocation guidance in the new revenue standard. The Company concluded that adoption of ASU 2016-02 does not change the timing of revenue recognition over the lease component, which remains over a straight line method, though the reimbursement of property tax and insurance, considered executory costs of leasing, will be combined with the base rent revenue and presented within rental income instead of other income within the Company’s income statement. Non-lease components are evaluated under ASU 2014-09, Revenue from Contracts with Customers (Topic 606), discussed above. On January 5, 2018, the FASB issued an Exposure Draft on ASC 842. The amendments in this proposed update would address stakeholders’ concerns about the requirement for lessors to separate components of a contract by providing lessors with a practical expedient, by class of underlying assets, to not separate non-lease components from the related lease components, similar to that provided for lessees. However, the lessor practical expedient would be limited to circumstances in which both (1) the timing and pattern of revenue recognition are the same for the non-lease component(s) and related lease component and (2) the combined single lease component would be classified as an operating lease. If the Exposure Draft is approved, the Company anticipates adopting ASC 842 utilizing the practical expedient. In June 2016, the FASB issued Accounting Standards Update 2016-13 ("ASU 2016-13"), Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The new standard requires financial instruments carried at amortized cost to be presented at the net amount expected to be collected, utilizing a valuation account which reflects the cumulative net adjustments from the gross amortized cost value. Under existing GAAP, entities would not record a valuation allowance until a loss was probable of occurring. The standard is effective for the Company on January 1, 2020. The Company is currently evaluating methods of deriving initial valuation accounts to be applied to its real estate loan portfolio. The Company is continuing to evaluate the pending guidance but does not believe the adoption of ASU 2016-13 will have a material impact on its results of operations or financial condition, since the Company has not yet experienced a credit loss related to any of its financial instruments. In August 2016, the FASB issued Accounting Standards Update 2016-15 ("ASU 2016-15"), Statement of Cash Flows—(Topic S26): Classification of Certain Cash Receipts and Cash Payments. The new standard clarifies or establishes guidance for the presentation of various cash transactions on the statement of cash flows. The portion of the guidance applicable to the Company's business activities include the requirement that cash payments for debt prepayment or debt extinguishment costs be presented as cash out flows for financing activities. The standard is effective for the Company on January 1, 2018. The adoption of ASU 2016-15 will not impact the Company’s consolidated financial statements, since its current policy is to classify such costs as cash out flows for financing activities. In November 2016, the FASB issued Accounting Standards Update 2016-18 ("ASU 2016-18"), Statement of Cash Flows—(Topic R30): Restricted Cash, which requires restricted cash to be presented with cash and cash equivalents when reconciling the beginning and ending amounts in the statements of cash flows. ASU 2016-18 is effective for interim and annual periods beginning after December 15, 2017, and early adoption is permitted. The Company will adopt ASU 2016-18 on January 1, 2018 utilizing the retrospective transition method. The Company currently reports changes in restricted cash within the investing activities section of its consolidated statements of cash flows and does not expect the adoption of ASU 2016-18 to impact its results of operations and financial condition. In January 2017, the FASB issued Accounting Standards Update 2017-01 ("ASU 2017-01"), Business Combinations - (Topic 805): Clarifying the Definition of a Business. ASU 2017-01 clarifies the definition of a business and provides further guidance for evaluating whether a transaction will be accounted for as an acquisition of an asset or a business. ASU 2017-01 is effective for

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 15 interim and annual periods beginning after December 15, 2017, and early adoption is permitted. The Company adopted ASU R017-01 as of January 1, 2017. The Company believes its future acquisitions of multifamily communities, office buildings, grocery- anchored shopping centers, and student housing properties will generally qualify as asset acquisitions. To the extent acquisitions are deemed to be asset acquisitions, acquisition costs have been and will be capitalized and amortized rather than expensed as incurred. The impact of the adoption of ASU 2017-01 for the year ended December 31, 2017 was a decrease of approximately $10.0 million of acquisition costs which were capitalized but which would have been expensed in full as incurred under previous guidance. In February 2017, the FASB issued Accounting Standards Update 2017-05 (“ASU 2017-05”), Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets, which provides guidance for recognizing gains and losses from the transfer of nonfinancial assets and for partial sales of nonfinancial assets, and is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2017. The new standard clarifies that an entity should identify each distinct nonfinancial asset or in substance nonfinancial asset promised to a counterparty and derecognize each asset when a counterparty obtains control of it. The amendments also clarify that an entity should allocate consideration to each distinct asset by applying the guidance in Topic 606 on allocating the transaction price to performance obligations for sales to customers. The Company’s sales of nonfinancial real estate assets are generally made to non-customers, which is a scope exception under Topic 606. The Company expects that proceeds from real estate sales will continue to be recognized as gain or loss on sale of real estate in the Consolidated Statement of Operations. 3. Real Estate Assets The Company's real estate assets consisted of: As of December 31, 2017 2016 (Unaudited) Multifamily communities: Properties (1) 30 24 Units 9,521 8,049 New Market Properties (2) Properties 39 31 Gross leasable area (square feet) (3) 4,055,461 3,295,491 Student housing properties: Properties 4 1 Units 891 219 Beds 2,950 679 Preferred Office Properties: Properties 4 3 Rentable square feet 1,352,000 1,096,834 (1) The acquired second and third phases of the Summit Crossing community are managed in combination with the initial phase and so together are considered a single property, as are the three assets that comprise the Lenox Portfolio. (2) See note 13, Segment Information. (3) The Company also owns approximately 47,600 square feet of gross leasable area of ground floor retail space which is embedded within the Lenox Portfolio and not included in the totals above. Storm-related costs Hurricane Harvey caused property damage at our Stone Creek multifamily community located in Port Arthur, Texas which required us to write off real estate assets with a net book value of approximately $6.9 million. Property damage and lost rental income for

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 16 this asset are covered under the National Flood Insurance Program (NFIP) and, residually, under various provisions of our master policy. Therefore, we simultaneously recorded an insurance receivable of the same amount, resulting in no loss being recorded in the Consolidated Statement of Operations from the write-off. At December 31, 2017, we had received approximately $4.7 million of insurance proceeds and expect to receive the remainder during the first quarter 2018. Remediation and restoration is progressing very well, and we anticipate full completion by May of 2018. Together with Hurricane Irma, we sustained other smaller property damages, lost revenues and higher miscellaneous operating expenses at certain of our other multifamily communities and grocery- anchored shopping centers in Texas and Florida. For the three-month period and year ended December 31, 2017, rental revenues decreased $283,000 and $387,000, respectively due to lost rents. We expect to record a full recovery of these lost revenues upon settlement with our insurance carrier and receipt of funds in 2018. In addition to lost rents, our Consolidated Statement of Operations reflects other related costs such as insurance deductibles, smaller property damages that did not exceed our property insurance deductibles, and other storm remediation expenses from the two storms. These costs combined totaled $408,000 and $511,000 for the three-month and twelve-month periods ended December 31, 2017, respectively. Multifamily communities sold On January 20, 2017, the Company closed on the sale of its 364-unit multifamily community in Kansas City, Kansas, or Sandstone Creek, to an unrelated third party for a purchase price of $48.1 million, exclusive of closing costs and resulting in a gain of approximately $0.3 million, which is net of disposition expenses including $1.4 million of debt defeasance related costs. Sandstone Creek contributed approximately $1.2 million and $(0.9) million of net income (loss) to the consolidated operating results of the Company for the years ended December 31, 2017 and 2016, respectively. On March 7, 2017, the Company closed on the sale of its 408-unit multifamily community in Atlanta, Georgia, or Ashford Park, to an unrelated third party for a purchase price of $65.5 million, exclusive of closing costs and resulting in a gain of $30.4 million, which is net of disposition expenses including $1.1 million of debt defeasance related costs plus a prepayment premium of approximately $0.4 million. Ashford Park contributed approximately $2.3 million and $0.6 million of net income to the consolidated operating results of the Company for the years ended December 31, 2017 and 2016, respectively. On May 25, 2017, the Company closed on the sale of its 300-unit multifamily community in Dallas, Texas, or Enclave at Vista Ridge, to an unrelated third party for a purchase price of $44.0 million, exclusive of closing costs and resulting in a gain of $6.9 million, net of disposition expenses including $2.1 million of debt defeasance related costs. Enclave at Vista Ridge contributed approximately $9.8 million and $(0.2) million of net income (loss) to the consolidated operating results of the Company for the years ended December 31, 2017 and 2016, respectively. Had ASU 2014-09, Revenue from Contracts with Customers (Topic 606), been effective during 2017, none of these sales of multifamily communities would have been subject to the accounting and disclosure requirements of the new standard since the transactions did not meet the definition of a contract with a customer, as defined by the new guidance. The carrying amounts of the significant assets and liabilities of the disposed properties at the dates of sale were: Sandstone Creek Ashford Park Enclave at Vista Ridge 1/20/2017 3/7/2017 5/25/2017 Real estate assets: Land $ 2,846,197 $ 10,600,000 $ 4,704,917 Building and improvements 41,859,684 24,075,263 29,915,903 Furniture, fixtures and equipment 5,278,268 4,222,858 2,874,403 Accumulated depreciation (4,808,539) (6,816,193) (3,556,362) Total assets $ 45,175,610 $ 32,081,928 $ 33,938,861 Liabilities: Mortgage note payable $ 30,840,135 $ 25,626,000 $ 24,862,000 Supplemental mortgage note — 6,373,717 — Total liabilities $ 30,840,135 $ 31,999,717 $ 24,862,000

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 17 Multifamily communities and student housing properties acquired During the years ended December 31, 2017, and 2016, the Company completed the acquisition of the multifamily communities and student housing properties in the table below. The multifamily communities acquired during 2016, prior to the Company's adoption of ASU 2017-01, were accounted for as acquisitions of businesses, which required acquisition costs to be expensed when incurred. Beginning January 1, 2017, the Company's acquisitions qualified as acquired assets and the associated acquisition costs were capitalized, allocated to the fair values of the acquired assets and liabilities on the balance sheet and amortized over the remaining expected useful lives. Acquisition date Property Location Approximate purchase price (millions) (1) Units 2/28/2017 SoL (2) Tempe, Arizona $ 53.3 225 3/3/2017 Broadstone at Citrus Village Tampa, Florida $ 47.4 296 3/24/2017 Retreat at Greystone Birmingham, Alabama $ 50.0 312 3/31/2017 Founders Village Williamsburg, Virginia $ 44.4 247 4/26/2017 Claiborne Crossing Louisville, Kentucky $ 45.2 242 7/26/2017 Luxe at Lakewood Ranch Sarasota, Florida $ 56.1 280 9/27/2017 Adara Overland Park Kansas City, Kansas $ 45.5 260 9/29/2017 Aldridge at Town Village Atlanta, Georgia $ 54.2 300 9/29/2017 The Reserve at Summit Crossing Atlanta, Georgia $ 30.9 172 10/27/2017 Stadium Village (3) (4) Atlanta, Georgia $ 72.6 198 11/21/2017 Overlook at Crosstown Walk Tampa, Florida $ 31.4 180 12/18/2017 Ursa (4) (5) Waco, Texas $ 58.2 250 12/20/2017 Colony at Centerpointe Richmond, Virginia $ 45.8 255 3,217 1/5/2016 Baldwin Park Orlando, Florida $ 110.8 528 1/15/2016 Crosstown Walk Tampa, Florida $ 45.8 342 2/1/2016 Overton Rise Atlanta, Georgia $ 61.1 294 5/31/2016 Avalon Park Orlando, Florida $ 92.5 487 6/1/2016 North by Northwest (7) Tallahassee, Florida $ 46.1 219 7/1/2016 City Vista Pittsburgh, Pennsylvania (6) 272 8/24/2016 Sorrel Jacksonville, Florida $ 48.1 290 2,432 (1) Purchase prices shown are exclusive of acquired escrows, security deposits, prepaids, capitalized acquisition costs and other miscellaneous assets and liabilities. (2) A 640-bed student housing community located adjacent to the campus of Arizona State University in Tempe, Arizona. (3) A 792-bed student housing community located adjacent to the campus of Kennesaw State University in Atlanta, Georgia. (4) The Company acquired and owns an approximate 99% equity interest in a joint venture which owns both Stadium Village and Ursa. (5) A 840-bed student housing community located adjacent to the campus of Baylor University in Waco, Texas. (6) The Company converted $12,500,000 of its City Vista real estate loan into an approximate 96% ownership interest in a joint venture which owns the underlying property. (7) A 679-bed student housing community located adjacent to the campus of Florida State University in Tallahassee, Florida.

Preferred Apartment Communities, Inc . Notes to Consolidated Financial Statements – (continued) December 31, 201 7 F- 1 8 The Company allocated the purchase prices and, for acquisitions that closed subsequent to January 1, 2017, capitalized acquisition costs, to the acquired assets and liabilities based upon their fair values, as shown in the following table. The purchase price allocations were based upon the Company's best estimates of the fair values of the acquired assets and liabilities . 2017 Multifamily Communities an d student housing acqui re d B roadston e at Citru s V illag e So L Ret reat a t G reyston e Founder s V illag e Claiborn e C rossin g Luxe a t Lakewoo d Ranc h Adar a Overlan d Par k Aldridge a t Tow n V illag e Th e Reserve a t Summi t C rossin g Lan d $ 4,809, 11 3 $ 7,440,93 4 $ 4,077,26 2 $ 5,314,86 3 $ 2,147,21 7 $ 4,851,84 4 $ 2,854,46 6 $ 7,122,41 3 $ 4,374,72 1 Buildings and improvement s 34,180,98 3 40,058,72 8 35,336,27 7 32,791,6 11 30,551,64 6 43,694,57 5 31,005,40 3 34,683,05 6 20,968,23 6 Furniture, fixtures and equipmen t 6,299,64 5 3,771,43 2 9,125,30 2 5,969,49 8 7,027,25 7 7,338,15 1 11,024,14 4 10,735,23 1 4,970,89 3 Lease intangible s 1,624,75 2 2,344,40 4 1,844,47 6 1,421,19 6 1,268,81 0 1,014,15 0 1,279,58 9 2,270,91 5 925,17 6 Prepaids & other asset s 132,61 9 50,81 7 78,43 0 112,99 9 641,45 6 540,24 1 86,79 1 243,49 6 76,63 5 Escrow s 67,87 6 — 101,50 3 — — — — — — Accrued taxe s (108,28 6) (71,85 6) (139,04 6) — (1 15,72 8) (404,69 0) (308,29 9) — — Security deposits, prepaid rents, an d other liabilitie s (24,88 7) (377,73 5) (108,57 3) (103,20 4) (130,85 0) (57,93 3) (31,94 1) (143,02 4) (43,24 6) Net assets acquire d $ 46,981,81 5 $53,216,72 4 $ 50,315,63 1 $ 45,506,96 3 $41,389,80 8 $56,976,33 8 $ 45,910,15 3 $54,912,08 7 $31,272,41 5 Cash pai d $ 17,625,20 0 $15,731,72 4 $ 15,105,63 1 $ 13,901,96 3 $18,763,33 3 $17,688,83 8 $ 14,060,15 3 $ 5,927,08 6 $ 3,951,01 5 Use of like-kind proceed s — — — — — — — Mezza loan conversio n — — — — — — — 10,975,00 0 7,246,40 0 Mortgage debt, ne t 29,356,61 5 37,485,00 0 35,210,00 0 31,605,00 0 22,626,47 6 39,287,50 0 31,850,00 0 38,010,00 0 20,075,00 0 Total consideratio n $ 46,981,81 5 $53,216,72 4 $ 50,315,63 1 $ 45,506,96 3 $41,389,80 9 $56,976,33 8 $ 45,910,15 3 $54,912,08 6 $31,272,41 5 Y ear ended December 31, 2017 : Revenu e $ 3,806,00 0 $ 4,606,00 0 $ 3,736,00 0 $ 3,051,00 0 $ 2,734,00 0 $ 2,144,00 0 $ 1,037,00 0 $ 1,147,00 0 $ 661,00 0 Net income (loss) $ (2,022,00 0) $ (3,473,00 0) $ (2,747,00 0) $ (1,699,00 0) $(2,617,00 0) $ (1,232,00 0) $ (1,048,00 0) $ (1,265,00 0) $ (499,00 0) Capitalized acquisition costs incurre d by the Compan y $ 458,00 0 $ 290,00 0 $ 383,00 0 $ 1,103,00 0 $ 293,00 0 $ 759,00 0 $ 646,00 0 $ 602,00 0 $ 354,00 0 Capitalized acquisition costs paid t o related party (included above) $ 24,00 0 $ 60,00 0 $ 56,00 0 $ 8,00 0 $ 22,00 0 $ 561,00 0 $ 455,00 0 $ 542,00 0 $ 309,00 0 Remaining amortization period o f intangibl e assets and liabilities (months) 2. 5 0 2. 5 2. 5 1. 5 3. 5 6. 5 10. 5 8. 5 (1) The Company's real estate loan investment in support of Founders V illage was repaid in full at the closing of the acquisition of the propert y.

Preferred Apartment Communities, Inc . Notes to Consolidated Financial Statements – (continued) December 31, 201 7 F- 1 9 2017 Multifamily Communities and student housin g acqui red (continued) Stadium V illage (1) Overlook a t C rosstow n W al k Ursa (1) Colony a t Centerpoint e Lan d $ 7,929,54 0 $ 3,309,03 2 $ 7,059,73 6 $ 7,258,94 7 Buildings and improvement s 54,998,47 6 22,843,65 2 41,148,17 1 30,714,59 7 Furniture, fixtures and equipmen t 5,794,66 4 5,170,34 9 6,858,02 8 7,508,72 3 Lease intangible s 4,676,39 6 475,25 7 3,933,28 1 1,079,97 7 Prepaids & other asset s 220,35 7 109,41 7 287,10 4 (137,14 8) Escrow s — — — — Accrued taxe s — — — — Security deposits, prepaid rents, and other liabilitie s (227,21 0) (61,09 3) (1 11,87 0) (209,89 9) Net assets acquire d $ 73,392,22 3 $31,846,61 4 $ 59,174,45 0 $ 46,215,19 7 Cash pai d $ 15,854,82 2 $ 3,037,74 5 $ 12,351,92 9 $ 12,817,51 9 Mezzanine loan conversio n 9,997,40 1 6,577,86 9 15,422,52 1 — Contribution from joint venture partne r 540,00 0 — — — Mortgage deb t 47,000,00 0 22,231,00 0 31,400,00 0 33,397,67 8 Total consideratio n $ 73,392,22 3 $31,846,61 4 $ 59,174,45 0 $ 46,215,19 7 Y ear ended December 31, 2017 : Revenu e $ 1,156,00 0 $ 346,00 0 $ 191,00 0 $ 133,00 0 Net income (loss) $ (1,492,00 0) $ (215,00 0) $ (263,00 0) $ (139,00 0) Capitalized acquisition costs incurred by the Compan y $ 799,00 0 $ 430,00 0 $ 799,00 0 $ 704,00 0 Capitalized acquisition costs paid to related part y (included above) $ 71 1,00 0 $ 314,00 0 $ 576,00 0 $ 458,00 0 Remaining amortization period of intangibl e assets and liabilities (months) 6. 5 4. 5 8. 5 4. 5 (1) See note 6 .

Preferred Apartment Communities, Inc . Notes to Consolidated Financial Statements – (continued) December 31, 201 7 F- 2 0 2016 Multifamily Communities acqui re d North b y Northwes t A valon Par k Overton Ris e Baldwi n Par k C rosstow n W al k City V ist a Sor re l Lan d $ 8,281,05 4 $ 7,410,04 8 $ 8,5 11,37 0 $ 17,402,88 2 $ 5,178,37 5 $ 4,081,68 3 $ 4,412,16 4 Buildings and improvement s 34,355,92 2 80,558,63 6 44,710,03 4 87,105,75 7 33,605,83 1 36,084,00 7 35,512,25 7 Furniture, fixtures and equipmen t 2,623,91 6 1,790,25 6 6,286,10 5 3,358,58 9 5,726,58 3 5,402,22 8 6,705,04 0 Lease intangible s 799,10 9 2,741,06 0 1,6 11,31 4 2,882,77 2 1,323,5 11 2,100,86 6 1,495,53 9 Prepaids & other asset s 79,62 6 99,29 7 73,75 4 229,97 2 125,70 6 167,79 7 — Escrow s 1,026,41 9 3,477,15 7 354,64 0 2,555,75 3 291,86 8 599,98 3 623,79 1 Accrued taxe s (321,43 7) (394,73 1) (66,42 2) (17,42 1) (25,98 3) (245,32 6) (437,51 0) Security deposits, prepaid rents, and othe r (159,46 2) (207,62 3) (90,21 3) (226,16 0) (53,86 1) (141,23 8) (68,82 8) Net assets acquire d $ 46,685,14 7 $ 95,474,10 0 $ 61,390,58 2 $1 13,292,14 4 $ 46,172,03 0 $48,050,00 0 $ 48,242,45 3 Cash pai d $ 12,831,87 2 $ 30,474,10 0 $ 20,090,58 2 $ 35,492,14 4 $ 13,632,03 0 $ — $ 14,642,45 3 Real estate loan settle d — — — — — 12,500,00 0 — Contribution from joint venture partne r — — — (450,00 0) — Mortgage deb t 33,853,27 5 65,000,00 0 41,300,00 0 77,800,00 0 32,540,00 0 36,000,00 0 33,600,00 0 Total consideratio n $ 46,685,14 7 $ 95,474,10 0 $ 61,390,58 2 $1 13,292,14 4 $ 46,172,03 0 $48,050,00 0 $ 48,242,45 3 Y ear ended December 31, 2017 : Revenu e $ 5,898,00 0 $ 8,132,00 0 $ 5,210,00 0 $ 9,591,00 0 $ 5,244,00 0 $ 4,465,00 0 $ 4,440,00 0 Net income (loss) $ (106,00 0) $ (3,456,00 0) $ (460,00 0) $ (2,596,00 0) $ (306,00 0) $ (2,178,00 0) $ (1,878,00 0) Y ear ended December 31, 2016 : Revenu e $ 3,389,00 0 $ 4,684,00 0 $ 4,968,00 0 $ 9,349,00 0 $ 4,886,00 0 $ 2,341,00 0 $ 1,670,00 0 Net income (loss) $ (1,041,00 0) $ (2,891,00 0) $ (1,894,00 0) $ (4,883,00 0) $ (1,614,00 0) $ (1,689,00 0) $ (854,00 0) Acquisition costs incurred by the Compan y $ 40,00 0 $ 1,314,00 0 $ 116,00 0 $ 1,847,00 0 $ 320,00 0 $ 18,00 0 $ 529,00 0 Remaining amortization period of intangibl e assets and liabilities (months) — — — — — — —

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 21 Grocery-anchored shopping centers acquired During the years ended December 31, 2017, and 2016, the Company completed the acquisition of the following grocery-anchored shopping centers: Acquisition date Property Location Approximate purchase price (millions) (1) Gross leasable area (square feet) 4/21/2017 Castleberry-Southard Atlanta, Georgia $ 17.6 80,018 6/6/2017 Rockbridge Village Atlanta, Georgia $ 20.3 102,432 7/26/2017 Irmo Station Columbia, South Carolina $ 16.0 99,384 8/25/2017 Maynard Crossing Raleigh, North Carolina $ 29.9 122,781 9/8/2017 Woodmont Village Atlanta, Georgia $ 13.5 85,639 9/22/2017 West Town Market Charlotte, North Carolina $ 14.3 67,883 11/30/2017 Roswell Wieuca Shopping Center Atlanta, Georgia $ 32.5 74,370 12/5/2017 Crossroads Market Naples, Florida $ 29.3 126,895 759,402 2/29/16 Wade Green Village (2) Atlanta, Georgia $ 11.0 74,978 4/29/16 Southeastern Six Portfolio (3) $ 68.7 535,252 5/16/16 The Market at Victory Village Nashville, Tennessee $ 15.6 71,300 7/15/16 Lakeland Plaza Atlanta, Georgia $ 45.3 301,711 8/8/16 Sunbelt Seven Portfolio (4) , (5) $ 159.5 650,360 10/18/16 Champions Village Houston, Texas $ 50.0 383,093 2,016,694 (1) Purchase prices shown are exclusive of acquired escrows, security deposits, prepaids, capitalized acquisition costs and other miscellaneous assets and assumed liabilities. (2) See Note 6 - Related party Transactions. (3) The six grocery-anchored shopping centers located in Georgia, South Carolina and Alabama are referred to collectively as the Southeastern Six Portfolio. (4) The seven grocery-anchored shopping centers located in Florida, Georgia, Texas, and North Carolina are referred to collectively as the Sunbelt Seven Portfolio. (5) Includes the purchase of an approximate 0.95 acre outparcel for $1.5 million on December 21, 2016. The Company allocated the purchase prices to the acquired assets and liabilities based upon their fair values, as shown in the following table. The purchase price allocation was based upon the Company's best estimates of the fair values of the acquired assets and liabilities.

Preferred Apartment Communities, Inc . Notes to Consolidated Financial Statements – (continued) December 31, 201 7 F- 2 2 New Market P roperties 2017 acquisition s Castleberry - Southar d Rockbridg e V illag e Irm o Statio n Maynar d C rossin g W oodmon t V illag e W es t Tow n Marke t Roswel l W ieuc a Shoppin g Cente r C ross road s Marke t Lan d $ 3,023,73 1 $ 3,141,32 5 $ 3,602,46 6 $ 6,303,78 7 $ 2,712,90 7 $ 1,936,57 2 $ 12,006,47 5 $ 7,044,19 7 Buildings and improvement s 13,471,24 0 15,666,09 1 11,555,94 2 21,773,90 0 9,836,79 9 12,092,82 3 18,061,91 3 22,168,50 4 Tenant improvement s 670,37 6 278,34 0 303,44 9 791,79 2 193,34 7 205,55 7 422,62 7 458,25 0 In-place lease s 990,66 3 1,249,69 4 773,53 0 1,479,50 7 1,721,42 5 1,042,63 1 1,671,20 9 2,181,30 2 Above market lease s 123,08 4 59,26 7 12,8 11 338,00 2 — — — — Leasing cost s 464,54 4 301,76 1 214,34 0 465,41 4 413,23 7 315,62 4 880,09 1 633,23 2 Below market lease s (1,081,14 5) (332,72 5) (225,22 8) (866,38 0) (1,521,30 5) (1,142,44 6) (85,33 0) (2,988,65 9) Other asset s 67,89 9 7,13 6 132,62 2 258,65 8 — 146,86 4 27,32 0 44,41 0 Other liabilitie s (162,49 9) (89,21 2) (59,39 5) (95, 11 9) (82,04 1) (76,32 3) (223,28 4) (72,75 2) Net assets acquire d $ 17,567,89 3 $ 20,281,67 7 $ 16,310,53 7 $30,449,56 1 $ 13,274,36 9 $ 14,521,30 2 $ 32,761,02 1 $ 29,468,48 4 Cash pai d $ 2,306,70 3 $ 6,031,67 7 $ 5,660,53 7 $1 1,949,56 1 $ 4,499,36 9 $ 5,521,30 2 $ 32,761,02 1 $ 10,468,48 4 Use of 1031 proceed s 3,761,19 0 — — — — — — — Mortgage deb t 11,500,00 0 14,250,00 0 10,650,00 0 18,500,00 0 8,775,00 0 9,000,00 0 — 19,000,00 0 Total consideratio n $ 17,567,89 3 $ 20,281,67 7 $ 16,310,53 7 $30,449,56 1 $ 13,274,36 9 $ 14,521,30 2 $ 32,761,02 1 $ 29,468,48 4 Y ear ended December 31, 2017 : Revenu e $ 1,006,00 0 $ 948,00 0 $ 646,00 0 $ 841,00 0 $ 453,00 0 $ 346,00 0 $ 209,00 0 $ 189,00 0 Net income (loss) $ (1 15,00 0) $ (99,00 0) $ (174,00 0) $ (189,00 0) $ (42,00 0) $ (51,00 0) $ 13,00 0 $ (18,00 0) Capitalized acquisition costs incurred by th e Compan y $ 78,00 0 $ 123,00 0 $ 226,00 0 $ 379,00 0 $ 200,00 0 $ 201,00 0 $ 463,00 0 $ 354,00 0 Capitalized acquisition costs paid to related part y (included above) $ 19,00 0 $ 23,00 0 $ 161,00 0 $ 307,00 0 $ 135,00 0 $ 144,00 0 325,00 0 297,00 0 Remaining amortization period of intangibl e assets and liabilities (years) 9. 6 7. 5 2. 7 5. 0 7. 8 8. 5 5. 8 11. 6

Preferred Apartment Communities, Inc . Notes to Consolidated Financial Statements – (continued) December 31, 201 7 F- 2 3 New Market P roperties 2016 acquisition s The Marke t at V ictor y V illag e Southeastern Si x Portfoli o W ade G ree n V illag e Lakelan d Plaz a Sunbelt Seve n Portfoli o Champion s V illag e Lan d $ 2,271,22 4 $ 14,081,64 7 $ 1,840,28 4 $ 7,079,40 8 $ 37,719,81 2 $ 12,812,54 6 Buildings and improvement s 11,872,22 2 48,598,73 1 8,159,14 7 32,258,33 5 109,373,93 8 30,647,60 9 Tenant improvement s 402,97 3 993,53 0 251,25 0 828,96 6 2,143,40 4 2,751,79 6 In-place lease s 847,93 9 4,906,39 8 841,78 5 2,947,17 5 11,005,66 2 4,283,76 0 Above-market lease s 100,21 6 86,23 4 107,07 4 1,349,62 4 458,35 3 765,8 11 Leasing cost s 253,64 0 992,14 3 167,54 1 1,287,82 5 4, 116,56 0 1,026,34 7 Below-market lease s (198,21 4) (1,069,87 7) — (797,72 9) (7,617,48 5) (3,017,96 0) Other asset s 157,77 5 600,06 9 10,52 5 — 3,409,83 8 2,017,94 7 Other liabilitie s (179,54 6) (437,00 8) (59,26 4) (180,33 1) (1,196,57 9) (1,413,72 6) Net assets acquire d $ 15,528,22 9 $ 68,751,86 7 $ 11,318,34 2 $ 44,773,27 3 $ 159,413,50 3 $ 49,874,13 0 Cash pai d $ 6,278,22 9 $ 43,751,86 7 $ 6,245,68 3 (1 $ 14,773,27 3 $ 61,759,50 3 $ 22,474,13 0 Class A O P Units grante d — — 5,072,65 9 (2 — — — Mortgage deb t 9,250,00 0 (3 25,000,00 0 — (4 30,000,00 0 97,654,00 0 27,400,00 0 Total consideratio n $ 15,528,22 9 $ 68,751,86 7 $ 11,318,34 2 $ 44,773,27 3 $ 159,413,50 3 $ 49,874,13 0 Y ear ended December 31, 2017 : Revenu e $ 1,384,00 0 $ 6,340,00 0 $ 1,053,00 0 $ 3,731,00 0 $ 13,315,00 0 $ 6,152,00 0 Net los s $ (92,00 0) $ (260,00 0) $ (332,00 0) $ (418,00 0) $ (1,395,00 0) $ (1,494,00 0) Cumulative acquisition costs incurred by the Compan y $ 11 1,00 0 $ 633,00 0 $ 297,00 0 $ 255,00 0 $ 691,00 0 $ 145,00 0 Remaining amortization period of intangibl e assets and liabilities (years) 7. 8 3. 9 1. 5 6. 8 9. 0 5. 3 (1) The contributor had an outstanding $6.25 millio n bridge loan secured by the property issued by Madison W ade Green Lending, LLC, an indirect wholly owned entity of the Compan y. Upon contribution of the propert y, the Company assumed the loan and concurrently extinguished the obligation . (2) As partial consideration for the property contribution, the Company granted 419,22 8 Class A O P Units to the contributo r, net of contribution adjustments at closing. The value and number of Class A O P Units to be granted at closing was determined during the contract process and remeasured at fair value as of the contribution date of February 29, 2016. Class A O P Units are exchangeable for shares of Common Stock on a one-fo r-one basis, or cash, at the election of the Operating Partnership. Therefore, the Company determined the fair value of the Units to be equivalent to the price of its common stock on the closing date of the acquisition . (3) The Company assumed the existing mortgage in conjunction with its acquisition of The Market at V ictory V illage . (4) Subsequent to the closing of the acquisition, the Company closed on a mortgage loan on W ade Green V illage in the amount of $8.2 millio n.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 24 Office Buildings acquired During the years ended December 31, 2017 and 2016, the Company completed the acquisitions of the following office buildings: Acquisition date Property Market Approximate purchase price (millions) Leasable square feet 11/13/2017 Westridge at La Cantera San Antonio, Texas $ 83.8 258,000 8/29/2016 Brookwood Office Birmingham, Alabama $ 49.9 169,000 11/4/2016 Galleria 75 Atlanta, Georgia 17.6 111,000 12/30/2016 Three Ravinia Atlanta, Georgia 210.1 817,000 $ 277.6 1,097,000 The Company allocated the purchase prices to the acquired assets and liabilities based upon their fair values, as shown in the following table. Preferred Office Properties acquisitions Westridge at La Cantera Brookwood Office Galleria 75 Three Ravinia Land $ 15,778,102 $ 1,744,828 $ 15,156,267 $ 9,784,645 Buildings and improvements 48,700,797 39,099,395 1,285,856 147,487,769 Tenant improvements 9,794,826 3,561,805 225,811 6,534,782 In-place leases 10,023,304 3,728,049 712,718 17,954,978 Above market leases — 146,941 47,947 812,879 Leasing costs 5,711,721 2,402,958 309,513 7,468,128 Below market leases (5,327,553) (1,737,158) (168,179) (8,245,122) Other assets 797,354 1,466,906 454,931 25,281,764 Other liabilities (98,780) (580,668) (218,923) (766,335) Net assets acquired $ 85,379,771 $ 49,833,056 $ 17,805,941 $ 206,313,488 Cash paid $ 30,939,771 $ 17,433,056 $ 11,875,686 $ 90,813,488 Mortgage debt 54,440,000 32,400,000 5,930,255 115,500,000 Total consideration $ 85,379,771 $ 49,833,056 $ 17,805,941 $ 206,313,488 Year ended December 31, 2017: Revenue $ 1,294,000 $ 6,043,000 $ 1,570,000 $ 27,391,000 Net income (loss) $ 111,000 $ 1,173,000 $ 101,000 $ 4,115,000 Cumulative acquisition costs incurred by the Company $ 943,000 $ 387,000 $ 659,000 $ 685,000 Acquisition costs paid to related party (included above) 843,000 71,000 5,000 185,000 Remaining amortization period of intangible assets and liabilities (years) 9.0 10.1 2.0 13.3 In the Company's Annual Report on Form 10-K for the year ended December 31, 2016, the Company reported a misclassified amount of tenant improvements in connection with the purchase price allocation for its acquisition of the Three Ravinia office building. The impact on the Company's Consolidated Balance Sheet for the year ended December 31, 2016 was an understatement of buildings and improvements of approximately $14.2 million and an overstatement of tenant improvements of the same amount, as shown in the table below. The Company assessed the impact of the error, both quantitatively and qualitatively, in accordance with the SEC’s Staff Accounting Bulletin (SAB) No. 99 and SAB No. 108 and concluded that it was not material to the Company’s previously issued Financial Statements. The Company's Consolidated Balance Sheet as of December 31, 2016 presented in this Annual Report on Form 10-K reflects this revision. The revision had no impact on the Consolidated Statement of Operations, Consolidated Statement of Stockholder’s Equity, or the Consolidated Statement of Cash Flows.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 25 Consolidated balance sheet as of December 31, 2016 As previously reported Adjustment As revised Real estate Building and improvements $ 1,499,129,649 $ 14,164,111 $ 1,513,293,760 Tenant improvements $ 37,806,472 $ (14,164,111) $ 23,642,361 Three Ravinia acquisition As previously reported Adjustment As revised Real estate Buildings and improvements $ 133,323,658 $ 14,164,111 $ 147,487,769 Tenant improvements $ 20,698,893 $ (14,164,111) $ 6,534,782 The error in the prior year purchase price allocation for the Three Ravinia acquisition was related to the expenditure timing of landlord funded tenant allowances and the related recognition of value at the acquisition date. The Company recorded aggregate amortization and depreciation expense of: Year Ended December 31, 2017 2016 2015 Depreciation: Buildings and improvements $ 55,802,278 $ 35,426,794 $ 16,653,380 Furniture, fixtures, and equipment 30,215,282 20,988,814 11,019,007 86,017,560 56,415,608 27,672,387 Amortization: Acquired intangible assets 30,492,331 21,416,784 10,401,697 Deferred leasing costs 201,008 283,806 12,920 Website development costs 65,910 23,600 9,330 Total depreciation and amortization $ 116,776,809 $ 78,139,798 $ 38,096,334 At December 31, 2017, the Company had recorded gross intangible assets of $176.2 million, and accumulated amortization of $73.5 million; gross intangible liabilities of $47.0 million and accumulated amortization of $8.1 million. Net intangible assets and liabilities as of December 31, 2017 will be amortized as follows: Acquired Intangible Assets Below market lease intangible liabilityIn-place leases Above- market leases Lease origination costs For the year ending December 31: 2018 $ 27,256,834 $ 915,169 $ 4,343,197 $ (5,397,373) 2019 9,711,446 667,862 3,731,231 (5,219,719) 2020 7,896,933 488,727 3,280,456 (4,969,256) 2021 5,262,422 351,007 2,521,042 (4,049,684) 2022 4,469,843 275,535 2,233,626 (3,812,246) Thereafter 18,571,696 1,046,257 9,720,106 (15,408,337) Total $ 73,169,174 $ 3,744,557 $ 25,829,658 $ (38,856,615) Weighted-average amortization period (in years) 6.3 6.7 8.6 9.7 Net intangible assets and liabilities as of December 31, 2017 will be amortized over the weighted average remaining amortization periods of approximately 6.9 and 9.7, respectively.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 26 4. Real Estate Loans, Notes Receivable, and Line of Credit Our portfolio of fixed rate, interest-only real estate loans consisted of: December 31, 2017 December 31, 2016 Number of loans 23 26 Drawn amount $ 388,506,100 $ 334,570,242 Deferred loan origination fees (1,710,157) (1,809,174) Carrying value $ 386,795,943 $ 332,761,068 Unfunded loan commitments $ 67,062,941 $ 76,546,234 Weighted average current interest, per annum (paid monthly) 8.53% 8.26% Weighted average accrued interest, per annum 4.99% 5.26% Principal balance Deferred loan origination fees Carrying value Balances as of December 31, 2016 $ 334,570,242 $ (1,809,174) $ 332,761,068 Loan fundings 148,345,526 — 148,345,526 Loan repayments (44,190,477) — (44,190,477) Loans settled with property acquisitions (50,219,191) — (50,219,191) Commitment fees collected — (1,289,193) (1,289,193) Amortization of commitment fees — 1,388,210 1,388,210 Balances as of December 31, 2017 $ 388,506,100 $ (1,710,157) $ 386,795,943 Principal balance Deferred loan origination fees Carrying value Balances as of December 31, 2015 $ 238,965,175 $ (963,417) $ 238,001,758 Loan fundings 151,027,549 — 151,027,549 Loan repayments (42,922,482) — (42,922,482) Loans settled with property acquisitions (12,500,000) — (12,500,000) Commitment fees collected — (1,718,092) (1,718,092) Amortization of commitment fees — 872,335 872,335 Balances as of December 31, 2016 $ 334,570,242 $ (1,809,174) $ 332,761,068 Property type Number of loans Commitment amount Carrying value Percentage of portfolio Multifamily communities 15 $ 292,737,110 $ 241,855,496 63% Student housing properties 6 141,474,926 123,588,382 32% Grocery-anchored shopping centers 1 12,857,005 12,853,522 3% Other 1 8,500,000 8,498,543 2% Balances as of December 31, 2017 23 $ 455,569,041 $ 386,795,943

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 27 Property type Number of loans Commitment amount Carrying value Percentage of portfolio Multifamily communities 15 $ 223,085,132 $ 188,220,938 57% Student housing properties 9 169,174,339 125,953,196 38% Grocery-anchored shopping centers 1 12,857,005 12,606,864 4% Other 1 6,000,000 5,980,070 1% Balances as of December 31, 2016 26 $ 411,116,476 $ 332,761,068 The Palisades and Green Park loans are subject to a loan participation agreement with a syndicate of unaffiliated third parties, under which the syndicate is to fund approximately 25% of the loan commitment amount and collectively receive approximately R5% of interest payments, returns of principal and purchase option discount (if applicable). The Company's Encore loan is subject to a loan participation agreement of 49% of the loan commitment amount, interest payments, and return of principal. The aggregate amount of the Company's liability under the loan participation agreements at December 31, 2017 was approximately $14.0 million. The Company's real estate loans are collateralized by 100% of the membership interests of the underlying project entity, and, where considered necessary, by unconditional joint and several repayment guaranties and performance guaranties by the principal(s) of the borrowers. These guaranties generally remain in effect until the receipt of a final certificate of occupancy. All of the guaranties are subject to the rights held by the senior lender pursuant to a standard intercreditor agreement. The Crescent Avenue, Haven Northgate, Brentwood, and Berryessa loans are also collateralized by the acquired land or property. Prepayment of the real estate loans are permitted in whole, but not in part, without the Company's consent. Management monitors the credit quality of the obligors under each of the Company's real estate loans by tracking the timeliness of scheduled interest and principal payments relative to the due dates as specified in the loan documents, as well as draw requests on the loans relative to the project budgets. In addition, management monitors the actual progress of development and construction relative to the construction plan, as well as local, regional and national economic conditions that may bear on our current and target markets. The credit quality of the Company's borrowers is primarily based on their payment history on an individual loan basis, and as such, the Company does not assign quantitative credit value measures or categories to its real estate loans and notes receivable in credit quality categories. At December 31, 2017, none of the Company's real estate loans were delinquent and no allowances for uncollectibility had been recorded.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 28 Our portfolio of notes and lines of credit receivable consisted of: Borrower Date of loan Maturity date Total loan commitments Outstanding balance as of: Interest rate12/31/2017 12/31/2016 360 Residential, LLC (1) 3/20/2013 3/31/2018 $ 2,000,000 $ 2,000,000 $ 1,472,571 12% Preferred Capital Marketing Services, LLC (2) 1/24/2013 12/31/2018 1,500,000 926,422 1,082,311 10% Oxford Contracting, LLC (1) 8/27/2013 (3) — — 1,475,000 8% Preferred Apartment Advisors, LLC (1,2,4) 8/21/2012 12/31/2018 18,000,000 14,487,695 13,708,761 8% Haven Campus Communities, LLC (1,2) 6/11/2014 12/31/2018 11,110,000 7,324,904 7,324,904 12% Oxford Capital Partners, LLC (1,5) 10/5/2015 6/30/2018 10,150,000 6,628,082 7,870,865 12% Newport Development Partners, LLC (1) 6/17/2014 6/30/2018 3,000,000 — — 12% 360 Residential, LLC II (1) 12/30/2015 3/31/2018 3,255,000 3,255,000 2,884,845 15% Mulberry Development Group, LLC (1) 3/31/2016 6/30/2018 500,000 478,835 177,000 12% Mulberry Development Group, LLC 7/31/2017 6/30/2018 2,000,000 1,920,746 — 12% 360 Capital Company, LLC (1) 5/24/2016 12/31/2019 3,900,000 3,040,962 1,678,999 12% Unamortized loan fees (5,881) (59,581) $ 55,415,000 $ 40,056,765 $37,615,675 (1) The amounts payable under the terms of these revolving credit lines are collateralized by a personal guaranty of repayment by the principals of the borrower. (2) See related party disclosure in Note 6. (3) Note was repaid on April 6, 2017 and terminated at its maturity date of April 30, 2017. (4) The amounts payable under this revolving credit line were collateralized by an assignment of the Manager's rights to fees due under the Sixth Amended and Restated Management Agreement between the Company and the Manager. (5) The amounts payable under the terms of this revolving credit line, up to the lesser of 25% of the loan balance or $2,000,000 are collateralized by a personal guaranty of repayment by the principals of the borrower. The Company recorded interest income and other revenue from these instruments as follows: Year Ended December 31, 2017 2016 2015 Real estate loans: Current interest payments $ 32,570,425 $ 23,633,118 $ 16,188,752 Additional accrued interest 18,669,448 14,859,365 10,809,028 Deferred origination fee amortization 1,375,754 872,335 829,969 Total real estate loan revenue 52,615,627 39,364,818 27,827,749 Interest income on notes and lines of credit 4,286,232 4,120,775 2,853,961 Interest income on loans and notes $ 56,901,859 $ 43,485,593 $ 30,681,710 The Company extends loans for purposes such as to partially finance the development of multifamily residential communities, to acquire land in anticipation of developing and constructing multifamily residential communities, and for other real estate or real estate related projects. Certain of these loans include characteristics such as exclusive options to purchase the project within a specific time window following project completion and stabilization, the sufficiency of the borrowers' investment at risk and the existence of payment and performance guaranties provided by the borrowers. Loans with these characteristics are variable interests, and management assesses whether such interest is in a variable interest entity or VIE, and, if so, must assess to determine if it is the primary beneficiary. The Company considers the facts and circumstances pertinent to each entity borrowing under the loan, including the relative amount of financing the Company is contributing to the overall project cost, decision making rights or control held by the Company, guarantees provided by third parties, and rights to expected residual gains or obligations to absorb expected residual losses that could be significant from the project. If the Company is deemed to be the primary beneficiary of a VIE, consolidation treatment would be required.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 29 The Company has no decision making authority or power to direct activity, except normal lender rights, which are subordinate to the senior loans on the projects. The Company has concluded that it is not the primary beneficiary of the borrowing entities and therefore it has not consolidated these entities in its consolidated financial statements. The Company's maximum exposure to loss from these loans is their drawn amount as of December 31, 2017 of approximately $347.2 million. The maximum aggregate amount of loans to be funded as of December 31, 2017 was approximately $413.2 million. The Company has evaluated its real estate loans, where appropriate, for accounting treatment as loans versus real estate development projects, as required by ASC 310. For each loan, the characteristics and the facts and circumstances indicate that loan accounting treatment is appropriate. The Company is also subject to a geographic concentration of risk that could be considered significant with regard to the Encore, Encore Capital, Green Park, Bishop Street, Dawsonville Marketplace, Crescent Avenue, 360 Forsyth, Morosgo and TP Kennesaw loans, all of which are partially supporting proposed various real estate projects in or near Atlanta, Georgia. The drawn amount of these loans as of December 31, 2017 totaled approximately $95.3 million (with a total commitment amount of approximately $129.3 million) and in the event of a total failure to perform by the borrowers and guarantors, would subject the Company to a total possible loss of that amount. 5. Redeemable Preferred Stock and Equity Offerings On February 14, 2017, the Company terminated its offering of up to 900,000 Units, or Follow-on Offering, and on the same day, the Company’s registration statement on Form S-3 (Registration No. 333-211924) (the “$1.5 Billion Follow-on Registration Statement”) was declared effective by the SEC. Units issued under the $1.5 Billion Unit Offering are offered at a price of $1,000 per Unit, subject to adjustment if a participating broker-dealer reduces its commission. Each share of Series A Preferred Stock ranks senior to Common Stock with respect to dividend rights and carries a cumulative annual 6% dividend of the stated per share value of $1,000, payable monthly as declared by the Company’s board of directors. Dividends begin accruing on the date of issuance. The redemption schedule of the Preferred Stock allows redemptions at the option of the holder from the date of issuance of the Series A Preferred Stock through the first year subject to a 13% redemption fee. After year one, the redemption fee decreases to 10%, after year three it decreases to 5%, after year four it decreases to 3%, and after year five there is no redemption fee. Any redeemed shares of Series A Preferred Stock are entitled to any accrued but unpaid dividends at the time of redemption and any redemptions may be in cash or Common Stock, at the Company’s discretion. The Warrant is exercisable by the holder at an exercise price of 120% of the current market price per share of the Common Stock on the date of issuance of such warrant with a minimum exercise price of $19.50 per share. The current market price per share of the Common Stock is determined using the closing price of the common stock immediately preceding the issuance of such Warrant. The Warrants are not exercisable until one year following the date of issuance and expire four years following the date of issuance. The Units are being offered by Preferred Capital Securities, LLC, or PCS, an affiliate of the Company, on a "reasonable best efforts" basis. The Company intends to invest substantially all the net proceeds of the $1.5 Billion Unit Offering in connection with the acquisition of multifamily communities, other real estate- related investments and general working capital purposes. Except as described in the $1.5 Billion Follow-on Registration Statement, the terms of the $1.5 Billion Unit Offering are substantially similar to those under the Follow-on Offering. As of February 14, R017, which was the final closing of the Follow-on Offering, offering costs specifically identifiable to Unit offering closing transactions, such as commissions, dealer manager fees, and other registration fees, totaled approximately $97.2 million. These costs are reflected as a reduction of stockholders' equity at the time of closing. In addition, the costs related to the offering not related to a specific closing transaction totaled approximately $15.0 million. As of February 14, 2017, the Company had issued all available Units under the Primary Series A Offering and the Follow-on Offering and collected net proceeds of approximately $891.2 million after commissions. Since the maximum number of Units available to be issued under the Primary Series A Offering and the Follow-on Offering were issued, the Company consequently recognized 100.0% of the approximate $15.0 million deferred offering costs as a reduction of stockholders' equity. For the $1.5 Billion Unit Offering, as of December 31, 2017, offering costs specifically identifiable to Unit offering closing transactions, such as commissions, dealer manager fees, and other registration fees, totaled approximately $25.2 million. These costs are reflected as a reduction of stockholders' equity at the time of closing. In addition, the costs related to the offering not related to a specific closing transaction totaled approximately $3.5 million. As of December 31, 2017, the Company had issued R60,871 Units and collected net proceeds of approximately $234.4 million after commissions under the $1.5 Billion Unit Offering. The number of Units issued was approximately 17.4% of the maximum number of Units anticipated to be issued under the $1.5 Billion Unit Offering. Consequently, the Company cumulatively recognized approximately 17.4% of the approximate $3.5 million deferred to date, or approximately $603,000 as a reduction of stockholders' equity. The remaining balance of offering costs not yet reflected as a reduction of stockholder's equity, approximately $2.9 million, are reflected in the asset section of the consolidated balance sheet as deferred offering costs at December 31, 2017. The remainder of current and future deferred offering costs related to the $1.5 Billion Unit Offering will likewise be recognized as a reduction of stockholders' equity in the proportion of the number

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 30 of Units issued to the maximum number of Units anticipated to be issued. Offering costs not related to a specific closing transaction are subject to an overall cap of approximately 1.5% (discussed further below) of the total gross proceeds raised during the Unit offerings. Cumulatively, a total of 28,760 shares of Preferred Stock have been subsequently redeemed from the Primary Series A Offering, the Follow-on Offering, and the $1.5 Billion Unit Offering. Aggregate offering expenses, including selling commissions and dealer manager fees, will be capped at 11.5% of the aggregate gross proceeds of the $1.5 Billion Unit Offering, of which the Company will reimburse its Manager up to 1.5% of the gross proceeds of such offering for all organization and offering expenses incurred, excluding selling commissions and dealer manager fees; however, upon approval by the conflicts committee of the board of directors, the Company may reimburse its Manager for any such expenses incurred above the 1.5% amount as permitted by the Financial Industry Regulatory Authority. On May 5, 2016, the Company filed a registration statement on Form S-3 (File No. 333-211178), or the Shelf Registration Statement, for an offering of up to $300 million of equity or debt securities, or the Shelf Offering, which was declared effective by the SEC on May 17, 2016. Deferred offering costs related to this Shelf Registration Statement totaled approximately $1.9 million as of December 31, 2017, of which $626,000 has been reflected as a reduction of stockholders' equity. The remaining balance of offering costs not yet reflected as a reduction of stockholder's equity, approximately $1.3 million, are reflected in the asset section of the consolidated balance sheet as deferred offering costs at December 31, 2017. On May 12, 2017, the Company sold 2,750,000 shares of its Common Stock at a price of $15.25 per share pursuant to an underwritten public offering. On May 30, 2017, the Company sold an additional 412,500 shares of Common Stock at $15.25 per share pursuant to the exercise in full of an option received in connection with the public offering. The combined gross proceeds of the two sales was approximately $48.2 million before deducting underwriting discounts and commissions and other estimated offering expenses. The Company filed a prospectus to issue and sell up to $150 million of Common Stock from time to time in an "at the market" offering (the "2016 ATM Offering") through the sales agents named in the prospectus. The Company intends to use any proceeds from the 2016 ATM Offering to repay outstanding amounts under our existing senior secured revolving credit facility and for other general corporate purposes, which includes making investments in accordance with the Company's investment objectives. Since the inception of the 2016 ATM Offering, December 31, 2017, the Company cumulatively sold 3.4 million shares of common stock through the ATM Offering and collected net proceeds of approximately $51.0 million. On December 2, 2016, the Company's registration statement on Form S-3 (Registration No. 333-214531) (the "mShares Registration Statement") was declared effective by the SEC. The mShares Registration Statement allows us to offer up to a maximum of 500,000 shares of mShares (the "mShares Offering"). The mShares are being offered by PCS on a "reasonable best efforts" basis. The price per mShare is $1,000. Each mShare ranks senior to Common Stock and on parity with the Series A Preferred Stock with respect to dividend rights and carries a cumulative annual dividend of 5.75% per annum. Beginning one year from the date of original issuance of each mShare, and on each one year anniversary thereafter, the dividend rate increases by 0.25% per annum, up to a maximum of 7.5% per annum. Dividends are payable monthly as declared by the Company's board of directors and begin accruing on the date of issuance. The redemption schedule of the mShares allows redemptions at the option of the holder from the date of issuance of the Preferred Stock through the first year subject to a 2% redemption fee. After year one, the redemption fee decreases to 1% and after year two there is no redemption fee. Any redeemed mShares are entitled to any accrued but unpaid dividends at the time of redemption and any redemptions may be in cash or Common Stock, at the Company's discretion. The Company intends to invest substantially all the net proceeds of the mShares Offering in connection with the acquisition of multifamily communities, other real estate-related investments and general working capital purposes. As of December 31, 2017, offering costs specifically identifiable to mShares Offering closing transactions, such as commissions, dealer manager fees, and other registration fees, totaled approximately $0.8 million. These costs are reflected as a reduction of stockholders' equity at the time of closing. In addition, the costs related to the offering not related to a specific closing transaction totaled approximately $2.5 million. As of December 31, 2017, the Company had issued 15,275 mShares and collected net proceeds of approximately $14.5 million after commissions under the mShares Offering. The number of mShares issued was approximately S.1% of the maximum number of mShares anticipated to be issued under the mShares Offering. Consequently, the Company cumulatively recognized approximately 3.1% of the approximate $2.5 million deferred to date, or approximately $77,000 as a reduction of stockholders' equity. The remaining balance of offering costs not yet reflected as a reduction of stockholder's equity, approximately $2.4 million are reflected in the asset section of the consolidated balance sheet as deferred offering costs at December 31, 2017. The remainder of current and future deferred offering costs related to the mShares Offering will likewise be

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 31 recognized as a reduction of stockholders' equity in the proportion of the number of mShares issued to the maximum number of mShares anticipated to be issued. Offering costs not related to a specific closing transaction are subject to an overall cap of approximately 1.5% (discussed further below) of the total gross proceeds raised during the mShares Offering. Aggregate offering expenses, including dealer manager fees, are capped at 11.5% of the aggregate gross proceeds of the mShares Offering, of which the Company will reimburse its Manager up to 1.5% of the gross proceeds of such offering for all organization and offering expenses incurred, excluding dealer manager fees; however, upon approval by the conflicts committee of the board of directors, the Company may reimburse its Manager for any such expenses incurred above the 1.5% amount as permitted by the Financial Industry Regulatory Authority. The Company's Series A Preferred Stock and mShares are redeemable at the option of the holder in either cash or the Company's Common Stock, at the Company's option. Since the Company controls the form of redemption, it presents its Series A Preferred Stock and mShares as components of permanent rather than temporary or mezzanine equity on its Consolidated Balance Sheets. 6. Related Party Transactions John A. Williams, the Company's Chief Executive Officer and Chairman of the Board, and Leonard A. Silverstein, the Company's President and Chief Operating Officer and a member of the Board, are also executive officers and directors of NELL Partners, Inc., which controls the Manager. Mr. Williams, Mr. Silverstein, and Daniel M. DuPree comprise the board of directors of NELL Partners, Inc. Mr. Williams is the Chief Executive Officer and Mr. Silverstein is the President and Chief Operating Officer of the Manager. Mr. DuPree is the Chief Investment Officer of the Manager. Mr. Williams, Mr. Silverstein and Michael J. Cronin, the Company's Executive Vice President, Chief Accounting Officer and Treasurer are executive officers of Williams Realty Advisors, LLC, or WRA, which is the manager of the day-to-day operations of Williams Opportunity Fund, LLC, or WOF.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 32 The Management Agreement entitles the Manager to receive compensation for various services it performs related to acquiring assets and managing properties on the Company's behalf: Year Ended December 31, Type of Compensation Basis of Compensation 2017 2016 2015 Acquisition fees As of July 1, 2017, 1.0% of the gross purchase price of real estate assets (see following discussion) $ 6,131,221 $ — $ 6,292,280 Loan origination fees 1.0% of the maximum commitment of any real estate loan, note or line of credit receivable 1,330,796 1,886,105 1,349,273 Loan coordination fees As of January 1, 2016, 1.6% of any assumed, new or supplemental debt incurred in connection with an acquired property. Effective July 1, 2017, the fee was reduced to 0.6% of any such debt. 5,559,615 10,560,120 — Asset management fees Monthly fee equal to one-twelfth of 0.50% of the total book value of assets, as adjusted 12,908,371 8,602,675 3,622,589 Property management fees Monthly fee equal to 4% of the monthly revenues collected from the properties managed 6,381,708 4,943,899 2,456,968 General and administrative expense fees Monthly fee equal to 2% of the monthly gross revenues of the Company 5,237,618 3,483,460 1,764,555 Construction management fees Quarterly fee for property renovation and takeover projects 331,767 173,614 59,554 $ 37,881,096 $ 29,649,873 $ 15,545,219 The Manager may, in its discretion, forfeit some or all of the asset management, property management, or general and administrative fees for properties owned by the Company. The forfeited fees are converted at the time of forfeiture into contingent fees, which are earned by the Manger only in the event of a sales transaction, and whereby the Company’s capital contributions for the property being sold exceed a 7% annual rate of return. The Company will recognize in future periods to the extent, if any, it determines that the sales transaction is probable, and that the estimated net sale proceeds would exceed the annual rate of return hurdle. As of July 1, 2017, the Manager reduced the loan coordination fee from 1.6% to 0.6% of the amount of assumed, new or incremental debt which leverages acquired real estate assets. In addition, the Manager reinstated a 1% acquisition fee charged on the cost of acquired real estate assets, which had historically been charged prior to its replacement effective January 1, 2016 by the 1.6% loan coordination fee. These changes were put in place to reflect a shift in the efforts of the Manager in property acquisitions. On May 25, 2017,we closed on the sale of our Enclave at Vista Ridge multifamily community to an unrelated third party. At such date, the Manager collected a cumulative total of approximately $390,000 of contingent fees. The sales transaction, and the fact that the Company’s capital contributions for the Enclave at Vista Ridge property achieved a greater than 7% annual rate of return. The Company will recognize in future periods to the extent, if any, it determines that the sales transaction is probable, and that the estimated net sale proceeds would exceed the annual rate of return hurdle. A cumulative total of approximately $5.8 million of combined asset management and general and administrative fees related to acquired properties as of December 31, 2017 have been forfeited by the Manager. A total of $5.0 million remains contingent and could possibly be earned by the Manager in the future. In addition to property management fees, the Company incurred the following reimbursable on-site personnel salary and related benefits expenses at the properties, which are listed on the Consolidated Statements of Operations:

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 33 Year Ended December 31, 2017 2016 2015 $ 12,329,295 $ 10,398,711 $ 5,885,242 The Manager utilizes its own and its affiliates' personnel to accomplish certain tasks related to raising capital that would typically be performed by third parties, including, but not limited to, legal and marketing functions. As permitted under the Management Agreement, the Manager was reimbursed $429,094, $461,294 and $804,648 for the years ended December 31, 2017, 2016 and R015, respectively and PCS was reimbursed $1,083,160, $1,019,353 and $390,872 for the years ended December 31, 2017, 2016 and 2015, respectively. These costs are recorded as deferred offering costs until such time as additional closings occur on the $1.5 Billion Unit Offering, mShares Offering or the Shelf Offering, at which time they are reclassified on a pro-rata basis as a reduction of offering proceeds within stockholders' equity. On October 27, 2017, the Company acquired an approximate 98% ownership interest in a joint venture that controls the Stadium Village student housing property. On December 18, 2017, the Company increased its ownership to 99% in connection with obtaining control of the Ursa student housing property in Waco, Texas. John A. Williams, Jr., our Chief Executive Officer's son, a principal of the sellers and a related party of the Company under GAAP. The Company's Haven 46, Haven Northgate and Haven Charlotte real estate loans and the Haven Campus Communities' line of credit are supported in part by guaranties of repayment and performance by John A. Williams, Jr., our Chief Executive Officer's son, a principal of the borrowers and a related party of the Company under GAAP. In addition to the fees described above, the Management Agreement also entitles the Manager to other potential fees, including a disposition fee of 1% of the sale price of a real estate asset. The Manager earned disposition fees totaling $1,576,000 for the year ended December 31, 2017 on the sale of the Ashford Park, Sandstone Creek and Enclave at Vista Ridge properties, and $390,000 for the year ended December 31, 2016 on the sale of the Trail Creek property. These fees are included in the Gain on sale of real estate, net of disposition expenses line on the Consolidated Statements of Operations. The Manager also receives leasing commission fees. Retail leasing commission fees (a) for new retail leases are equal to the greater of (i) $4.00 per square foot, and (ii) 4.0% of the aggregate base rental payments to be made by the tenant for the first 10 years of the original lease term; and (b) for lease renewals are equal to the greater of (i) $2.00 per square foot, and (ii) 2.0% of the aggregate base rental payments to be made by the tenant for the first 10 years of the newly renewed lease term. There are no commissions payable on retail lease renewals thereafter. Office leasing commission fees (a) for new office leases are equal to 4.0% of gross rent less free rent of the guaranteed lease term, (b) in the event of co-broker participation in a new lease, the leasing commission determined for a new lease is 6.0% of the gross rent less free rent of the guaranteed lease term and (c) for lease renewals, are equal to 2% of gross rent less free rent of the guaranteed lease term or, in the event of a co-broker, 4.0% of the gross rent less free rent of the guaranteed lease term. A procurement fee is also paid for new leases within the Atlanta, Georgia market. Office leasing commission fees may not exceed market rates for office leasing services. The Company paid office leasing commission fees of approximately $350,000 for the year ended December 31, 2017. The Company holds a promissory note in the amount of $926,422 due from Preferred Capital Marketing Services, LLC, or PCMS, which is a wholly-owned subsidiary of NELL Partners. The Company has extended a revolving line of credit with a maximum borrowing amount of $18.0 million to its Manager. W. Dividends and Distributions The Company declares and pays monthly cash dividend distributions on its Series A Preferred Stock in the amount of $5.00 per share per month and beginning in March 2017, on its Series M Preferred Stock, on an escalating scale of $4.79 per month in year one, increasing to $6.25 per month in year eight and beyond. All preferred stock dividends are prorated for partial months at issuance as necessary.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 34 The Company's cash distributions on its Preferred Stock were: R017 2016 Record date Number of shares Aggregate dividends declared Record date Number of shares Aggregate dividends declared January 31, 2017 932,413 $ 4,641,149 January 30, 2016 482,774 $ 2,481,086 February 28, 2017 977,267 4,849,032 February 27, 2016 516,017 2,630,601 March 31, 2017 979,309 4,938,098 March 31, 2016 544,129 2,770,048 April 28, 2017 992,774 5,000,060 April 29, 2016 582,720 2,979,196 May 31, 2017 1,019,046 5,085,694 May 31, 2016 617,994 3,143,567 June 30, 2017 1,041,187 5,237,872 June 30, 2016 651,439 3,321,519 July 31, 2017 1,061,179 5,299,654 July 29, 2016 682,392 3,458,513 August 31, 2017 1,086,714 5,412,511 August 31, 2016 721,143 3,671,020 September 29, 2017 1,113,896 5,545,017 September 30, 2016 765,185 3,886,173 October 31, 2017 1,143,239 5,692,370 October 31, 2016 801,455 4,060,141 November 30, 2017 1,177,588 5,845,619 November 30, 2016 850,246 4,255,788 December 29, 2017 1,219,062 6,041,311 December 30, 2016 893,245 4,422,993 Total $ 63,588,387 Total $ 41,080,645 In addition to the cash distributions in the table above, the Consolidated Statement of Operations for the year ended December 31, R017 includes $62,878 of accrued dividends related to our mShares Preferred Stock. The Company's dividend activity on its Common Stock for the years ended December 31, 2017 and 2016 was: R017 2016 Record date Number of shares Dividend per share Aggregate dividends paid Record date Number of shares Dividend per share Aggregate dividends paid March 15, 2017 27,139,354 $ 0.22 $ 5,970,658 March 15, 2016 23,041,502 $ 0.1925 $ 4,435,489 June 15, 2017 32,082,451 0.235 7,539,376 June 15, 2016 23,568,328 0.2025 4,772,587 September 15, 2017 34,715,982 0.235 8,158,256 September 15, 2016 24,652,041 0.2025 4,992,038 December 15, 2017 38,303,900 0.25 9,575,975 December 15, 2016 26,093,707 0.22 5,740,616 $ 0.94 $ 31,244,265 $ 0.8175 $ 19,940,730 The holders of Class A OP Units of the Operating Partnership are entitled to equivalent distributions as those declared on the Common Stock. At December 31, 2017, the Company had 884,735 Class A OP Units outstanding, which are exchangeable on a one-for-one basis for shares of Common Stock or the equivalent amount of cash. Distribution activity by the Operating Partnership was: 2017 2016 Record date Payment date Aggregate distributions Record date Payment date Aggregate distributions March 15, 2017 April 14, 2017 $ 198,742 March 15, 2016 April 15, 2016 $ 117,395 June 15, 2017 July 14, 2017 211,781 June 15, 2016 July 15, 2016 179,449 September 15, 2017 October 16, 2017 211,781 September 15, 2016 October 14, 2016 179,449 December 15, 2017 January 16, 2018 221,184 December 15, 2016 January 17, 2017 194,957 $ 843,488 $ 671,250

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 35 8. Equity Compensation Stock Incentive Plan On February 25, 2011, the Company's board of directors adopted, and the Company's stockholders approved, the Preferred Apartment Communities, Inc. 2011 Stock Incentive Plan to incentivize, compensate and retain eligible officers, consultants, and non-employee directors. On May 7, 2015, the Company's stockholders approved the third amendment to the Preferred Apartment Communities, Inc. 2011 Stock Incentive Plan, or, as amended, the 2011 Plan, which amendment increased the aggregate number of shares of Common Stock authorized for issuance under the 2011 Plan from 1,317,500 to 2,617,500 and extended the expiration date of the 2011 Plan to December 31, 2019. Equity compensation expense by award type for the Company was: Year Ended December 31, Unamortized expense as of December 31, 2017 2016 2015 2017 Quarterly board member committee fee grants $ — $ 83,973 $ 53,926 $ — Class B Unit awards: Executive officers - 2014 — — 3,825 — Executive officers - 2015 — 5,236 1,984,052 — Executive officers - 2016 312,185 2,054,830 300,273 Executive officers - 2017 2,690,829 — — 722,964 Restricted stock grants: 2014 — — 107,321 — 2015 — 106,670 213,329 — 2016 136,667 273,333 2017 240,011 — — 120,007 Restricted stock units 90,592 — — 181,184 Total $ 3,470,284 $ 2,524,042 $ 2,362,453 $ 1,324,428 Restricted Stock Grants The following annual grants of restricted stock were made to members of the Company's independent directors, as payment of the annual retainer fees. The restricted stock grants vested (or are scheduled to vest) on a pro-rata basis over the four consecutive 90-day periods following the date of grant. Service year Shares Fair value per share Total compensation cost 2015 30,133 $ 10.62 $ 320,012 2016 30,990 $ 13.23 $ 409,998 2017 24,408 $ 14.75 $ 360,018 Class B OP Units On January 2, 2015, the Company caused the Operating Partnership to grant 176,835 Class B Units of the Operating Partnership, or Class B OP Units, for service to be rendered during 2015. On January 4, 2016, the Company caused the Operating Partnership to grant 265,931 Class B OP Units for service to be rendered during 2016, 2017 and 2018. On January 3, 2017, the Company caused the Operating Partnership to grant 286,392 Class B OP Units for service to be rendered during 2017, 2018 and 2019. Prior to January 4, 2016, the Class B Units became Vested Class B Units at the Initial Valuation Date, which was generally one year from the date of grant. Beginning with the 2016 grant, certain Class B Units vest in three equal consecutive one-year tranches

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 36 from the date of grant. For each grant, on the Initial Valuation Date, the market capitalization of the number of shares of Common Stock at the date of grant is compared to the market capitalization of the same number of shares of Common Stock at the Initial Valuation Date. If the market capitalization measure results in an increase which exceeds the target market threshold, the Vested Class B Units become earned Class B Units and automatically convert into Class A Units of the Operating Partnership (as long as the capital accounts have achieved economic equivalence), which are henceforth entitled to distributions from the Operating Partnership and become exchangeable for Common Stock on a one-to-one basis at the option of the holder. Vested Class B Units may become Earned Class B Units on a pro-rata basis should the result of the market capitalization test be an increase of less than the target market threshold. Any Vested Class B Units that do not become Earned Class B Units on the Initial Valuation Date are subsequently remeasured on a quarterly basis until such time as all Vested Class B Units become Earned Class B Units or are forfeited due to termination of continuous service due to an event other than as a result of a qualified event, which is generally the death or disability of the holder. Continuous service through the final valuation date is required for the Vested Class B Units to qualify to become fully Earned Class B Units. Because of the market condition vesting requirement that determines the transition of the Vested Class B Units to Earned Class B Units, a Monte Carlo simulation was utilized to calculate the total fair values, which will be amortized as compensation expense over the one-year periods beginning on the grant dates through the Initial Valuation Dates. On January 2, 2016, the 176,835 outstanding Class B Units for 2015 became fully vested and earned and automatically converted to Class A Units of the Operating Partnership. On January 4, 2017, all of the 265,931 Class B Units granted on January 4, 2016 became earned and 206,534 automatically vested and converted to Class A Units. Of the remaining earned Class B Units, 29,699 will vest and automatically convert to Class A Units on January 4, 2018 and the final 29,698 earned Class B Units will vest and automatically convert to Class A Units on January 4, 2019, assuming each grantee fulfills the requisite service requirement. The underlying valuation assumptions and results for the Class B OP Unit awards were: Grant dates 1/3/2017 1/4/2016 Stock price $ 14.79 $ 12.88 Dividend yield 5.95% 5.98% Expected volatility 26.40% 26.10% Risk-free interest rate 2.91% 2.81% Number of Units granted: One year vesting period 198,184 176,835 Three year vesting period 88,208 89,096 286,392 265,931 Calculated fair value per Unit $ 11.92 $ 10.03 Total fair value of Units $ 3,413,793 $ 2,667,288 Target market threshold increase $ 4,598,624 $ 3,549,000 The expected dividend yield assumptions were derived from the Company’s closing prices of the Common Stock on the grant dates and the projected future quarterly dividend payments per share of $0.22 for the 2017 awards and $0.1925 for the 2016 awards. For the 2017 and 2016 awards, the Company's own stock price history was utilized as the basis for deriving the expected volatility assumption. The risk-free rate assumptions were obtained from the Federal Reserve yield table and were calculated as the interpolated rate between the 20 and 30 year yield percentages on U. S. Treasury securities on the grant dates. Since the Class B OP Units have no expiration date, a derived service period of one year was utilized, which equals the period of time from the grant date to the initial valuation date. Restricted Stock Units On January 3, 2017, the Company caused the Operating Partnership to grant 26,900 restricted stock units, or RSUs, for service to be rendered during 2017, 2018 and 2019. The RSUs vest in three equal consecutive one-year tranches from the date of grant.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 37 For each grant, on the Initial Valuation Date, the market capitalization of the number of shares of Common Stock at the date of grant is compared to the market capitalization of the same number of shares of Common Stock at the Initial Valuation Date. If the market capitalization measure results in an increase which exceeds the target market threshold, the Vested RSUs become earned RSUs and automatically convert into Common Stock on a one-to-one basis. Vested RSUs may become Earned RSUs on a pro- rata basis should the result of the market capitalization test be an increase of less than the target market threshold. Any Vested RSUs that do not become Earned RSUs on the Initial Valuation Date are subsequently remeasured on a quarterly basis until such time as all Vested RSUs become Earned RSUs or are forfeited due to termination of continuous service due to an event other than as a result of a qualified event, which is generally the death or disability of the holder. Continuous service through the final valuation date is required for the Vested RSUs to qualify to become fully Earned RSUs.

Because RSUs are valued using the identical market condition vesting requirement that determines the transition of the Vested Class B Units to Earned Class B Units, the same valuation assumptions and Monte Carlo result of $11.92 per RSU were utilized to calculate the total fair value of the RSUs of $320,648. Grants of RSUs, net of forfeitures, are amortized as compensation expense over the three one-year periods ending on each of January 2, 2018, 2019 and 2020. As of December 31, 2017, a total of 4,100 RSUs had been forfeited. 9. Indebtedness Mortgage Notes Payable Mortgage Financing of Property Acquisitions The Company partially financed the real estate properties acquired during the year ended December 31, 2017 with mortgage debt as shown in the following table: Property Date Initial principal amount Fixed/ Variable rate Rate / spread over 1 month LIBOR Maturity date Interest only through date SoL 2/28/2017 $ 37,485,000 Variable 200 BPS 3/1/2022 3/1/2022 Citrus Village 3/3/2017 30,250,000 Fixed 3.65% 6/10/2023 6/9/2017 Retreat at Greystone 3/24/2017 35,210,000 Fixed 4.31% 3/1/2022 3/1/2022 Founders Village 3/31/2017 31,605,000 Fixed 4.31% 4/1/2027 N/A Claiborne Crossing 4/26/2017 28,179,500 Fixed 2.89% 6/1/2054 N/A Castleberry-Southard 4/21/2017 11,500,000 Fixed 3.99% 5/1/2027 N/A Rockbridge Village 6/6/2017 14,250,000 Fixed 3.73% 7/5/2027 N/A Luxe at Lakewood Ranch 7/26/2017 39,287,500 Fixed 3.93% 8/1/2027 N/A Irmo Station 7/26/2017 10,650,000 Fixed 3.94% 8/1/2030 N/A Maynard Crossing 8/25/2017 18,500,000 Fixed 3.74% 9/1/2032 N/A Woodmont Village 9/8/2017 8,775,000 Fixed 4.13% 10/1/2027 N/A West Town Market 9/22/2017 9,000,000 Fixed 3.65% 10/1/2025 N/A Adara Overland Park 9/27/2017 31,850,000 Fixed 3.90% 4/1/2028 N/A Aldridge at Town Village 9/29/2017 38,010,000 Fixed 4.19% 3/1/2022 (1) The Reserve at Summit Crossing 9/29/2017 20,075,000 Fixed 3.87% 10/1/2024 N/A Overlook at Crosstown Walk 11/21/2017 22,231,000 Fixed 3.95% 12/1/2024 N/A Colony at Centerpointe 12/20/2017 33,346,281 Fixed 3.68% 10/1/2026 N/A Crossroads Market 12/5/2017 19,000,000 Fixed 3.95% 1/1/2030 N/A Stadium Village 10/27/2017 46,929,833 Fixed 3.80% 11/1/2024 N/A Ursa 12/18/2017 28,260,000 Variable 205 BPS 1/5/2020 1/5/2020 Ursa secondary 12/18/2017 3,140,000 Variable 1155 BPS 1/5/2020 1/5/2020 Westridge at La Cantera 11/13/2017 54,440,000 Fixed 4.10% 12/10/2028 N/A $ 571,974,114 (1) The property was temporarily financed at acquisition through a credit facility sponsored by the Federal Home Loan Mortgage Corporation with terms as shown; the Company subsequently obtained permanent mortgage financing. Repayments and Refinancings

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 38 In conjunction with the sale of the Enclave at Vista Ridge multifamily community, the Company recorded a defeasance fee of approximately $2.06 million, the effect of which is recorded as an offset against the gain on sale of real estate line of the Consolidated Statements of Operations for the year ended December 31, 2017. In doing so, the Company extinguished the existing mortgage debt with a principal amount due of $24.86 million. On June 22, 2017, the Company refinanced the existing $16.3 million mortgage on its Stone Creek multifamily community which bore interest at a fixed 3.75% rate per annum into a mortgage of $20.6 million, which bears interest at a fixed rate of 3.22% per annum. In doing so, the Company recorded a prepayment penalty of approximately $817,000, which is included in the loss on extinguishment of debt figure on the Consolidated Statements of Operations. On June 15, 2017, the Company refinanced the existing $61.75 million mortgage on its 525 Avalon multifamily community which bore interest at a variable rate of 1 Month LIBOR plus 200 basis points per annum and the secondary financing note of $3.25 million which bore interest at a variable rate of 1 Month LIBOR plus 1100 basis points per annum into a single mortgage of $67.38 million, which bears interest at a fixed rate of 3.98% per annum. The following table summarizes our mortgage notes payable at December 31, 2017: Fixed rate mortgage debt: Principal balances due Weighted- average interest rate Weighted average remaining life Multifamily communities $ 884,591,436 3.73% 7.54 New Market Properties 347,868,261 3.82% 7.53 Preferred Office Properties 207,875,179 4.21% 18.46 Student housing properties 79,696,696 3.89% 5.95 Total fixed rate mortgage debt $ 1,520,031,572 3.83% 8.95 Variable rate mortgage debt: Multifamily communities $ 160,719,665 3.65% 3.54 New Market Properties 62,412,537 3.98% 3.59 Preferred Office Properties — — 0 Student housing properties 68,885,000 4.02% 3.19 Total variable rate mortgage debt $ 292,017,202 3.81% 3.47 Total mortgage debt: Multifamily communities $ 1,045,311,101 3.72% 6.93 New Market Properties 410,280,798 3.85% 6.93 Preferred Office Properties 207,875,179 4.21% 18.46 Student housing properties 148,581,696 3.95% 4.67 Total principal amount 1,812,048,774 3.82% 8.07 Deferred loan costs 30,248,587 Mark-to-market debt adjustment 5,148,016 Mortgage notes payable, net $ 1,776,652,171 The Company has placed interest rate caps on the variable rate mortgages on its Avenues at Creekside and Citi Lakes multifamily communities. Under guidance provided by ASC 815-10, these interest rate caps fall under the definition of derivatives, which are embedded in their debt hosts. Because these interest rate caps are deemed to be clearly and closely related to their debt hosts, bifurcation and fair value accounting treatment is not required. The mortgage note secured by our Independence Square property is a seven year term with an anticipated repayment date of September 1, 2022. If the Company elects not to pay its principal balance at the anticipated repayment date, the term will be

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 39 extended for an additional five years, maturing on September 1, 2027. The interest rate from September 1, 2022 to September 1, R027 will be the greater of (i) the Initial Interest Rate of 3.93% plus 200 basis points or (ii) the yield on the seven year U.S. treasury security rate plus approximately 400 basis points. The mortgage note secured by our Royal Lakes Marketplace property has a maximum commitment of $11,050,000. As of December 31, 2017, the Company has an outstanding principal balance of $9.7 million on this loan. Additional advances of the mortgage commitment will be drawn as the Company achieves incremental leasing benchmarks specified under the loan agreement. This mortgage has a variable interest of 1 Month LIBOR plus 250 basis points, which was 3.86% as of December 31, 2017. The mortgage note secured by our Champions Village property has a maximum commitment of $34.16 million. As of December 31, R017, the Company has an outstanding principal balance of $27.4 million. Additional advances of the mortgage commitment will be drawn as the Company achieves leasing activity. Additional advances are available through October 2019. This mortgage note has a variable interest of the greater of (i) 3.25% or (ii) the sum of the 3.00% plus the LIBOR Rate, which was 4.37% as of December 31, 2017. As of December 31, 2017, the weighted-average remaining life of deferred loan costs related to the Company's mortgage indebtedness was approximately 8.95 years. Credit Facility The Company has a credit facility, or Credit Facility, with KeyBank National Association, or KeyBank, which defines a revolving line of credit, or Revolving Line of Credit, which is used to fund investments, capital expenditures, dividends (with consent of KeyBank), working capital and other general corporate purposes on an as needed basis. The maximum borrowing capacity on the Revolving Line of Credit was increased to $150,000,000 pursuant to the Fourth Amended and Restated Credit Agreement, as amended effective December 27, 2016, or the Amended and Restated Credit Agreement. The Revolving Line of Credit accrues interest at a variable rate of one month LIBOR plus 3.25% per annum and matures on August 5, 2019, with an option to extend the maturity date to August 5, 2020, subject to certain conditions described therein. The weighted average interest rate for the Revolving Line of Credit was 4.52% for the year ended December 31, 2017. The Revolving Line of Credit also bears a commitment fee on the average daily unused portion of the Revolving Line of Credit of 0.35% per annum. On January 5, 2016, we entered into a $35.0 million term loan with KeyBank under the Credit Facility, or the 2016 Term Loan, to partially finance the acquisition of the Baldwin Park multifamily community. The Term Loan accrued interest at a rate of LIBOR plus 3.75% per annum. On August 5, 2016, the Company repaid the 2016 Term Loan in full. On May 26, 2016, the Company entered into a $11.0 million interim term loan with KeyBank, or the Interim Term Loan, to partially finance the acquisition of Anderson Central, a grocery-anchored shopping center located in Anderson, South Carolina. The Interim Term Loan accrues interest at a rate of LIBOR plus 2.5% per annum and the maturity date was extended to May 21, 2018 during the fourth quarter 2018. The weighted average interest rate for the Interim Term Loan was 3.82% for the year ended December 31, 2017. The Fourth Amended and Restated Credit Agreement contains certain affirmative and negative covenants, including negative covenants that limit or restrict secured and unsecured indebtedness, mergers and fundamental changes, investments and acquisitions, liens and encumbrances, dividends, transactions with affiliates, burdensome agreements, changes in fiscal year and other matters customarily restricted in such agreements. The amount of dividends that may be paid out by the Company is restricted to a maximum of 95% of AFFO for the trailing rolling four quarters without the lender's consent; solely for purposes of this covenant, AFFO is calculated as earnings before interest, taxes, depreciation and amortization expense, plus reserves for capital expenditures, less normally recurring capital expenditures, less consolidated interest expense.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 40 As of December 31, 2017, the Company was in compliance with all covenants related to the Revolving Line of Credit, as shown in the following table: Covenant (1) Requirement Result Net worth Minimum $1,189,948,857 (2) $1,280,765,693 Debt yield Minimum 8.0% 9.36% Payout ratio Maximum 95.0% (3) 90.6% Total leverage ratio Maximum 65.0% 59.4% Debt service coverage ratio Minimum 1.50x 2.03x (1) All covenants are as defined in the credit agreement for the Revolving Line of Credit. (2) Minimum $686.9 million plus 75% of the net proceeds of any equity offering, which totaled approximately $1.2 billion as of December 31, 2017. (3)Calculated on a trailing four-quarter basis. For the year ended December 31, 2017, the maximum dividends and distributions allowed under this covenant was approximately $100.4 million. Loan fees and closing costs for the establishment and subsequent amendments of the Credit Facility are amortized utilizing the straight line method over the life of the Credit Facility. At December 31, 2017, unamortized loan fees and closing costs for the Credit Facility were approximately $1.1 million, which will be amortized over a remaining loan life of approximately 1.6 years. Loan fees and closing costs for the mortgage debt on the Company's properties are amortized utilizing the effective interest rate method over the lives of the loans. Acquisition Facility On February 28, 2017, the Company entered into a credit agreement, or Acquisition Credit Agreement, with Freddie Mac through KeyBank to obtain an acquisition revolving credit facility, or Acquisition Facility, with a maximum borrowing capacity of $200 million. The purpose of the Acquisition Facility is to finance acquisitions of multifamily communities and student housing communities. The maximum borrowing capacity on the Acquisition Facility may be increased at the Company's request up to $300 million at any time prior to March 1, 2021. The Acquisition Facility accrues interest at a variable rate of one month LIBOR plus a margin of between 1.75% per annum and 2.20% per annum, depending on the type of assets acquired and the resulting property debt service coverage ratio. The Acquisition Facility has a maturity date of March 1, 2022 and has two one-year extension options, subject to certain conditions described therein. At December 31, 2017, unamortized loan fees and closing costs for the establishment of the Acquisition Facility were approximately $320,000, which will be amortized over a remaining loan life of approximately 4.2 years. As of December 31, 2017, the Acquisition Facility was used to finance the SoL student housing property, for a total outstanding balance of approximately $37.5 million. Interest Expense Interest expense, including amortization of deferred loan costs was: Year Ended December 31, 2017 2016 2015 Multifamily communities $ 38,486,955 $ 29,030,213 $ 14,994,053 New Market Properties 14,895,107 8,870,094 3,479,879 Preferred Office Properties 7,005,819 474,402 — Interest paid to real estate loan participants 2,295,371 2,008,741 1,496,566 Total 62,683,252 40,383,450 19,970,498 Credit Facility and Acquisition Facility 4,784,790 3,900,694 1,345,233 Interest Expense $ 67,468,042 $ 44,284,144 $ 21,315,731

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 41 Future Principal Payments The Company’s estimated future principal payments due on its debt instruments as of December 31, 2017 were: Period Future principal payments 2018 $ 83,020,908 (1) 2019 243,585,766 2020 101,868,565 2021 127,462,545 2022 239,683,956 Thereafter 1,069,227,034 Total $ 1,864,848,774 (1) Includes the principal amount due on the Company's Revolving Line of Credit of $41.8 million and Term Note of $11.0 million. 10. Income Taxes The Company elected to be taxed as a REIT effective with its tax year ended December 31, 2011, and therefore, the Company will not be subject to federal and state income taxes after this effective date, so long as it distributes 100% of the Company's annual REIT taxable income (which does not equal net income as calculated in accordance with GAAP and determined without regard for the deduction for dividends paid and excluding net capital gains) to its shareholders. For the period preceding this election date, the Company's operations resulted in a tax loss. As of December 31, 2010, the Company had deferred federal and state tax assets totaling approximately $298,100, none of which were based upon tax positions deemed to be uncertain. These deferred tax assets will most likely not be used since the Company elected REIT status; therefore, management has determined that a 100% valuation allowance is appropriate as of December 31, 2017, December 31, 2016 and December 31, 2015. The income tax characterization of the Company's dividend distributions were as follows: 2017 2016 2015 Preferred Stock: Ordinary income 64.0% 88.1% 100.0% Return of capital 27.5% 10.5% —% Capital gains 8.5% 1.4% —% Common Stock: Ordinary income —% —% 33.0% Return of Capital 100.0% 100.0% 67.0% 11. Commitments and Contingencies On March 28, 2014, the Company entered into a payment guaranty in support of its Manager's new eleven-year office lease, which began on October 9, 2014. As of December 31, 2017, the amount guarantied by the Company was $6.3 million and is reduced by $619,304 per lease year over the term of the lease. Certain officers and employees of the Manager have been assigned company credit cards. As of December 31, 2017, the Company guarantied up to $640,000 on these credit cards. The Company is otherwise currently subject to neither any known material commitments or contingencies from its business operations, nor any material known or threatened litigation. A cumulative total of approximately $5.8 million of asset management and general and administrative fees related to acquired properties as of December 31, 2017 have been forfeited by the Manager. The forfeited fees are converted at the time of forfeiture

into contingent fees, which are earned by the Manger only in the event of a sales transaction, and whereby the Company's capital contributions for the property being sold exceed a 7% annual rate of return. The Company will recognize in future periods to the extent, if any, it determines that the sales transaction is probable, and that the estimated net sale proceeds would exceed the annual rate of return hurdle. As of December 31, 2017, a total of $5.0 million remains contingent and could possibly be earned by the Manager in the future. As of December 31, 2017, the Company had unfunded tenant leasing commissions and tenant allowances which totaled approximately $155,000, excluding any tenant allowances previously funded within restricted escrow accounts. Also, the Company had approximately $6.6 million to be funded for a parking deck construction project. At December 31, 2017, the Company had unfunded balances on its real estate loan portfolio of approximately $67.1 million. Q2. Operating Leases The Company's grocery-anchored shopping centers and office properties are leased to tenants under operating leases for which the terms vary. The future minimum rental income due under the remaining non-cancelable terms of the Company's operating leases in place, excluding tenant reimbursements of operating expenses and real estate taxes and additional percentage rent based on tenants' sales volumes, as of December 31, 2017, is presented below, assuming that all leases which expire are not renewed and tenant renewal options are not exercised (excludes rental income due from tenants of multifamily communities, which are of lease terms of twelve months or less): For the year ending December 31: Future Minimum Rents New Market Properties Office Buildings Total 2018 $ 47,177,000 $ 27,884,000 $ 75,061,000 2019 40,958,000 29,233,000 70,191,000 2020 35,173,000 29,648,000 64,821,000 2021 28,500,000 25,475,000 53,975,000 2022 22,744,000 25,143,000 47,887,000 Thereafter 74,207,000 158,209,000 232,416,000 Total $ 248,759,000 $ 295,592,000 $ 544,351,000 The Company's grocery-anchored shopping centers are geographically concentrated within the Sunbelt region of the United States. The Company's retail tenant base primarily consists of national and regional supermarkets, consumer services, healthcare providers, and restaurants. Our grocery anchor tenants comprise approximately 52.8% of our gross leasable area. Our credit risk, therefore, is concentrated in the retail/grocery real estate sector. Amounts required as security deposits vary depending upon the terms of the respective leases and the creditworthiness of the tenant, with the exception of our grocer anchor tenants, who generally are not required to provide security deposits. Exposure to credit risk is limited to the extent that tenant receivables exceed security deposits. Security deposits related to tenant leases are included in security deposits and other liabilities in the accompanying consolidated balance sheets. As of December 31, 2017 the Company's approximately 1.4 million square foot office portfolio was 98% leased to a predominantly investment grade credit (or investment grade equivalent) tenant roster. For non-credit tenants, our leases typically require a security deposit or letter of credit, which limits worst case collection exposure to amounts in excess of those protections. Additionally, some credit tenant leases will include credit enhancement provisions that require a security deposit or letter of credit in the event of a rating downgrade. We conduct thorough credit analyses not only for leasing activities within our existing portfolio but also for major tenants in properties we are considering acquiring. Q3. Segment Information The Company's Chief Operating Decision Maker, or CODM, evaluates the performance of the Company's business operations and allocates financial and other resources by assessing the financial results and outlook for future performance across four distinct segments: multifamily communities, real estate related financing, New Market Properties and Preferred Office Properties. Multifamily Communities - consists of the Company's portfolio of owned residential multifamily communities and student housing properties.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 43 Financing - consists of the Company's portfolio of real estate loans, bridge loans, and other instruments deployed by the Company to partially finance the development, construction, and prestabilization carrying costs of new multifamily communities and other real estate and real estate related assets. Excluded from the financing segment are financial results of the Company's Dawson Marketplace grocery-anchored shopping center real estate loan. New Market Properties - consists of the Company's portfolio of grocery-anchored shopping centers, which are owned by New Market Properties, LLC, a wholly-owned subsidiary of the Company, as well as the financial results from the Company's grocery-anchored shopping center real estate loans. Preferred Office Properties - consists of the Company's portfolio of office properties. The CODM monitors net operating income ("NOI") on a segment and a consolidated basis as a key performance measure for its operating segments. NOI is defined as rental and other property revenue from real estate assets plus interest income from its loan portfolio less total property operating and maintenance expenses, property management fees, real estate taxes, property insurance, and general and administrative expenses. The CODM uses NOI as a measure of operating performance because it provides a measure of the core operations, rather than factoring in depreciation and amortization, financing costs, acquisition expenses, and other expenses generally incurred at the corporate level. The following tables present the Company's assets, revenues, and NOI results by reportable segment, as well as a reconciliation from NOI to net income (loss). The assets attributable to 'Other' primarily consist of deferred offering costs recorded but not yet reclassified as reductions of stockholders' equity and cash balances at the Company and Operating Partnership levels. December 31, 2017 December 31, 2016 Assets: Multifamily communities $ 1,637,385,337 $ 1,166,766,664 Financing 439,823,787 379,070,918 New Market Properties 742,492,359 579,738,707 Preferred Office Properties 413,665,553 285,229,700 Other 19,002,589 10,026,613 Consolidated assets $ 3,252,369,625 $ 2,420,832,602 Total capitalized expenditures (inclusive of additions to construction in progress, but exclusive of the purchase price of acquisitions) for the years ended December 31, 2017, 2016 and 2015 were as follows: Year Ended December 31, 2017 2016 2015 Capitalized expenditures: Multifamily communities $ 11,771,233 $ 8,400,801 $ 3,579,457 New Market Properties 3,493,854 1,640,036 1,088,585 Total $ 15,265,087 $ 10,040,837 $ 4,668,042 Second-generation capital expenditures for Preferred Office Properties exclude those expenditures made (i) to lease space to "first generation" tenants (i.e. leasing capital for existing vacancies and known move-outs at the time of acquisition), (ii) to bring recently acquired properties up to our Class A ownership standards (and which amounts were underwritten into the total investment at the time of acquisition), (iii) for property re-developments and repositionings and (iv) for building improvements that are recoverable from future operating cost savings.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 44 Year Ended December 31, 2017 2016 2015 Revenues Rental revenues: Multifamily communities $ 130,188,139 $ 108,869,371 $ 58,830,372 New Market Properties 43,167,546 26,312,961 10,297,908 Preferred Office Properties (1) 27,106,064 2,148,442 — Total rental revenues 200,461,749 137,330,774 69,128,280 Other revenues: Multifamily communities 13,724,570 11,684,302 6,401,713 New Market Properties 15,482,341 9,177,591 3,774,864 Preferred Office Properties 9,192,315 208,598 — Total other revenues 38,399,226 21,070,491 10,176,577 Financing 55,143,640 41,717,650 30,000,655 Consolidated revenues $ 294,004,615 $ 200,118,915 $ 109,305,512 (1) Included in rental revenues for our Preferred Office Properties segment is the amortization of deferred revenue for tenant-funded leasehold improvements from a major tenant in our Three Ravinia office building. As of December 31, 2017, the Company has deferred a total of $28.8 million of such improvements. For the year ended December 31, 2017, the Company amortized approximately $855,000 of this balance into rental revenue. The remaining balance to be recognized is approximately $27.9 million which is included in the deferred revenues line on the consolidated balance sheets at December 31, 2017. This balance will be amortized over the individual lease term. Year Ended December 31, 2017 2016 2015 Property operating and maintenance expense Multifamily communities $ 20,056,067 $ 16,081,041 $ 9,182,541 New Market Properties 5,759,448 3,547,255 1,696,331 Preferred Office Properties 4,087,577 353,344 — Total $ 29,903,092 $ 19,981,640 $ 10,878,872 Year Ended December 31, 2017 2016 2015 Salary and benefits reimbursement Multifamily communities $ 12,329,295 $ 10,329,583 $ 5,885,242 New Market Properties — — — Preferred Office Properties 942,308 69,128 — Total $ 13,271,603 $ 10,398,711 $ 5,885,242 Year Ended December 31, 2017 2016 2015 Property management fees Multifamily communities $ 5,769,458 $ 4,775,547 $ 2,608,364 New Market Properties 1,924,792 1,158,832 406,437 Preferred Office Properties 634,932 46,356 — Total $ 8,329,182 $ 5,980,735 $ 3,014,801

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 45 Year Ended December 31, 2017 2016 2015 Real estate taxes Multifamily communities $ 19,975,181 $ 17,672,940 $ 8,602,927 New Market Properties 7,733,668 3,725,024 1,331,485 Preferred Office Properties 3,572,307 196,405 — Total $ 31,281,156 $ 21,594,369 $ 9,934,412 Year Ended December 31, 2017 2016 2015 Segment net operating income (Segment NOI) Multifamily communities $ 79,538,024 $ 66,519,317 $ 36,339,603 Financing 55,143,639 41,717,650 30,000,654 New Market Properties 42,040,944 26,298,374 10,180,531 Preferred Office Properties 25,986,608 1,675,886 — Consolidated segment net operating income 202,709,215 136,211,227 76,520,788 Interest and loss on early debt extinguishment: Multifamily communities 38,486,954 29,030,213 14,994,054 New Market Properties 14,895,107 8,870,094 3,479,879 Preferred Office Properties 7,005,819 474,402 — Financing 7,080,161 5,909,435 2,841,799 Depreciation and amortization: Multifamily communities 73,217,598 57,664,568 30,970,345 New Market Properties 30,087,597 19,245,688 7,125,989 Preferred Office Properties 13,471,614 1,229,542 — Professional fees 2,567,507 3,134,433 1,880,232 Management fees, net of forfeitures 18,496,776 12,051,891 5,235,748 Acquisition costs: Multifamily communities (20,559) 4,723,480 7,496,798 New Market Properties 25,402 2,103,112 1,656,965 Preferred Office Properties 9,159 1,720,951 — Equity compensation to directors and executives 3,470,284 2,524,042 2,362,453 Gain on sale of real estate (37,635,014) (4,271,506) — Loss on extinguishment of debt 888,428 — — Other 1,995,781 1,644,296 902,515 Net income (loss) $ 28,666,601 $ (9,843,414) $ (2,425,989)

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 46 14. Income (Loss) Per Share The following is a reconciliation of weighted average basic and diluted shares outstanding used in the calculation of income (loss) per share of Common Stock: Year Ended December 31, 2017 2016 2015 Numerator: Net income (loss) before gain on sale of real estate $ (8,968,413) $ (14,114,920) $ (2,425,989) Gain on sale of real estate, net of disposition expenses 37,635,014 4,271,506 — Net income (loss) 28,666,601 (9,843,414) (2,425,989) Consolidated net (income) loss attributable to non-controlling (985,605) 310,291 25,321 interests (A) Net income (loss) attributable to the Company 27,680,996 (9,533,123) (2,400,668) Dividends declared to preferred stockholders (B) (63,651,265) (41,080,645) (18,751,934) Earnings attributable to unvested restricted stock (C) (14,794) (15,843) (19,256) Net income (loss) attributable to common stockholders $ (35,985,063) $ (50,629,611) $ (21,171,858) Denominator: Weighted average number of shares of Common Stock - basic 31,926,472 23,969,494 22,182,971 Effect of dilutive securities: (D) — — — Weighted average number of shares of Common Stock, basic and diluted 31,926,472 23,969,494 22,182,971 Net loss per share of Common Stock attributable to common stockholders, basic and diluted $ (1.13) $ (2.11) $ (0.95) (A) The Company's outstanding Class A Units of the Operating Partnership (884,735, 886,168 and 276,560 Units at December 31, R017, 2016 and 2015, respectively) contain rights to distributions in the same amount per unit as for dividends declared on the Company's Common Stock. The impact of the Class A Unit distributions on earnings per share has been calculated using the two-class method whereby earnings are allocated to the Class A Units based on dividends declared and the Class A Units' participation rights in undistributed earnings. (B) The Company’s shares of Series A Preferred Stock outstanding accrue dividends at an annual rate of 6% of the stated value of $1,000 per share, payable monthly. The Company had 1,222,013, 914,422 and 482,964 outstanding shares of Series A Preferred Stock at December 31, 2017, 2016 and 2015, respectively. The Company's shares of Series M preferred stock, or mShares, accrue dividends at an escalating rate of 5.75% in year one to 7.5% in year eight and thereafter. The Company had 15,275 mshares outstanding at December 31, 2017. (C) The Company's outstanding unvested restricted share awards (12,204, 15,498 and 15,067 shares of Common Stock at December 31, 2017, 2016 and 2015, respectively) contain non-forfeitable rights to distributions or distribution equivalents. The impact of the unvested restricted share awards on earnings per share has been calculated using the two-class method whereby earnings are allocated to the unvested restricted share awards based on dividends declared and the unvested restricted shares' participation rights in undistributed earnings. Given the Company incurred a net loss from continuing operations for the years ended December 31, 2017, 2016 and 2015, the dividends declared for that period are adjusted in determining the calculation of loss per share of Common Stock since the unvested restricted share awards are defined as participating securities. (D) Potential dilution from (i) warrants outstanding from issuances of Units from our Series A Preferred Stock offerings that are potentially exercisable into 16,253,180 shares of Common Stock; (ii) 345,789 Class B Units; (iii) 12,204 shares of unvested restricted common stock; and (iv) 22,800 outstanding Restricted Stock Units are excluded from the diluted shares calculations because the effect was antidilutive. Class A Units were excluded from the denominator because earnings were allocated to non- controlling interests in the calculation of the numerator.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 47 15. Selected Quarterly Financial Data (unaudited) Quarterly financial information was as follows: Three months ended: 3/31/2017 6/30/2017 9/30/2017 12/31/2017 Revenues $ 66,561,335 $ 70,890,913 $ 74,900,199 $ 81,652,168 Operating income $ 14,346,123 $ 13,675,576 $ 16,721,197 $ 14,641,166 Net income (loss) $ 30,061,480 $ 3,304,202 $ 42,779 $ (4,741,860) Net income (loss) attributable to common stockholders $ 14,674,662 $ (12,033,495) $ (16,383,638) $ (22,242,592) Net income (loss) per share of Common Stock available to Common Stockholders: Basic $ 0.54 $ (0.40) $ (0.49) $ (0.60) Diluted $ 0.54 $ (0.40) $ (0.49) $ (0.60) Weighted average shares outstanding: Basic 26,936,266 29,893,736 33,539,920 37,205,390 Diluted 26,936,266 29,893,736 33,539,920 37,205,390 Three months ended: 3/31/2016 6/30/2016 9/30/2016 12/31/2016 Revenues $ 41,735,781 $ 45,853,944 $ 53,537,337 $ 58,991,853 Operating income $ 5,505,340 $ 5,505,474 $ 9,545,554 $ 9,612,856 Net (loss) income $ (3,389,490) $ 217,479 $ (2,688,620) $ (3,982,783) Net (loss) attributable to common stockholders $ (11,184,115) $ (9,239,588) $ (13,624,001) $ (16,589,868) Net (loss) per share of Common Stock available to Common Stockholders: Basic $ (0.49) $ (0.40) $ (0.56) $ (0.66) Diluted $ (0.49) $ (0.40) $ (0.56) $ (0.66) Weighted average shares outstanding: Basic 22,983,741 23,325,663 24,340,791 25,210,069 Diluted 22,983,741 23,325,663 24,340,791 25,210,069

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 48 16. Pro Forma Financial Information (unaudited) The Company’s condensed pro forma financial results assume the following acquisitions were hypothetically completed on January Q, 2015: Baldwin Park City Vista Crosstown Walk Sorrel Overton Rise Lakeland Plaza 525 Avalon Park Sunbelt Seven Portfolio North by Northwest Champions Village Wade Green Village Brookwood Office Southeastern Six Portfolio Galleria 75 The Market at Victory Village Three Ravinia The Company’s condensed pro forma financial results were: Year Ended December 31, 2017 2016 2015 Pro forma: Revenues $ 294,261,296 $ 254,479,757 $ 228,020,379 Net income (loss) $ 34,431,057 $ (5,269,514) $ (49,338,846) Net income (loss) attributable to the Company $ 33,285,488 $ (5,136,281) $ (47,765,401) Net income (loss) attributable to common stockholders $ (30,380,571) $ (46,285,092) $ (66,536,591) Net income (loss) per share of Common Stock attributable to common stockholders, Basic and diluted $ (0.95) $ (1.93) $ (3.00) Weighted average number of shares of Common Stock outstanding, basic and diluted 31,926,472 23,969,494 22,182,971 Material nonrecurring pro forma adjustments which were directly attributable to these business combinations included the pro forma removal of all acquisition costs incurred from the actual historical periods of recognition of approximately $0.0 million, $(8.3) million and $(8.1) million for the years ended December 31, 2017, 2016 and 2015. Effective January 1, 2017, we adopted Accounting Standard Update 2017-01, which requires acquisition costs for asset acquisitions to be capitalized and and amortized rather than expensed as incurred. These pro forma results are not necessarily indicative of what historical performance would have been had these business combinations been effective as of the hypothetical acquisition dates listed above, nor should they be interpreted as expectations of future results. 17. Fair Values of Financial Instruments Fair value is defined as the price at which an asset or liability is exchanged between market participants in an orderly transaction at the reporting date. The Company’s cash equivalents, notes receivable, accounts receivable and payables and accrued expenses all approximate fair value due to their short term nature. The following tables provide estimated fair values of the Company’s financial instruments. The carrying values of the Company's real estate loans include accrued interest receivable from additional interest or exit fee provisions and are presented net of deferred loan fee revenue, where applicable.

Preferred Apartment Communities, Inc. Notes to Consolidated Financial Statements – (continued) December 31, 2017 F- 49 As of December 31, 2017 Carrying value Fair value measurements using fair value hierarchy Fair Value Level 1 Level 2 Level 3 Financial Assets: Real estate loans (1) $ 386,795,943 $ 432,981,665 $ — $ — $ 432,981,665 Notes receivable and line of credit receivable 40,056,765 40,056,765 — — 40,056,765 $ 426,852,708 $ 473,038,430 $ — $ — $ 473,038,430 Financial Liabilities: Mortgage notes payable $ 1,806,900,756 $ 1,806,023,696 $ — $ — $ 1,806,023,696 Revolving credit facility 41,800,000 41,800,000 — — 41,800,000 Term loan 11,000,000 11,000,000 — — 11,000,000 Loan participation obligations 13,985,978 14,308,086 — — 14,308,086 $ 1,873,686,734 $ 1,873,131,782 $ — $ — $ 1,873,131,782 As of December 31, 2016 Carrying value Fair value measurements using fair value hierarchy Fair Value Level 1 Level 2 Level 3 Financial Assets: Real estate loan investments (1) $ 332,761,068 $ 374,856,749 $ — $ — $ 374,856,749 Notes receivable and line of credit receivable 37,615,675 37,615,675 — — 37,615,675 $ 370,376,743 $ 412,472,424 $ — $ — 412,472,424 Financial Liabilities: Mortgage notes payable $ 1,327,878,112 1,314,966,652 $ — $ — $ 1,314,966,652 Revolving credit facility 127,500,000 127,500,000 — — 127,500,000 Term loan 11,000,000 11,000,000 — — 11,000,000 Loan participation obligations 20,761,819 21,500,448 — — 21,500,448 $ 1,487,139,931 $ 1,474,967,100 $ — $ — $ 1,474,967,100 (1) The carrying value of real estate loans includes the Company's balance of the Palisades, Green Park, and Encore real estate loan investments, which includes the amounts funded by unrelated participants. The loan participation obligations are the amounts due to the participants under these arrangements. Accrued interest included in the carrying values of the Company's loan participation obligations was approximately $1.5 million and $1.4 million at December 31, 2017 and December 31, 2016, respectively. The fair value of the real estate loans within the level 3 hierarchy are comprised of estimates of the fair value of the notes, which were developed utilizing a discounted cash flow model over the remaining terms of the notes until their maturity dates and utilizing discount rates believed to approximate the market risk factor for notes of similar type and duration. The fair values also contain a separately-calculated estimate of any applicable additional interest payment due the Company at the maturity date of the loan, based on the outstanding loan balances at December 31, 2017, discounted to the reporting date utilizing a discount rate believed to be appropriate for multifamily development projects. The fair values of the fixed rate mortgages on the Company’s properties were developed using market quotes of the fixed rate yield index and spread for four, five, seven, ten and 35 year notes as of the reporting date. The present values of the cash flows were calculated using the original interest rate in place on the fixed rate mortgages and again at the current market rate. The difference between the two results was applied as a fair market adjustment to the carrying value of the mortgages.

F- 50 18. Subsequent Events Between January 1, 2018 and February 15, 2018, the Company issued 53,625 Units and collected net proceeds of approximately $48.3 million after commissions and fees under its $1.5 Billion Unit Offering and issued 4,298 shares of Series M Preferred Stock and collected net proceeds of approximately $4.2 million after commissions and fees under the Shares offering. On January 2, 2018, the Company had exceeded the benchmark market capitalization goal set as the vesting hurdle for its Class B Unit grants made to certain members of senior management for service provided during 2017. Not all of the 286,392 Class B Units granted on January 3, 2017 became earned and 227,576 automatically vested and converted to Class A Units. Of the remaining earned Class B Units, 29,401 will vest and automatically convert to Class A Units on January 2, 2019 and the final 29,415 earned Class B Units will vest and automatically convert to Class A Units on January 4, 2020, assuming each grantee fulfills the requisite service requirement. On January 2, 2018, the Company awarded 256,087 Class B Units to its executive officers and other key personnel for service to be provided during 2017, 2018 and 2019. The total compensation cost was calculated to be $4,266,409. The 2018 award carries vesting terms and features substantially similar to the Class B Units awarded for previous years, except the fair value of 200,021 of the Class B Units will be recognized over the one year period ending on the vesting date of January 2, 2019, the fair value of R8,033 of the Class B Units will be recognized over the one year period ending on the vesting date of January 2, 2020 and the remaining compensation cost pertaining to 28,033 Class B Units will be recognized over the one year period ending on the vesting date of January 2, 2021. On January 9, 2018, we acquired a 265-unit multifamily community located in Jacksonville, Florida. The allocation of this transaction to the fair value of individual assets and liabilities is not presented as the calculations of the allocation were not complete at the date of filing of this Annual Report on Form 10-K. On January 16, 2018, we closed on a real estate loan investment of up to $3.5 million in support of a mixed-use project in North Augusta, South Carolina. On January 29, 2018, we acquired an adaptive reuse office property comprising 186,779 square feet of gross leasable area in four buildings located in Atlanta, Georgia. The allocation of this transaction to the fair value of individual assets and liabilities is not presented as the calculations of the allocation were not complete at the date of filing of this Annual Report on Form 10-K. On February 1, 2018, the Company declared a quarterly dividend on its Common Stock of $0.25 per share, payable on April 16, R018 to stockholders of record on March 15, 2018. On February 13, 2018, we closed on a real estate loan investment of up to $137.5 million in support of a 551-unit multifamily community in San Jose, California. On February 28, 2018, we acquired a 310-unit multifamily community located in Atlanta, Georgia. The allocation of this transaction to the fair value of individual assets and liabilities is not presented as the calculations of the allocation were not complete at the date of filing of this Annual Report on Form 10-K. Item 16. Form 10-K Summary None.

F- 5 1 Schedule II I Pr efer red Apartment Communities, Inc . Real Estate Investments and Accumulated Dep reciatio n
Decembe r 31, 201 7 Apartments : Initial Cost s Gross Amount at Which Carried at Close of Perio d Property nam e
Location (MSA) Descriptio n Relate d Encum-brance s Lan d Building an d Improvement s Costs Capitalize
d Subsequent to Acquisitio n Lan d Building an d Improvement s Total (1) Accumulate d Depreciatio n Date
o f Con - structio n Dat e Acquire d Depre c -iabl e Lives - Y ear s Stone Ris e Philadelphia,
PA Apartment s $ 23,939,46 1 $ 6,950,00 0 $ 21,456,45 0 $ 637,39 6 $ 6,950,00 0 $ 22,093,84 6
$ 29,043,84 6 $ (6,278,60 8) 200 8 4/15/20 11 5 - 4 0 Summi t Crossin g Atlanta, G A Apartment s
39,018,60 0 3,450,00 0 27,704,64 8 1,016,36 6 3,450,00 0 28,721,01 4 32,171,01 4 (8,431,24 3) 200 7
4/21/20 11 5 - 4 0 Summi t Crossing I I Atlanta, G A Apartment s 13,357,00 0 3,220,00 0 15,852,10 0
223,14 3 3,220,00 0 16,075,24 3 19,295,24 3 (3,296,32 2) 201 3 12/31/201 3 5 - 4 0 McNeil Ranc h
Austin, T X Apartment s 13,646,00 0 2,100,00 0 17,556,21 9 748,81 7 2,100,00 0 18,305,03 6 20,405,03
6 (4,670,09 8) 199 9 1/23/201 3 5 - 3 0 Lake Camero n Raleigh, N C Apartment s 19,773,00 0 4,000,00 0
24,443,57 3 990,23 0 4,000,00 0 25,433,80 3 29,433,80 3 (7,339,13 7) 199 7 1/23/201 3 5 - 3 0 Stoneridg
e Farm s Nashville, T N Apartment s 26,136,22 6 3,026,39 3 38,478,20 5 1,239,97 6 3,026,39 3 39,718,18
1 42,744,57 4 (5,491,53 9) 200 2 9/26/201 4 5 - 3 5 V ineyard s Houston, T X Apartment s 34,672,34
9 5,455,59 4 46,201,36 7 804,66 0 5,455,59 4 47,006,02 7 52,461,62 1 (6,069,45 5) 200 3 9/26/201 4 5 -
3 5 A venues a t Cypres s Houston, T X Apartment s 21,675,16 0 3,241,59 5 30,092,66 4 307,58 2
3,241,59 5 30,400,24 6 33,641,84 1 (4,600,70 2) 201 4 2/13/201 5 5 - 4 0 A venues a t Northpoint e
Houston, T X Apartment s 27,466,98 8 3,920,63 1 37,203,28 3 422,52 2 3,920,63 1 37,625,80 5 41,546,43
6 (5,497,88 1) 201 3 2/13/201 5 5 - 4 0 Lakewoo d Ranc h Sarasota, F L Apartment s 29,347,96 6
3,791,05 0 42,950,08 1 308,40 8 3,791,05 0 43,258,48 9 47,049,53 9 (4,976,43 8) 201 5 5/21/201 5 5 - 4
0 Aster at Lel y Resor t Naples, F L Apartment s 32,470,97 4 7,675,40 9 43,794,28 5 349,18 8 7,675,40 9
44,143,47 3 51,818,88 2 (5,206,72 7) 201 5 6/24/201 5 5 - 4 0 CityPark V ie w Charlotte, N C Apartment
s 21,037,80 5 3,558,79 3 28,359,91 2 154,08 8 3,558,79 3 28,514,00 0 32,072,79 3 (3,770,44 9) 201 4
6/30/201 5 5 - 4 0 A venues a t Creeksid e San Antonio , TX Apartment s 40,523,35 8 5,983,72 4
48,989, 11 9 734,42 1 5,983,72 4 49,723,54 0 55,707,26 4 (5,739,54 9) 201 3 7/31/201 5 5 - 4 0 Citi
Lake s Orlando, F L Apartment s 42,396,30 7 5,558,03 3 56,827,85 9 539,30 7 5,558,03 3 57,367,16 6
62,925,19 9 (5,900,96 1) 201 4 9/3/201 5 5 - 4 0 Stone Creek (2) Houston, T X Apartment s 20,466,51
9 2,210,63 0 22,915,67 4 (6,127,14 9) 2,210,63 0 16,788,52 5 18,999,15 5 (1,768,49 2) 200 9 11/12/201
5 5 - 4 0 Regent a t Leno x Nashville, T N Apartment s — 301,45 5 3,492,89 2 25,87 7 301,45 5
3,518,76 9 3,820,22 4 (337,31 4) 200 9 12/21/201 5 5 - 4 0 Retreat a t Leno x Nashville, T N
Apartment s 17,802,37 3 2,964,53 3 24,210,60 5 159,62 9 2,964,53 2 24,370,23 5 27,334,76 7 (2,248,79 3)
201 5 12/21/201 5 5 - 4 0 Lenox V illag e Nashville, T N Apartment s 30,009,46 1 4,6 11,83 5 39,9
11,43 9 840,02 5 4,6 11,83 5 40,751,46 4 45,363,29 9 (3,961,93 2) 200 9 12/21/201 5 5 - 4 0 Baldwin
Par k Orlando, F L Apartment s 77,800,00 0 17,402,88 2 90,464,34 6 3,966,35 6 17,402,88 2 94,430,70 2
11 1,833,58 4 (7,171,20 5) 200 8 1/5/201 6 5 - 3 7 Crosstow n W al k Tampa, F L Apartment s
31,485,60 1 5,178,37 5 39,332,41 4 191,36 8 5,178,37 5 39,523,78 2 44,702,15 7 (3,665,40 3) 201 4
1/15/201 6 5 - 4 9 Overton Ris e Atlanta, G A Apartment s 39,981,14 5 8,5 11,37 0 50,996,13 9 175,18 2
8,5 11,37 0 51,171,32 1 59,682,69 1 (3,597,17 1) 201 5 2/1/201 6 5 - 4 9 525 A valo n Par k
Orlando, F L Apartment s 66,912, 11 8 7,410,04 8 82,348,89 2 2,287,64 9 7,410,04 8 84,636,54 1 92,046,58
9 (6,493,55 3) 200 8 5/31/201 6 5 - 4 5 City V ist a Pittsbu rgh, PA Apartment s 35,073,43 8
4,081,68 2 41,486,23 5 164,654. 8 4,081,68 3 41,650,88 9 45,732,57 2 (2,975,23 0) 201 4 7/1/201 6 5 - 4
9 Sorre l Jacksonville, F L Apartment s 32,800,83 8 4,412,16 4 42,217,29 7 529,984. 6 4,412,16 4 42,747,28
2 47,159,44 6 (2,829,63 6) 201 5 8/24/201 6 5 - 4 8 Retreat a t Greyston e Birmingham , A L
Apartment s 35,210,00 0 4,077,26 2 44,461,57 9 381,820. 1 4,077,26 2 44,843,39 9 48,920,66 1 (2,134,26 1)
201 5 3/24/201 7 5 - 4 9

F- 5 2 Initial Cost s Gross Amount at Which Carried at Close of Perio d Property nam e Location (MSA) Descriptio n Relate d Encum-brance s Lan d Building an d Improvement s Costs Capitalize d Subsequent to Acquisitio n Lan d Building an d Improvement s Total (1) Accumulate d Depreciatio n Date o f Con - structio n Dat e Acquire d Depre c -iabl e Lives - Y ear s Broadstone a t Citrus V illag e Tampa, F L Apartment s 29,969,64 6 4,809, 11 3 40,480,62 8 386,89 2 4,809, 11 3 40,867,52 0 45,676,63 3 (1,654,62 8) 20 11 3/3/201 7 5 - 4 4 Founder s V illag e W illiamsbu rg , VA Apartment s 31,271,29 2 5,314,86 2 38,761,10 8 362,58 8 5,314,86 3 39,123,69 5 44,438,55 8 (1,468,56 1) 201 4 3/31/201 7 5 - 4 7 Claiborn e Crossin g Louisville, K Y Apartment s 26,800,76 0 2,147,21 7 37,578,90 3 481,61 6 2,147,21 7 38,060,51 9 40,207,73 6 (2,492,46 6) 201 4 4/26/201 7 5 - 4 7 Luxe a t Lakewoo d Ranc h Sarasota, F L Apartment s 39,065,72 9 4,851,84 4 51,032,72 8 54,60 9 4,851,84 4 51,087,33 7 55,939,18 1 (1,103,17 7) 201 6 7/26/201 7 5 - 4 8 Adar a Overland Par k Kansas Cit y, K S Apartment s 31,759,88 2 2,854,46 6 42,029,54 7 53,44 9 2,854,46 6 42,082,99 6 44,937,46 2 (874,77 1) 201 6 9/27/201 7 5 - 4 9 Aldridge a t Town V illag e Atlanta, G A Apartment s 37,847,21 8 7,122,41 3 45,418,28 7 11,69 6 7,122,41 3 45,429,98 3 52,552,39 6 (872,01 7) 201 6 9/29/201 7 5 - 4 9 The Reserve a t Summi t Crossin g Atlanta, G A Apartment s 20,016,60 9 4,374,72 1 25,939,12 9 14,58 7 4,374,72 1 25,953,71 6 30,328,43 7 (431,07 9) 201 6 9/29/201 7 5 - 4 8 Overlook a t Crosstow n W al k Tampa, F L Apartment s 22,231,00 0 3,309,03 2 28,014,00 1 26 2 3,309,03 2 28,014,26 3 31,323,29 5 (194,40 4) 201 6 11/21/201 7 5 - 4 8 Colony a t Centerpoint e Richmond, V A Apartment s 33,346,28 1 7,258,94 7 38,223,32 0 (173,87 1) 7,258,94 7 38,049,44 9 45,308,39 6 (92,26 6) 201 6 12/20/201 7 5 - 4 8 1,045,3 11,10 4 165,136,07 3 1,309,224,92 8 12,263,32 9 165,136,07 4 1,321,488,25 6 1,486,624,33 0 (123,635,46 8) G rocery-ancho red shopping centers : W oodstoc k Crossin g Atlanta, G A Neighborhoo d Retail Cente r $ 2,989,46 0 $ 1,750,57 6 $ 3,800,10 1 $ 538,26 4 $ 1,750,57 6 $ 4,338,36 5 $ 6,088,94 1 $ (738,31 4) 199 4 2/12/201 4 5 - 3 0 Parkway T ow n Centr e Nashville, T N Neighborhoo d Retail Cente r 6,887,30 3 3,053,81 6 6,694,33 3 537,62 1 3,053,81 6 7,231,95 4 10,285,77 0 (897,38 8) 200 5 9/5/201 4 5 - 4 0 Spring Hil l Plaz a Nashville, T N Neighborhoo d Retail Cente r 9,470,04 1 4,375,94 0 8,104,05 3 54,47 3 4,375,94 0 8,158,52 6 12,534,46 6 (1,145,69 9) 200 5 9/5/201 4 5 - 4 0 Barcla y Crossin g T ampa, F L Neighborhoo d Retail Cente r 6,375,94 5 2,855,84 5 7,571,73 2 239,78 4 2,855,84 5 7,8 11,51 6 10,667,36 1 (987,70 3) 199 8 9/30/201 4 5 - 3 0 Delton a Landing s Orlando, F L Neighborhoo d Retail Cente r 6,777,94 8 2,255,89 1 8,344,12 4 (32,66 8) 2,255,89 1 8,3 11,45 6 10,567,34 7 (1,078,62 5) 199 9 9/30/201 4 5 - 3 0 Kingwoo d Gle n Houston, T X Neighborhoo d Retail Cente r 11,340,20 8 5,021,32 7 12,929,57 8 444,69 8 5,021,32 7 13,374,27 6 18,395,60 3 (1,728,57 5) 199 8 9/30/201 4 5 - 3 0 Parkwa y Centr e Columbus, G A Neighborhoo d Retail Cente r 4,440,72 4 2,070,71 2 4,515,54 1 33,42 7 2,070,71 2 4,548,96 8 6,619,68 0 (636,93 1) 199 9 9/30/201 4 5 - 3 0 Powde r Spring s Atlanta, G A Neighborhoo d Retail Cente r 7,151,90 3 1,832,45 5 8,245,59 5 23,21 6 1,832,45 5 8,268,8 11 10,101,26 6 (1,109,60 0) 199 9 9/30/201 4 5 - 3 0 Sweetgras s Corne r Charleston, S C Neighborhoo d Retail Cente r 7,730,66 6 3,075,69 9 12,670,13 6 99,81 3 3,075,69 9 12,769,94 9 15,845,64 8 (1,585,86 8) 199 9 9/30/201 4 5 - 3 0

F- 5 3 Initial Cost s Gross Amount at Which Carried at Close of Perio d Property nam e Location (MSA) Descriptio n Relate d Encum-brance s Lan d Building an d Improvement s Costs Capitalize d Subsequent to Acquisitio n Lan d Building an d Improvement s Total (1) Accumulate d Depreciatio n Date o f Con - structio n Dat e Acquire d Depre c -iabl e Lives - Y ear s Salem Cov e Nashville, T N Neighborhoo d Retail Cente r 9,423,12 5 2,427,09 5 10,272,37 0 64,84 0 2,427,09 5 10,337,21 0 12,764,30 5 (1,100,43 3) 201 0 10/6/201 4 5 - 4 0 Independenc e Squar e Dallas, T X Neighborhoo d Retail Cente r 11,967,24 6 4, 114,57 4 13,690,41 0 1,144,09 8 4, 114,57 4 14,834,50 8 18,949,08 2 (1,645,14 6) 197 7 7/1/201 5 5 - 3 0 Royal Lake s Marketplac e Atlanta, G A Neighborhoo d Retail Cente r 9,690,13 7 4,874,07 8 10,438,59 4 155,86 0 4,924,07 8 10,544,45 4 15,468,53 2 (1,067,39 8) 200 8 9/4/201 5 5 - 3 0 Summit Poin t Atlanta, G A Neighborhoo d Retail Cente r 12,208,42 2 7,063,87 4 11,429,95 4 143,70 3 7,063,87 4 11,573,65 7 18,637,53 1 (1,170,69 3) 200 4 10/30/201 5 5 - 3 0 The Overloo k at Hamilto n Plac e Chattanooga , TN Neighborhoo d Retail Cente r 20,300,86 2 6,786,59 3 25,244,20 8 406,20 7 6,786,59 3 25,650,41 5 32,437,00 8 (2,233, 11 5) 199 2 12/22/201 5 5 - 3 0 W ade Gree n V illag e Atlanta, G A Neighborhoo d Retail Cente r 7,968,65 7 1,840,28 4 8,410,39 7 326,40 6 1,840,28 4 8,736,80 3 10,577,08 7 (793,62 8) 199 3 2/29/201 6 5 - 3 5 Anderso n Centra l Greenvill e Spartanbu rg, S C Neighborhoo d Retail Cente r — 5,059,37 0 13,278,26 6 17,06 0 5,059,37 0 13,295,32 6 18,354,69 6 (1,279,24 4) 199 9 4/29/201 6 5 - 3 0 East Gat e Shoppin g Cente r Augusta, G A Neighborhoo d Retail Cente r 5,578,19 4 1,653,21 9 7,390,85 8 25,89 0 1,653,21 9 7,416,74 8 9,069,96 7 (543,98 2) 199 5 4/29/201 6 5 - 3 0 Fairvie w Marke t Greenvill e Spartanbu rg, S C Neighborhoo d Retail Cente r — 1,352,71 2 5,178,95 4 49,78 8 1,352,71 2 5,228,74 2 6,581,45 4 (421,25 3) 199 8 4/29/201 6 5 - 3 0 Fury's Ferr y Augusta, G A Neighborhoo d Retail Cente r 6,443,77 6 2,083,77 2 8,106,86 4 138,5 11 2,083,77 2 8,245,37 5 10,329,14 7 (546,05 0) 199 6 4/29/201 6 5 - 3 5 Rosewoo d Shoppin g Cente r Columbia, S C Neighborhoo d Retail Cente r 4,327,90 9 1,671,03 5 5,347,31 4 96,26 0 1,671,03 5 5,443,57 4 7, 114,60 9 (3 11,63 5) 200 2 4/29/201 6 5 - 4 0 Southgat e V illag e Birmingham , A L Neighborhoo d Retail Cente r 7,694,06 1 2,261,53 9 10,290,00 5 36,08 8 2,261,53 9 10,326,09 2 12,587,63 1 (678, 11 1) 198 8 4/29/201 6 5 - 3 5 The Market a t V ictory V illag e Nashville, T N Neighborhoo d Retail Cente r 9,213,78 5 2,271,22 4 12,275,19 5 74,2 11 2,271,22 4 12,349,40 6 14,620,63 0 (746,66 6) 200 7 5/16/201 6 5 - 4 0 Lakeland Plaz a Atlanta, G A Neighborhoo d Retail Cente r 29,022,66 5 7,079,40 8 33,087,30 1 33,17 1 7,079,40 8 33,120,47 2 40,199,88 0 (2,019,32 7) 199 0 7/15/201 6 5 - 3 5 Cheroke e Plaz a Atlanta, G A Neighborhoo d Retail Cente r 25,322,40 0 8,392,12 8 32,249,36 7 26,50 4 8,392,12 8 32,275,87 1 40,667,99 9 (1,377,70 1) 195 8 8/8/201 6 5 - 3 5 Heritag e Statio n Raleigh, N C Neighborhoo d Retail Cente r 9,097,22 4 1,683,83 0 9,882,86 0 92,80 2 1,683,83 0 9,975,66 2 11,659,49 2 (481,58 7) 200 4 8/8/201 6 5 - 4 0 Oak Par k V illag e San Antonio , TX Neighborhoo d Retail Cente r 9,387,56 1 5,744,76 4 10,779,26 8 117,15 8 5,744,76 4 10,896,42 6 16,641,19 0 (581,36 1) 197 0 8/8/201 6 5 - 4 0 Sandy Plain s Exchang e Atlanta, G A Neighborhoo d Retail Cente r 9,194,00 3 4,787,90 2 9,309,42 9 3,13 5 4,787,90 2 9,312,56 4 14,100,46 6 (572,25 1) 199 7 8/8/201 6 5 - 3 2

F- 5 4 Initial Cost s Gross Amount at Which Carried at Close of Perio d Property nam e Location (MSA) Descriptio n Relate d Encum-brance s Lan d Building an d Improvement s Costs Capitalize d Subsequent to Acquisitio n Lan d Building an d Improvement s Total (1) Accumulate d Depreciatio n Date o f Con - structio n Dat e Acquire d Depre c -iabl e Lives - Y ear s Shoppes o f Parklan d Miami, F L Neighborhoo d Retail Cente r 16,241,28 1 10,779,27 4 16,543,05 9 50,28 1 10,779,27 5 16,593,34 0 27,372,61 5 (1,165,99 3) 200 0 8/8/201 6 5 - 3 5 Thompso n Bridg e Common s Atlanta, G A Neighborhoo d Retail Cente r 12,290,93 1 1,478,32 6 16,047, 11 6 — 1,478,32 6 16,047, 11 6 17,525,44 2 (719,46 0) 200 1 8/8/201 6 5 - 4 0 Universit y Palm s Orlando, F L Neighborhoo d Retail Cente r 13,161,94 2 4,853,58 8 16,706,24 3 106,87 4 4,853,58 8 16,813, 11 7 21,666,70 5 (852,13 3) 199 3 8/8/201 6 5 - 3 7 Champion s V illag e Houston, T X Neighborhoo d Retail Cente r 27,400,00 0 12,812,54 6 33,399,40 5 893,12 1 12,812,54 6 34,292,52 6 47,105,07 2 (2,209,30 3) 197 3 10/18/201 6 5 - 4 0 Castleberry - Southar d Atlanta, G A Neighborhoo d Retail Cente r 11,382,64 2 3,023,73 1 14,141,61 6 49,41 8 3,023,73 1 14,191,03 4 17,214,76 5 (366,15 3) 200 6 4/21/201 7 5 - 3 9 Rockbridg e V illag e Atlanta, G A Neighborhoo d Retail Cente r 14,141,63 5 3,141,32 5 15,944,43 1 17,97 8 3,141,32 5 15,962,40 9 19,103,73 4 (268,54 9) 200 5 6/6/201 7 5 - 4 0 Irmo Statio n Columbia, S C Neighborhoo d Retail Cente r 10,566,00 8 3,602,46 6 11,859,39 1 15,75 0 3,602,46 6 11,875,14 1 15,477,60 7 (249,89 3) 198 0 7/26/201 7 5 - 3 3 Maynar d Crossin g Raleigh, N C Neighborhoo d Retail Cente r 18,387,58 5 6,303,78 7 22,565,69 2 17,50 0 6,303,78 7 22,583,19 2 28,886,97 9 (407,84 3) 199 6 8/25/201 7 5 - 3 0 W oodmon t V illag e Atlanta, G A Neighborhoo d Retail Cente r 8,741,42 0 2,712,90 7 10,030,14 6 121,00 0 2,712,90 7 10,151,14 6 12,864,05 3 (136,76 0) 200 2 9/8/201 7 5 - 3 0 W est T ow n Marke t Charlotte, N C Neighborhoo d Retail Cente r 8,963,12 6 1,936,57 2 12,298,38 0 — 1,936,57 2 12,298,38 0 14,234,95 2 (131,95 0) 200 4 9/22/201 7 5 - 3 7 Roswel l W ieuc a Shoppin g Cente r Atlanta, G A Neighborhoo d Retail Cente r — 12,006,47 5 18,484,54 0 — 12,006,47 5 18,484,54 0 30,491,01 5 (72,13 9) 200 7 11/30/201 7 5 - 4 0 Crossroad s Marke t Naples, F L Neighborhoo d Retail Cente r 19,000,00 0 7,044,19 7 22,626,75 4 — 7,044,19 7 22,626,75 4 29,670,95 1 (32,36 1) 199 3 12/5/201 7 5 - 4 0 410,280,79 5 167,134,85 6 520,183,58 0 6,162,24 2 167,184,85 7 526,295,82 1 693,480,67 8 (34,090,82 1) Office p roperties : Brookwoo d O ffic e Birmingham , A L O ffic e buildin g $ 32,219,37 5 $ 1,744,82 8 $ 42,661,20 0 $ 189,00 8 $ 1,744,82 8 $ 42,850,20 8 $ 44,595,03 6 $ (1,7 11,36 2) 200 7 8/29/201 6 5 - 5 0 Galleria 7 5 Atlanta, G A O ffic e buildin g 5,715,80 4 15,156,26 7 1,5 11,66 7 210,94 3 15,156,26 7 1,722,61 0 16,878,87 7 (253,99 0) 198 8 11/4/201 6 5 - 2 5 Three Ravini a Atlanta, G A O ffic e buildin g 115,500,00 0 9,784,64 5 154,022,55 1 33,923,58 5 11,083,03 8 186,647,74 3 197,730,78 1 (7,169,85 3) 199 1 12/30/201 6 9 - 3 9 W estridge a t La Canter a San Antonio , TX O ffic e buildin g 54,440,00 0 15,778,10 2 58,495,62 3 1,57 4 15,778,10 2 58,497,19 7 74,275,29 9 (309,06 8) 201 6 11/13/201 7 13 - 5 0 207,875,17 9 42,463,84 2 256,691,04 1 34,325, 11 0 43,762,23 5 289,717,75 8 333,479,99 3 (9,444,273)

F- 5 5 Initial Cost s Gross Amount at Which Carried at Close of Perio d Property nam e Location (MSA) Descriptio n Relate d Encum-brance s Lan d Building an d Improvement s Costs Capitalize d Subsequent to Acquisitio n Lan d Building an d Improvement s Total (1) Accumulate d Depreciatio n Date o f Con - structio n Dat e Acquire d Depre c -iabl e Lives - Y ear s Student housing communities : North b y Northwes t Tallahassee, F L Studen t housin g 32,766,86 3 8,281,05 4 36,979,83 7 940,33 6 8,281,05 4 37,920,17 3 46,201,22 7 (2,773,69 0) 201 2 6/1/201 6 5 - 4 6 So L Tempe, A Z Studen t housin g 37,485,00 0 7,440,93 4 43,830,15 9 490,15 5 7,440,93 4 44,320,31 4 51,761,24 8 (2,097,23 3) 201 0 2/28/201 7 5 - 4 2 Stadiu m V illag e Atlanta, G A Studen t housin g 46,929,83 3 7,929,54 0 60,793,14 0 5,77 9 7,929,54 0 60,798,91 9 68,728,45 9 (615,32 8) 201 5 10/27/201 7 5 - 4 8 Urs a W aco, T X Studen t housin g 31,400,00 0 7,059,73 5 48,006,20 0 — 7,059,73 5 48,006,20 0 55,065,93 5 (98,68 5) 201 6 12/18/201 7 5 - 4 9 148,581,69 6 30,7 11,26 3 189,609,33 6 1,436,27 0 30,7 11,26 3 191,045,60 6 221,756,86 9 (5,584,93 6) $1,812,048,77 4 $405,446,03 4 $ 2,275,708,88 5 $ 54,186,95 1 $ 406,794,42 9 $2,328,547,44 1 $2,735,341,87 0 $(172,755,49 8) (1) Th e ag gr eg at e co st fo r F ed er al In co m e Ta x pu rp os es to th e C om pa ny w as a pp ro xi m at el y $2 .3 b ill io n at D ec em be r 3 1, 2 01 7. (2) The costs capitalized subsequent to acquisition amount includes approximately $6.9 million of assets which were written o ff due to damages from Hurricane Harve y. A summary of activity for real estate investment and accumulated depreciation is as follows : For the years ended December 31 , Real estate investment s 201 7 201 6 201 5 Balance at the beginning of the yea r $ 1,965,486,99 8 $1,007,285,58 6 $ 496,475,54 3 Acquisition s 855, 114,95 0 988,070,71 7 506,207,78 6 Improvement s 40,097,05 1 7,972,17 6 4,125,29 0 Construction in progres s 8,387,88 7 2,102,88 2 542,75 2 W rite-o ff of assets no longer in servic e (7,908,02 4) (559,88 8) (65,78 5) Disposal of asset s $ (125,836,99 2) $ (39,384,47 5) $ — Balance at the end of the yea r $ 2,735,341,87 0 $1,965,486,99 8 $ 1,007,285,58 6 Accumulated depreciatio n Balance at the beginning of the yea r $ (103,814,89 5) $ (53,994,66 6) $ (26,388,06 6) Depreciation (a) (86,017,56 1) (56,340,31 4) (27,672,38 5) W rite-o ff of assets no longer in servic e 2,184,61 0 559,88 8 65,78 5 Disposal of asset s 14,892,34 8 5,960,19 7 — Balance at the end of the yea r $ (172,755,49 8) $ (103,814,89 5) $ (53,994,66 6) (a) Represents depreciation expense of real estate assets. Amounts exclude amortization of lease intangible assets .

F- 56 Schedule IV Preferred Apartment Communities, Inc. Mortgage Loans on Real Estate December 31, 2017 Description Property Name Location (MSA) Interest Rate Maturity Date Periodic Payment Terms Periodic Payment Terms Prior Liens Face Amount of Mortgages Carrying Amount of Mortgages Principal Amount of Mortgages Subject to Delinquent Principal or Interest Real Estate Construction Loan on Multifamily Community Encore Atlanta, GA 13.5% 4/8/2019 (4) 8.5 / 5.0 $ — $10,958,200 $ 10,958,200 $ — Real Estate Construction Loan on Multifamily Community Encore Capital Atlanta, GA 13.5% 4/8/2019 (4) 8.5 / 5.0 — 9,758,200 7,521,425 — Real Estate Construction Loan on Multifamily Community Palisades Northern VA 13.0% 5/17/2018 (2) 8.0 / 5.0 — 17,270,000 17,111,298 — Real Estate Construction Loan on Multifamily Community Fusion Irvine, CA 16.0% 5/31/2018 (8) 8.5 / 7.5 — 63,911,961 58,447,468 — Real Estate Construction Loan on Multifamily Community Green Park Atlanta, GA 14.3% 2/28/2018 (6) 8.5 / 5.83 — 13,464,372 11,464,372 — Real Estate Construction Loan on Multifamily Community Bishop Street Atlanta, GA 15.0% 2/18/2020 (7) 8.5 / 6.5 — 12,693,457 12,144,914 — Real Estate Construction Loan on Multifamily Community Hidden River Tampa, FL 15.0% 12/3/2018 (7) 8.5 / 6.5 — 4,734,960 4,734,960 — Real Estate Construction Loan on Multifamily Community Hidden River Capital Tampa, FL 15.0% 12/4/2018 (7) 8.5 / 6.5 — 5,380,000 5,041,161 — Real Estate Construction Loan on Multifamily Community CityPark II Charlotte, NC 15.0% 1/7/2019 (7) 8.5 / 6.5 — 3,364,800 3,364,800 — Real Estate Construction Loan on Multifamily Community CityPark II Capital Charlotte, NC 15.0% 1/8/2019 (7) 8.5 / 6.5 — 3,916,000 3,623,944 — Real Estate Construction Loan on Multifamily Community Park 35 on Clairmont Birmingham, AL 10.5% 6/26/2018 (3) 8.5 / 2.0 — 21,060,160 21,060,160 — Real Estate Construction Loan on Multifamily Community Wiregrass Tampa, FL 15.0% 5/15/2020 (7) 8.5 / 6.5 — 14,975,853 12,972,273 — Real Estate Construction Loan on Multifamily Community Wiregrass Capital Tampa, FL 15.0% 5/15/2020 (7) 8.5 / 6.5 — 3,744,147 3,561,231 — Land Acquisition Bridge Loan on Multifamily Community Berryessa San Jose, CA 10.5% 4/19/2018 (10) 10.5 / 0 — 31,509,000 30,571,375 — Land Acquisition Bridge Loan on Multifamily Community Brentwood Nashville, TN 12.0% 6/1/2018 (11) 12.0 / 0 — 2,376,000 2,260,525 — Real Estate Construction Loan on Multifamily Community Fort Myers Fort Myers, FL 14.0% 2/3/2021 (5) 8.5 / 5.5 — 9,416,000 3,521,014 —

F- 57 Real Estate Construction Loan on Multifamily Community Fort Myers Capital Fort Myers, FL 14.0% 2/3/2021 (5) 8.5 / 5.5 — 6,193,000 4,994,108 — Real Estate Construction Loan on Multifamily Community 360 Forsyth Atlanta, GA 14.0% 7/11/2020 (5) 8.5 / 5.5 — 22,412,000 13,400,166 — Real Estate Construction Loan on Multifamily Community Morosgo Atlanta, GA 14.0% 1/31/2021 (5) 8.5 / 5.5 — 11,749,000 4,950,824 — Real Estate Construction Loan on Multifamily Community Morosgo Capital Atlanta, GA 14.0% 1/31/2021 (5) 8.5 / 5.5 — 6,176,000 4,761,050 — Real Estate Construction Loan on Multifamily Community University City Gateway Charlotte, NC 13.5% 8/15/2021 (4) 8.5 / 5.0 — 10,336,000 849,726 — Real Estate Construction Loan on Multifamily Community University City Gateway Capital Charlotte, NC 13.5% 8/18/2021 (4) 8.5 / 5.0 — 7,338,000 5,530,045 — Mezzanine Construction Loan on Student Housing Community Haven 12 Starkville, MS 15.0% 12/17/2018 (7) 8.5 / 6.5 — 6,116,384 5,815,849 — Mezzanine Construction Loan on Student Housing Community Haven46 Tampa, FL 13.5% 3/29/2019 (4) 8.5 / 5.0 — 9,819,662 9,819,662 — Mezzanine Construction Loan on Student Housing Community Haven Northgate College Station, TX 9.00% 6/20/2019 (1) 7.25 / 1.5 — 67,680,000 65,724,317 — Mezzanine Construction Loan on Student Housing Community Lubbock II Lubbock, TX 13.5% 4/20/2019 (4) 8.5 / 5.0 — 9,357,171 9,357,078 — Mezzanine Construction Loan on Student Housing Community Haven Charlotte Charlotte, NC 15.0% 12/22/2019 (7) 8.5 / 6.5 — 19,581,593 17,039,277 — Mezzanine Construction Loan on Student Housing Community Haven Charlotte Member Charlotte, NC 15.0% 12/22/2019 (7) 8.5 / 6.5 — 8,201,170 7,794,612 — Mezzanine Construction Loan on Student Housing Community Solis Kennesaw Atlanta, GA 14.0% 9/26/2020 (5) 8.5 / 5.5 — 12,358,946 1,609,395 — Mezzanine Construction Loan on Student Housing Community Solis Kennesaw Capital Atlanta, GA 14.0% 10/1/2020 (5) 8.5 / 5.5 — 8,360,000 7,143,866 — Mezzanine Construction Loan on Grocery- Anchored Shopping Dawson Marketplace Atlanta, GA 13.5% 9/24/2020 (4) 8.5 / 5.0 — 12,857,005 12,857,005 — Land Acquisition Bridge Loan Crescent Avenue Atlanta, GA 15.0% 4/13/2018 (9) 10.0 / 5.0 — 8,500,000 8,500,000 — Total — 455,569,041 388,506,100 — Unamortized loan origination fees — — (1,710,157) — Carrying amount — 455,569,041 386,795,943 — (1) Variable rate - Libor + 7.00%, interest only, 7.25% payable monthly and 1.5% accrued (2) Fixed rate, interest only, 8.0% payable monthly and 5.0% accrued (3) Fixed rate, interest only, 8.5% payable monthly and 2.0% accrued (4) Fixed rate, interest only, 8.5% payable monthly and 5.0% accrued (5) Fixed rate, interest only, 8.5% payable monthly and 5.5% accrued

F- 58 (6) Fixed rate, interest only, 8.5% payable monthly and 5.83% accrued (7) Fixed rate, interest only, 8.5% payable monthly and 6.5% accrued (8) Fixed rate, interest only, 8.5% payable monthly and 7.5% accrued (9) Fixed rate, interest only, 10.0% payable monthly and 5.0% accrued (10) Fixed rate, interest only, 10.5% payable monthly and 0.0% accrued (11) Fixed rate, interest only, 12.0% payable monthly and 0.0% accrued

F- 59 Index to Exhibits The following exhibits are included, or incorporated by reference, in this Annual Report on Form 10-K (and are numbered in accordance with Item 601 of Regulation S-K): Exhibit No. Reference Description 3.1 (2) Articles of Amendment and Restatement of Preferred Apartment Communities, Inc. 3.2 (2) Third Amended and Restated By-laws of Preferred Apartment Communities, Inc. 4.1 (10) Sixth Amended and Restated Partnership Agreement, dated June 3, 2016, among Preferred Apartment Communities, Inc., Preferred Apartment Advisors, LLC and the other limited partners party thereto 4.2 (5) Articles Supplementary for the Series A Redeemable Preferred Stock 4.3 (6) Articles Supplementary for the Series M Redeemable Preferred Stock 4.4 (11) Articles Supplementary classifying an additional 900,000 shares of the Series A Redeemable Preferred Stock 4.5 (8) Articles Supplementary classifying an additional 2,000,000 shares of the Series A Redeemable Preferred Stock 4.6 (6) Form of mShares Subscription Agreement 4.7 (13) Form of Series A Subscription Agreement 4.8 (15) First Amendment to the Sixth Amended and Restated Partnership Agreement, dated as of January R5, 2017, entered into by Preferred Apartment Communities, Inc. T.9 (16) Articles of Amendment Amending the Holder Redemption Options of the Company's Series A Redeemable Preferred Stock 4.10 (26) Amended and Restated Warrant Agreement dated as of March 14, 2012 between Preferred Apartment Communities, Inc. and Computershare Trust Company, N.A., as Warrant Agent 4.11 (5) Form of Global Warrant Certificate 4.12 (27) Second Amended and Restated Warrant Agreement between Preferred Apartment Communities, Inc. and Computershare Trust Company, N.A., as Warrant Agent dated as of October 11, 2013 4.13 (28) Warrant Agreement between Preferred Apartment Communities, Inc. and Computershare Trust Company, N.A., as Warrant Agent dated as of February 23, 2017 10.1 (10) Sixth Amended and Restated Management Agreement, dated June 3, 2016, among Preferred Apartment Communities, Inc., Preferred Apartment Communities Operating Partnership, L.P. and Preferred Apartment Advisors, LLC 10.2 (20) First Amendment to the Sixth Amended and Restated Management Agreement, entered into as of October 5, 2016, effective as of August 29, 2016, among Preferred Apartment Communities, Inc., Preferred Apartment Communities Operating Partnership, L.P. and Preferred Apartment Advisors, LLC 10.3 (29) Amendment No. 2 to the Sixth Amended and Restated Management Agreement, effective as of July Q, 2017 and entered into as of August 31, 2017, among Preferred Apartment Communities, Inc., Preferred Apartment Communities Operating Partnership, L.P. and Preferred Apartment Advisors, LLC 10.4 (2) * The Company's 2011 Stock Incentive Plan 10.5 (3) Trademark License and Assignment Agreement dated September 17, 2010, but effective as of July R9, 2010, between Preferred Apartment Communities, Inc. and Preferred Apartment Advisors, LLC 10.6 (2) * Form of Restricted Stock Agreement pursuant to the Preferred Apartment Communities, Inc. 2011 Stock Incentive Plan 10.7 (4) Form of Indemnification Agreement 10.8 (5) * First Amendment to Preferred Apartment Communities, Inc. 2011 Stock Incentive Plan

F- 60 10.9 (21) * Form of Preferred Apartment Communities, Inc. 2016 Class B Unit Award Agreement (3 year) 10.10 (23) * Form of Preferred Apartment Communities, Inc. 2017 Class B Unit Award Agreement (1 year) 10.11 (23) * Form of Preferred Apartment Communities, Inc. 2017 Class B Unit Award Agreement (3 year) 10.12 (30) * Form of Preferred Apartment Communities, Inc. 2018 Class B Unit Award Agreement (1 year) 10.13 (30) * Form of Preferred Apartment Communities, Inc. 2018 Class B Unit Award Agreement (3 year) 10.14 (7) Intellectual Property Assignment and License Agreement dated March 14, 2012 between Preferred Apartment Advisors, LLC and Preferred Apartment Communities, Inc. 10.15 (7) Trademark License Agreement dated March 14, 2012 between Preferred Apartment Advisors, LLC and Preferred Apartment Communities, Inc. 10.16 (7) Trademark Assignment dated March 14, 2012 between Preferred Apartment Advisors, LLC and Preferred Apartment Communities, Inc. 10.17 (12) * Second Amendment to 2011 Stock Incentive Plan 10.18 (14) Capital On Demand Sales AgreementTM dated May 4, 2016 between Preferred Apartment Communities, Inc. and JonesTrading Institutional Services, LLC 10.19 (14) Capital On Demand Sales AgreementTM dated May 4, 2016 between Preferred Apartment Communities, Inc. and FBR Capital Markets & Co. 10.20 (14) Capital On Demand Sales AgreementTM dated May 4, 2016 between Preferred Apartment Communities, Inc. and Canaccord Genuity Inc 10.21 (31) Form of Amendment No. 1, dated July 10, 2017, to Capital On Demand Sales AgreementTM, dated May 4, 2016 between Preferred Apartment Communities, Inc., and each of JonesTrading Institutional Services, LLC, FBR Capital Markets & Co., and Canaccord Genuity, Inc. 10.22 (31) Capital On Demand Sales AgreementTM dated July 10, 2017 between Preferred Apartment Communities, Inc. and National Securities Corporation 10.23 (31) Capital On Demand Sales AgreementTM dated July 10, 2017 between Preferred Apartment Communities, Inc. and D.A. Davidson & Co. 10.24 (31) Capital On Demand Sales AgreementTM dated July 10, 2017 between Preferred Apartment Communities, Inc. and JMP Securities LLC 10.25 (17) Agreement of Sale and Purchase between HR Venture Properties I LLC and New Market Properties, LLC dated as of June 24, 2016 (TX) 10.26 (17) Agreement of Sale and Purchase between HR Venture Properties I LLC, HR Parkland LLC and New Market Properties, LLC dated as of June 24, 2016 (FL) 10.27 (17) Agreement of Sale and Purchase between HR Venture Properties I LLC, HR Thompson Bridge LLC and New Market Properties, LLC dated as of June 24, 2016 (GA) 10.28 (17) Agreement of Sale and Purchase between HR Heritage Station LLC and New Market Properties, LLC dated as of June 24, 2016 (NC) 10.29 (17) First Amendment to Agreement of Sale and Purchase between HR Venture Properties I LLC and New Market Properties, LLC dated as of July 8, 2016 (TX) 10.30 (17) Second Amendment to Agreement of Sale and Purchase between HR Venture Properties I LLC and New Market Properties, LLC dated as of July 11, 2016 (TX) 10.31 (17) Third Amendment to Agreement of Sale and Purchase between HR Venture Properties I LLC and New Market Properties, LLC dated as of July 12, 2016 (TX) 10.32 (18) Fourth Amended and Restated Credit Agreement dated as of August 5, 2016 among Preferred Apartment Communities, Inc., Preferred Apartment Communities Operating Partnership, L.P., the lenders party thereto and KeyBank National Association

F- 61 10.33 (18) Fourth Amended and Restated Pledge and Security Agreement dated as of August 5, 2016 among Preferred Apartment Communities Operating Partnership, L.P., (the "Borrower"), each of the subsidiaries of the Borrower party thereto and KeyBank National Association 10.34 (18) Fourth Amended and Restated Guaranty dated as of August 5, 2016 by and among Preferred Apartment Communities, Inc., each of the guarantors party thereto and KeyBank National Association 10.35 (19) Form of Buy-Sell Agreement with KeyBank National Association 10.36 (22) * Third Amendment to 2011 Stock Incentive Plan 10.37 (24) Purchase and Sale Agreement between SPUS6 Three Ravinia, LP and Preferred Apartment Communities Operating Partnership, L.P. dated as of November 10, 2016. 10.38 (32) Soliciting Dealer Agreement, dated April 5, 2017 between Preferred Capital Securities, LLC and Investacorp, Inc. Q0.39 (33) Form of Credit Agreement among Preferred Apartment Communities, Inc., Borrower and Federal Home Loan Mortgage Corporation 10.40 (34) Credit Agreement dated as of February 28, 2017 among Preferred Apartment Communities, Inc., PCC Tempe, LLC and KeyBank National Association 12.1 (1) Statement of Computation of Ratios 21 (1) Subsidiaries of Preferred Apartment Communities, Inc. 23.1 (1) Consent of PricewaterhouseCoopers LLP 31.1 (1) Certification of John A. Williams, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 31.2 (1) Certification of Michael J. Cronin, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 32.1 (1) Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 32.2 (1) Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 101 (1) XBRL (eXtensible Business Reporting Language). The following materials for the period ended December 31, 2017, formatted in XBRL: (i) Consolidated balance sheets at December 31, 2017 and December 31, 2016, (ii) consolidated statements of operations for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, (iii) consolidated statements of equity and accumulated deficit, (iv) consolidated statements of cash flows and (v) notes to consolidated financial statements. * Management contract or compensatory plan, contract or arrangement. (1) Filed herewith (2) Previously filed with the Pre-effective Amendment No. 6 to Form S-11 Registration Statement (Registration No. 333-168407) filed by the Registrant with the Securities and Exchange Commission on March 4, 2011 (3) Previously filed with the Pre-effective Amendment No. 1 to Form S-11 Registration Statement (Registration No. 333-168407) filed by the Registrant with the Securities and Exchange Commission on October 4, 2010 (4) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on April 7, 2011 (5) Previously filed with the Pre-effective Amendment No. 1 to Form S-11 Registration Statement (Registration No.: 333-176604) filed by the Registrant with the Securities and Exchange Commission on November 2, 2011 (6) Previously filed with the Form S-3 Registration Statement (Registration No.: 333-214531) filed by the Registrant with the Securities and Exchange Commission on November 9, 2016 (7) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on March 15, 2012 (8) Previously filed with the Form S-3 Registration Statement (Registration No.: 333-211924) filed by the Registrant with the Securities and Exchange Commission on June 9, 2016

F- 62 (9) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 7, 2014 (10) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on June 6, 2016 (11) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on August 28, 2013 (12) Previously filed as Annex B to the Definitive Proxy Statement on Schedule 14A filed by the Registrant with the Securities and Exchange Commission on March 21, 2013 (13) Previously filed with the Pre-effective Amendment No. 2 to Form S-3 Registration Statement (Registration No. 333-211924) filed by the Registrant with the Securities and Exchange Commission on November 8, 2016 (14) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on May 5, 2016 (15) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 26, 2017 (16) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on June 26, 2014 (17) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on July 15, 2016 (18) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on August 10, 2016 (19) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on February 17, 2015 (20) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on October 5, 2016 (21) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 8, 2016 (22) Previously filed as Annex A to the Definitive Proxy Statement on Schedule 14A filed by the Registrant with the Securities and Exchange Commission on March 19, 2015 (23) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 9, 2017 (24) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on December 8, 2016 (25) Previously filed form of with the Pre-effective Amendment No. 2 to Form S-3 Registration Statement (Registration No. 333-211924) filed by the Registrant with the Securities and Exchange Commission on November 8, 2016 (26) Previously filed with the Annual Report on Form 10-K filed by the Registrant with the Securities and Exchange Commission on March 15, 2012 (27) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on October 15, 2013 (28) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on February 24, 2017 (29) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on August 31, 2017 (30) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 29, 2018 (31) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on July 10, 2018 (32) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on April 11, 2017 (33) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on March 29, 2017 (34) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on March 6, 2017

F- 63 SIGNATURES Pursuant to the requirements of Section 13 or 15(d) 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. PREFERRED APARTMENT COMMUNITIES, INC. Date: March 1, 2018 By: /s/ John A. Williams John A. Williams Chief Executive Officer Date: March 1, 2018 By: /s/ Michael J. Cronin Michael J. Cronin Executive Vice President, Chief Accounting Officer and Treasurer Pursuant to the requirements of Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. Signature Title Date /s/ John A. Williams Chief Executive Officer and Chairman of the Board March 1, 2018 John A. Williams (Principal Executive Officer) /s/ Leonard A. Silverstein President, Chief Operating Officer and Director March 1, 2018 Leonard A. Silverstein /s/ Michael J. Cronin Executive Vice President, Chief Accounting Officer and Treasurer March 1, 2018 Michael J. Cronin (Principal Accounting Officer and Principal Financial Officer) /s/ Steve Bartkowski Director March 1, 2018 Steve Bartkowski /s/ Gary B. Coursey Director March 1, 2018 Gary B. Coursey /s/ Daniel M. DuPree Director March 1, 2018 Daniel M. DuPree /s/ William J. Gresham, Jr. Director March 1, 2018 William J. Gresham, Jr. /s/ Howard A. McLure Director March 1, 2018 Howard A. McLure /s/ Timothy A. Peterson Director March 1, 2018 Timothy A. Peterson /s/ John Wiens Director March 1, 2018 John Wiens

Exhibit 12 Statement of Ratios Preferred Apartment Communities, Inc. Ratio of Earnings to Combined Fixed Charges and Preferred Dividends Year ended December 31, 2017 2016 2015 2014 2013 Earnings: Net income (loss) $ 28,666,601 $ (9,843,414) $ (2,425,989) $ 2,127,203 $ (4,205,492) Add: Fixed charges 67,468,042 44,284,144 21,315,731 10,188,187 5,780,526 Less: Net (income) loss attributable to non-controlling interests (985,605) 310,291 25,321 (33,714) 222,404 Total earnings $ 95,149,038 $ 34,751,021 $ 18,915,063 $ 12,281,676 $ 1,797,438 Fixed charges: Interest expense $ 62,383,849 $ 40,688,714 $ 19,841,455 $ 9,183,128 $ 4,921,797 Amortization of deferred loan costs related to mortgage indebtedness 5,084,193 3,595,429 1,474,276 1,005,059 858,729 Total fixed charges 67,468,042 44,284,143 21,315,731 10,188,187 5,780,526 Preferred dividends 63,651,265 41,080,645 18,751,934 7,382,320 3,963,146 Total Combined fixed charges and preferred dividends $ 131,119,307 $ 85,364,788 $ 40,067,665 $ 17,570,507 $ 9,743,672 Ratio of Earnings to Combined fixed charges and preferred dividends (A) 0.73 0.41 0.47 0.70 0.18 (A) The computation of our ratios of earnings to combined fixed charges and preferred stock dividends indicates that earnings were inadequate to cover combined fixed charges and preferred stock dividends by approximately $36.0 million, $50.6 million, $21.2 million, $5.3 million and $7.9 million for the year ended December 31, 2017, 2016, 2015, 2014 and 2013, respectively. Our net loss to common stockholders for the year ended December 31, 2013 includes the effect of a one-time deemed non-cash dividend of approximately $7.0 million related to a beneficial conversion feature within our Series B Preferred Stock, all of which was converted to Common Stock on May 16, 2013. Combined fixed charges and preferred dividends for the twelve months ended December 31, 2013 do not reflect the deemed non-cash dividend.

Exhibit 21 Subsidiaries of Preferred Apartment Communities, Inc. Name Jurisdiction of Formation 360 Forsyth Lending, LLC Delaware 360 Ft. Myers Lending, LLC Delaware 360 Ft Myers Capital Lending, LLC Delaware 360 Irvine Lending, LLC Delaware 525 Avalon Park, LLC Delaware Altman Pasco Capital Lending, LLC Delaware Altman Pasco Lending, LLC Delaware Barclay Crossing, LLC Delaware Berryessa Lending, LLC Delaware Bristol Birmingham Lending, LLC Delaware City Park Mezzanine Lending, LLC Delaware City Park II Capital Lending, LLC Delaware Claiborne Crossing, LLC Delaware Claret Braselton Lending, LLC Delaware Crescent Ave Lending, LLC Delaware Deltona Landing, LLC Delaware Encore Capital Lending, LLC Delaware Haven Campus Communities Kennesaw Member, LLC Georgia Haven Campus Communities Kennesaw, LLC Delaware Haven Charlotte Capital Lending, LLC Delaware Haven Charlotte Lending, LLC Delaware Haven Fayetteville Lending, LLC Delaware Haven Northgate Lending, LLC Delaware Haven Lubbock II Lending, LLC Delaware Haven Tampa Lending, LLC Delaware Hidden River Capital Lending, LLC Delaware Kennesaw Mezzanine Lending, LLC Georgia Lake Cameron, LLC Delaware Main Street Apartment Homes, LLC Maryland Main Street Baldwin, LLC Delaware Main Street Stone Creek, LLC Delaware Manassas Mezzanine Lending, LLC Georgia New Market – Anderson, LLC Delaware New Market - Castleberry, LLC Delaware New Market – Champions, LLC Delaware New Market – Cherokee, LLC Delaware New Market - Crossroads, LLC Delaware New Market – Cumming, LLC Delaware New Market – East Gate, LLC Delaware New Market – Fairview, LLC Delaware

New Market – Furys Ferry, LLC Delaware New Market – Heritage, LLC Delaware New Market - Irmo, LLC Delaware New Market - Maynard, LLC Delaware New Market – Oak Park, LLC Delaware New Market – Overlook, LLC Delaware New Market – Parkland, LLC Delaware New Market – Parkland Outparcel, LLC Delaware New Market – Plano, LLC Delaware New Market Properties, LLC Maryland New Market - Castleberry, LLC Delaware New Market - Rockbridge, LLC Delaware New Market – Rosewood, LLC Delaware New Market – Royal Lakes, LLC Delaware New Market -RW, LLC Delaware New Market – Sandy Plains, LLC Delaware New Market – Southgate, LLC Delaware New Market – Summit Point, LLC Delaware New Market – Thompson Bridge, LLC Delaware New Market – University Palms, LLC Delaware New Market – Victory Village, LLC Delaware New Market – Wade Green, LLC Delaware New Market - West Town, LLC Delaware New Market - Woodmont, LLC Delaware Newport Bishop Lending, LLC Delaware Newport Morosgo Lending, LLC Delaware Newport Morosgo Capital Lending, LLC Delaware NMP Kingwood Glen, LLC Delaware Oxford Brentwood Lending, LLC Delaware Oxford Encore Lending, LLC Georgia Oxford Gateway Lending, LLC Delaware Oxford Gateway Capital Lending, LLC Delaware Oxford Hidden River Lending, LLC Delaware PAC Adara, LLC Delaware PAC Aldridge at Town Village, LLC Delaware PAC Brookwood Center, LLC Delaware PAC Carveout, LLC Delaware PAC Citilakes, LLC Delaware PAC Citrus Village, LLC Delaware PAC Citypark View, LLC Delaware PAC City Vista Apartments, LLC Delaware PAC Creekside, LLC Delaware PAC Crosstown Walk, LLC Delaware PAC Cypress, LLC Delaware PAC Dawson Lending, LLC Delaware PAC Founders Village, LLC Delaware

PAC Galleria 75, LLC Delaware PAC Green Park, LLC Delaware PAC Greenstone Augusta Lending, LLC Delaware PAC Lending, LLC Delaware PAC Lenox, LLC Delaware PAC Lenox Regent, LLC Delaware PAC Lenox Retreat, LLC Delaware PAC Lenox Village, LLC Delaware PAC Luxe, LLC Delaware PAC Midlothian, LLC Delaware PAC Naples, LLC Delaware PAC Overlook at Crosstown Walk, LLC Delaware PAC Overton Rise, LLC Delaware PAC Northpointe, LLC Delaware PAC Reserve at Summit Crossing, LLC Delaware PAC Retreat at Greystone, LLC Delaware PAC Sarasota, LLC Delaware PAC Sorrel, LLC Delaware PAC Sorrel II, LLC Delaware PAC Summit Crossing, LLC Georgia PAC Summit Crossing II, LLC Delaware PAC Vineyards, LLC Delaware PACOP Special Member, Inc. Delaware Parkway Centre, LLC Delaware Parkway Town Centre, LLC Delaware PCC Stadium Village, LLC Delaware PCC Tallahassee, LLC Delaware PCC Tempe, LLC Delaware PCC Waco, LLC Delaware POP 3 Ravinia, LLC Delaware POP Armour Yards, LLC Delaware POP Carveout, LLC Delaware POP Westridge, LLC Delaware Powder Springs-Macland Retail, LLC Delaware Preferred Apartment Communities Operating Partnership, L.P. Delaware Preferred Campus Communities, LLC Maryland Preferred Office Properties, LLC Maryland Salem Cove, LLC Delaware SE Grocery LLC Delaware Spring Hill Plaza, LLC Delaware Starkville Mezzanine Lending, LLC Georgia Stoneridge Farms Hunt Club, LLC Delaware Stone Rise Apartments, LLC Delaware Sunbelt Retail, LLC Delaware Sweetgrass Corner, LLC Delaware TP Kennesaw Lending, LLC Delaware

TP Kennesaw Capital Lending, LLC Delaware WAM McNeil Ranch, LLC Delaware Weems Mezzanine Lending, LLC Delaware Woodstock Crossing Center, LLC Georgia

Exhibit 23.1 CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-181165, No. 333-191418, No. 333-210281) and Form S-3 (No. 333-188677, No. 333-183355, No. 333-211178, No. 333-211924, No. 333-214531) of Preferred Apartment Communities, Inc. of our report dated March 1, 2018 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K. /s/ PricewaterhouseCoopers LLP Atlanta, GA March 1, 2018

EXHIBIT 31.1 CERTIFICATIONS I, John A. Williams, certify that: Q. I have reviewed this annual report on Form 10-K of Preferred Apartment Communities, Inc.; R. 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; S. 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; T. 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 U. The registrant’s other certifying officer(s) 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: March 1, 2018 /s/ John A. Williams John A. Williams Chief Executive Officer

EXHIBIT 31.2 CERTIFICATIONS I, Michael J. Cronin, certify that: Q. I have reviewed this annual report on Form 10-K of Preferred Apartment Communities, Inc.; R. 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; S. 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; T. 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 U. The registrant's other certifying officer(s) 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: March 1, 2018 /s/ Michael J. Cronin Michael J. Cronin Executive Vice President, Chief Accounting Officer and Treasurer

Exhibit 32.1 Furnished (but not filed) as an exhibit to the periodic report identified in the Certification. CERTIFICATION PURSUANT TO Q8 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 In connection with the Annual Report of Preferred Apartment Communities, Inc. (the "Company") on Form 10-K for the period ended December 31, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, John A. Williams, President and Chief Executive Officer, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge: (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. Date: March 1, 2018 /s/ John A. Williams John A. Williams Chief Executive Officer

Exhibit 32.2 Furnished (but not filed) as an exhibit to the periodic report identified in the Certification. CERTIFICATION PURSUANT TO Q8 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 In connection with the Annual Report of Preferred Apartment Communities, Inc. (the "Company") on Form 10-K for the period ended December 31, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, Michael J. Cronin, Chief Accounting Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge: (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. Date: March 1, 2018 /s/ Michael J. Cronin Michael J. Cronin Executive Vice President, Chief Accounting Officer and Treasurer

23 EXECUTIVE MANAGEMENT & LEADERSHIP TEAM John A. Williams Chief Executive Officer Leonard A. Silverstein President and Chief Operating Officer Daniel M. DuPree Chief Investment Officer Michael J. Cronin Executive Vice President, Chief Accounting Officer and Treasurer Paul Cullen Executive Vice President, Chief Marketing Officer, Preferred Apartment Communities Chief Executive Officer, Preferred Campus Communities James P. Curtis President, Chief Compliance Officer and General Counsel, Preferred Capital Securities Boone DuPree Chief Executive Officer, Preferred Office Properties William R. Forth Executive Vice President, Chief Asset Management Officer Albert V. Haworth Chief Executive Officer, Preferred Capital Securities Kimberly Barkwell Hodge President and Chief Executive Officer, Preferred Campus Management Rob Gayle Chief Operating Officer, Preferred Residential Management John Isakson Chief Capital Officer William F. Leseman Executive Vice President – Property Management Joel T. Murphy Chief Executive Officer, New Market Properties Jeffery D. Sherman Executive Vice President, Director of Multifamily Investments BOARD OF DIRECTORS John A. Williams Chairman of the Board and Chief Executive Officer Daniel M. DuPree Vice Chairman of the Board and Chief Investment Officer Leonard A. Silverstein President and Chief Operating Officer Steve Bartkowski Business Development, DPR Construction, Inc. Gary B. Coursey Founder, Gary B. Coursey & Associates Architects William J. Gresham, Jr. Consultant, Gresham Real Estate Advisors, Inc. Howard A. McLure Lead Independent Director Timothy A. Peterson Partner and Chief Financial Officer, Altman Development Corporation John M. Wiens Vice President of Portfolio Management, Stadion Money Management LEGAL COUNSEL Jeffrey R. Sprain Executive Vice President, General Counsel and Corporate Secretary Proskauer Rose LLP New York, NY AUDITOR PricewaterhouseCoopers LLP Atlanta, GA TAX ADVISORS Ernst and Young, LLP Atlanta, GA TRANSFER AGENT Computershare Trust Company, N.A. Canton, MA PREFERRED APARTMENT COMMUNITIES, INC. S284 Northside Parkway NW, Suite 150, Atlanta, GA 30327 On February 14, 2017, the Securities and Exchange Commission (the "SEC") declared effective our registration statement on Form S-3 (file number 333-211924, the "Series A Registration Statement") for our offering of up to 1,500,000 Units, with each Unit consisting of one share of our Series A redeemable preferred stock, and one warrant to purchase 20 shares of our Common Stock, which is offered by the dealer manager on a "reasonable best efforts" basis. On December 2, 2016, the SEC declared effective our registration statement on Form S-3 (file number 333-214531, the "Series M Registration Statement") for our offering of up to 500,000 shares of Series M redeemable preferred stock, which is offered by the dealer manager on a "reasonable best efforts" basis. This Annual Report shall not constitute an offer to sell or the solicitation of an offer to buy the securities offered by the Company pursuant to either the Series A Registration Statement or the Series M Registration Statement, nor shall there be any offer or sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. Each offering will be made only by means of a prospectus which is part of each of the Series A Registration Statement and the Series M Registration Statement. SAFE HARBOR NOTICE This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Our actual results could differ materially from those set forth in each forward-looking statement. Certain factors that might cause such a difference are discussed in this Annual Report, including in the section entitled "Forward-Looking Statements" included elsewhere in this Annual Report. You should also review the section of this Annual Report entitled "Risk Factors" for a discussion of various risks that could adversely affect us. PAC RECYCLES

3284 Northside Parkway NW, Suite 150 | Atlanta, GA 30327 | 770.818.4100 | pacapts.com Preferred Apartment Communities, Inc. ("PAC") has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents PAC has filed with the SEC for more complete information about PAC and the offering. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, (i) with respect to the offering of up to 1,500,000 Units consisting of 1,500,000 shares of Series A Redeemable Preferred Stock and Warrants to purchase 30,000,000 shares of Common Stock, PAC's dealer manager, Preferred Capital Securities, LLC, will arrange to send you the prospectus if you request it by calling toll-free at (855) 330-6594 (ii) with respect to the offering of up to 500,000 shares of Series M Redeemable Preferred Stock, PAC's dealer manager, Preferred Capital Securities,LLC, will arrange to send you the prospectus if you request it by calling toll-free at(855) 330-6594 and (iii) with respect to the offering of up to $150,000,000 of Common Stock, PAC's sales agent, JonesTrading Institutional Services LLC, will arrange to send you the prospectus if you request it by calling toll-free at (800) 423-5933.