

Risk Factors Comparison 2024-02-23 to 2023-02-24 Form: 10-K

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Our operations involve various risks that could have adverse consequences, including those described below. This Item 1A. includes forward- looking statements. You should refer to our discussion of the qualifications and limitations on forward- looking statements in this Form 10- K. Risks related to investments through acquisitions, construction, development, and joint ventures Development, redevelopment and construction risks could affect our profitability. We intend to continue to develop and redevelop apartment home communities. These activities can include long planning and entitlement timelines and can involve complex and costly activities, including significant environmental remediation or construction work in high- density urban areas. These activities may expose us to the following risks, among others: • we **have recently, and** may **in the future,** abandon opportunities that we have already begun to explore for a number of reasons, including changes in local market conditions or increases in construction or financing costs, **or we may impair and land held for development**, and as a result, we may fail to recover expenses already incurred in exploring those opportunities; • occupancy rates and rents at a community may fail to meet our original expectations for a number of reasons, including changes in market and economic conditions beyond our control and the development by competitors of competing communities; • we may be unable to obtain, or experience delays in obtaining, necessary zoning, occupancy or other required governmental or third party permits and authorizations, which could result in increased costs, or the delay or abandonment of opportunities; • we may incur costs that exceed our original estimates due to increased material, labor or other costs or supply chain disruptions which could impact our overall return from our development, redevelopment or construction activity; • we may be unable to complete construction of a community on schedule or for the originally projected cost resulting in increased construction and financing costs; • we may incur liabilities to third parties during the development process, for example, in connection with managing existing improvements on the site prior to tenant terminations and demolition (such as commercial space) or in connection with providing services to third parties (such as the construction of shared infrastructure or other improvements); and • we may incur liability if our communities are not constructed in compliance with the accessibility provisions of the Americans with Disabilities Acts, the Fair Housing Act or other federal, state or local requirements. Noncompliance could result in imposition of fines, an award of damages to private litigants and a requirement that we undertake structural modifications to remedy the noncompliance. Refer to our “ Risks related to liquidity and financing ” section below for additional construction and development risks related to financing. Attractive investment opportunities may not be available, which could adversely affect our profitability. We expect that other real estate investors, including insurance companies, pension and investment funds, other REITs and other well- capitalized investors, will compete with us to acquire existing properties and to develop new properties. This competition could increase prices for properties of the type we would likely pursue and adversely affect our profitability for new investments. Acquisitions may not yield anticipated results. Our business strategy of acquiring communities may have the following risks: (i) acquisitions may not perform as we expected; (ii) our estimate of the costs of operating, repositioning or redeveloping an acquisition may be inaccurate; and (iii) acquisitions may subject us to unknown liabilities. Failure to succeed in new markets, or with new brands and community formats, or in activities other than the development, ownership and operation of residential rental communities may have adverse consequences. We have ~~in recent years~~ engaged, and may continue from time to time to engage in development, acquisition and operating activity outside of our pre- existing market areas. Our historical experience in our existing markets in developing, owning and operating rental communities does not ensure that we will be able to operate successfully in new markets. We may be exposed to a variety of risks when we enter a new market, including an inability to accurately evaluate local apartment market conditions and an inability to obtain land for development or to identify appropriate acquisition opportunities. In order to more rapidly expand in our new markets, we have relied on third party developers to source and manage developments and on third party general contractors to manage construction more than we have in our existing markets. Relying on third parties to assist with and / or oversee development and construction creates additional and different risks than when we manage these activities directly, including that the third party may not perform to our standards, may breach contractual arrangements, or may incur liquidity constraints. We also may engage or have an interest in for- sale activity, such as the sale of the residential condominiums at The Park Loggia, a mixed- use development located in New York, New York. We may be unsuccessful at developing real estate with ~~the intent~~ **intent** to sell or in selling condominiums at originally underwritten values, or at all, as a disposition strategy for an asset, which could have an adverse effect on our results of operations. **During 2023, we began to provide, through our internally operated shared service center, various back-office, financial administrative support services to a third party for a fee, and we may in the future provide such services to other third parties. There can be no assurance that we will be successful in providing such services, and the provision of such services creates additional sources of risk and potential liability for us with respect to the professional commitments and service levels we undertake when providing such services.** We are exposed to risks associated with investment in technology and environmentally focused venture funds and companies. ~~We~~ **We** ~~in recent years we~~ have invested in, and may in the future invest in, venture funds that invest in companies seeking innovation through new processes and the application of technology to property operations, development, construction and energy management. We have also invested directly in, and may in the future invest directly in, companies that engage in these activities. While such investments give us a greater understanding of new and emerging technologies, such investments involve risks, including the possibility that our investments will decline substantially in value. Our investments in technology companies, or in funds that invest in technology companies, are generally held through **TRSS** taxable REIT subsidiaries pursuant to which we will incur taxable gains upon the

disposition of our interests. In addition, the value of these investments may be volatile and declines in value may impact our reported income even if we do not sell the investment. We are exposed to risks associated with investment in, and management of, ~~discretionary real estate investment funds and~~ joint ventures. At times we invest directly and indirectly in real estate as a partner or a co-venturer with other investors. Joint venture investments (including investments through partnerships or limited liability companies) involve risks, including the possibility that our partner might become insolvent or otherwise refuse to make capital contributions when due; that we may be responsible to our partner for indemnifiable losses or the debt and obligations of an investment; that our investments may lose all or some of their value; that our partner might have business goals that are inconsistent with ours which may result in the venture or investment being unable to implement certain decisions that we consider beneficial; that our partner may be in a position to take action or withhold consent contrary to our instructions or requests; that, in cases where we are the general partner or managing member, our partners holding a majority of the equity interests may remove us from such role in certain cases involving cause; and that we may be liable and / or our status as a REIT may be jeopardized if either the investments, or the REIT entities associated with the investments, fail to comply with various tax or other regulatory matters. Frequently, we and our partner may each have the right to trigger a buy- sell or similar arrangement that could cause us to sell our interest, acquire our partner's interest or force a sale of the asset, which could occur at a time when we otherwise would not have initiated such a transaction or on terms that are not most advantageous to us. Mezzanine debt and preferred equity investments could cause us to incur expenses, which could adversely affect our results of operations. We ~~hold~~ **make** mezzanine loans ~~and plan to hold~~ **borrowers and obtain** preferred equity interests ~~as part of our SIP~~ **through which we make these kinds of investments** in projects owned by third parties ~~party sponsors as part of our SIP~~. Some of these instruments may have some recourse to their ~~borrower or sponsors~~ **sponsor**, while others are limited to the collateral securing the loan **or the right to remove the sponsor as manager of the venture in preferred equity investments**. In the event of a default under these obligations, we may ~~have~~ **elect** to take possession of the collateral securing these interests, **or remove a sponsor from management of a preferred equity investment**. Borrowers **of mezzanine loans** may contest **our enforcement of actions, including, foreclosure, assignment in lieu of foreclosure, or other remedies, and sponsors may contest our removal actions. In addition, borrowers and sponsors may** seek bankruptcy protection against such enforcement and / or bring claims for lender liability in response to actions to enforce their obligations to us. Declines in the value of the **underlying property properties** may prevent us from realizing an amount equal to our investment upon foreclosure **or other remedies** even if we make substantial improvements or repairs ~~to the underlying real estate in order to~~ maximize such **property properties** ~~s~~-investment potential. We cannot be certain that ~~our estimate of reserves carried to protect against~~ future credit losses will be adequate over time ~~to protect against future credit losses~~ because of unanticipated adverse changes in the economy or events adversely affecting specific properties, assets, tenants, borrowers, industries in which our tenants and borrowers operate or markets in which our tenants and borrowers or their properties are located. The ultimate resolutions may differ from our expectation, and we could suffer losses that would have a material adverse effect on our financial performance, the trading price of our securities and our ability to pay dividends and distributions. We are exposed to risks associated with real estate assets that are subject to ground leases that may restrict our ability to finance, sell or otherwise transfer our interests in those assets, limit our use and expose us to loss if such agreements are breached by us or terminated. We own assets that are subject to long- term ground leases. These ground leases may impose limitations on our use **or improvement** of the properties, restrict our ability to finance, sell or otherwise transfer our interests or restrict the leasing of the properties. These restrictions may limit our ability to timely sell or exchange the properties, impair the properties' value or negatively impact our ability to operate the properties. In addition, we could lose our interests in the properties if the ground leases are breached by us, terminated or lapse. As we get closer to the lease termination dates, the values of the properties could decrease if we are unable to agree upon an extension of the lease with the lessor. Certain of these ground leases have payments subject to annual escalations and / or periodic fair market value adjustments which could adversely affect our financial condition or results of operations. Land we hold with no current intent to develop may be subject to future impairment charges. We own land parcels that we do not currently intend to develop. As discussed in Item 2. "Properties — Other Land and Real Estate Assets," in the event that the fair market value, less the cost to dispose of a parcel, changes such that it is less than the carrying basis of the parcel, we would be subject to an impairment charge, which would reduce our net income.