

Risk Factors Comparison 2025-02-20 to 2024-02-22 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

In addition to the other information contained in this Form 10-K, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition, or results of operations could be materially adversely affected by any of these risks. Risks Associated with Capital Markets, Credit Markets, and Real Estate Volatility in capital and credit markets, or other unfavorable changes in economic conditions, either nationally or regionally in one or more of the markets in which we operate, could adversely impact us. The capital and credit markets are subject to volatility and disruption. ~~Throughout 2023, in efforts to curb inflation, the Federal Reserve increased interest rates. Additionally, as a result of concerns about the recent deterioration in the financial markets, including the failures of banks during 2023, the cost of obtaining debt from credit and capital markets increased as many lenders increased interest rates, enacted tighter lending standards, and reduced and, in some cases ceased, to provide funding to borrowers.~~ If we need to incur debt from a source other than our revolving credit facility, we cannot be certain the additional financing will be available to the extent required and on acceptable terms. If debt financing on acceptable terms is not available, we may be unable to fully execute our growth strategy, otherwise take advantage of business opportunities, or respond to competitive pressures, any of which could have a material adverse effect on our results of operations, financial condition (including liquidity), and our ability to make distributions to shareholders. Other weakened economic conditions, including job losses, high unemployment levels, stock market volatility, and uncertainty about the future, could adversely affect rental rates and occupancy levels. Unfavorable changes in economic conditions may have a material adverse impact on our cash flows and operating results. Additional key economic risks which may adversely affect conditions in the markets in which we operate include the following: • local conditions, such as an oversupply of apartments or other housing available for rent, or a reduction in demand for apartments in the area; • declines in the financial condition of our residents, which may make it more difficult for us to collect rents from some residents; • declines in market rental rates; • low mortgage interest rates and home pricing, making alternative housing more affordable; • government or builder incentives which enable home buyers to put little or no money down, making alternative housing options more attractive; • regional economic downturns, including, but not limited to, business layoffs, downsizing, and increased unemployment, which may impact one or more of our geographical markets; • increased operating costs, if these costs cannot be passed through to our residents; and • global or locally- targeted pandemics, epidemics, or other health crises, and any related measures enacted to prevent their spread or restricting our ability to enforce contractual rental obligations upon our residents. Short- term leases could expose us to the effects of declining market rents. Our average lease terms are approximately fourteen months. As these leases typically permit the residents to leave at the end of the lease term without penalty, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms. ~~Competition could limit our ability to lease apartments or increase or maintain rental income. There are numerous housing alternatives which compete with our properties in attracting residents. Our properties compete directly with other multifamily properties, condominiums, single- family homes, and third- party providers of short- term rentals, which are available for rent or purchase in the markets in which our properties are located. This competitive environment could have a material adverse effect on our ability to lease apartment homes at our present properties or any newly developed or acquired property, as well as on the rents realized.~~ We could be negatively impacted by the risks associated with land holdings and related activities. We hold land for future development and may in the future acquire additional land holdings. The risks inherent in purchasing, owning, and developing land increase as demand for apartments, or rental rates, decrease. Real estate markets are highly uncertain and, as a result, the value of undeveloped land may fluctuate significantly. In addition, carrying costs can be significant and can result in losses or reduced profitability. As a result, we hold certain land and may in the future acquire additional land in our development pipeline at a cost we may not be able to fully recover or at a cost which may preclude us from developing a profitable multifamily community. **Under current market conditions, in 2024 we recorded impairment charges on three parcels of land.** If there are subsequent changes in the fair market value of our land holdings and the resulting value is less than the carrying basis of our land holdings reflected in our financial statements ~~plus estimated costs to sell~~, we may be required to take future impairment charges which would reduce our net income. Risks Associated with Our Operations Development, repositions, redevelopment and construction risks could impact our profitability. We intend to continue to develop, reposition, redevelop, and construct multifamily apartment communities for our portfolio. In ~~2024~~ **2025**, we expect to incur costs between approximately \$ ~~120-135~~ million and \$ ~~130-155~~ million related to the construction of ~~four-three~~ projects. Additionally, during ~~2024-2025~~, we expect to incur costs between approximately \$ ~~40-100~~ million and \$ ~~60-110~~ million related to the start of new development activities, between approximately \$ ~~90-96~~ million and \$ ~~94-100~~ million related to repositions, redevelopment, repurposes, and revenue enhancing expenditures and between approximately \$ ~~101-108~~ million and \$ ~~105-112~~ million of additional recurring capital expenditures. Our development, reposition, redevelopment, and other construction activities may also be exposed to a number of risks which may delay timely completion, increase our construction costs, and / or decrease our profitability, including the following: • inability to obtain, or delays in obtaining, necessary zoning, land- use, building, occupancy, and other required permits and authorizations; • disruptions in the supply of materials or labor, increased materials and labor costs, problems with contractors or subcontractors, or other costs including those costs due to errors and omissions which occur in the design or construction process; • shortages of materials; • inability to obtain financing with favorable terms; • inability to complete construction and / or lease- up of a community on schedule; • forecasted occupancy and rental rates may differ from the actual results; and • the incurrence of costs related to the abandonment of development opportunities which we have pursued and subsequently deemed unfeasible. Our

inability to successfully implement our development, repositions, redevelopment, and construction strategy could adversely affect our results of operations and our ability to satisfy our financial obligations and pay distributions to shareholders. One of our wholly- owned subsidiaries is engaged in the business of providing general contracting services under construction contracts entered between it and third parties. The terms of those construction contracts generally require this subsidiary to estimate the time and costs to complete a project and assumes the risk when these estimates are greater than anticipated. As a result, profitability on those contracts is dependent on the ability to accurately predict these factors. The time and costs necessary to complete a project may be affected by a variety of factors including, but not limited to, those listed above, many of which are beyond this subsidiary' s control. In addition, the terms of those contracts generally require this subsidiary to warrant its work for a period of time during which it may be required to repair, replace, or rebuild non- conforming work. Further, trailing liabilities, based on various legal theories such as claims of negligent construction, may result from such projects, and these trailing liabilities may go on for a number of years depending on the length of the statute of repose in the applicable jurisdictions. Our acquisition strategy may not produce the cash flows expected. We may acquire additional operating properties on a selective basis. Our acquisition activities are subject to a number of risks including, but not limited to, the following: • we may not be able to successfully integrate acquired properties into our existing operations; • our estimates of the costs, if any, of repositioning or redeveloping the acquired property may prove inaccurate; • the expected occupancy, rental rates, and operating expenses may differ from the actual results; • we may not be able to obtain adequate financing; and • we may not be able to identify suitable candidates on terms acceptable to us and may not achieve expected returns or other benefits as a result of integration challenges, such as personnel and technology. Changes in rent control or rent stabilization laws and regulations could adversely affect our operations and property values. Certain states and local municipalities have adopted rent control or rent stabilization laws and regulations, imposing restrictions on amounts of rent increases which may be charged. There are a number of additional states and local municipalities in which we operate also considering or being urged by advocacy groups to consider imposing rent control or rent stabilization laws and regulations. Such laws and regulations could limit our ability to enforce contractual rental obligations, increase rents, charge certain fees, evict residents, or recover increases in our operating expenses and could make it more difficult to dispose of properties in certain circumstances. The terms of laws and regulations recently enacted, future laws and regulations which may be enacted, as well as any lawsuits against us arising from such issues, could have a significant adverse impact on our results of operations and could reduce the value of our operating properties. Failure to qualify as a REIT could have adverse consequences. We may not continue to qualify as a REIT in the future and the Internal Revenue Service may challenge our qualification as a REIT for prior years. If we fail to qualify as a REIT in any taxable year we may be subject to federal and state income taxes for such year and we may not be able to requalify as a REIT for the four subsequent taxable years and may be subject to federal and state income taxes in those years as well. This may also impair our ability to expand our business and raise capital which may adversely affect the value of our common shares. We may face other tax liabilities in the future which may impact our cash flow. These potential tax liabilities may be calculated on our income or property values at either the corporate or individual property levels. Any additional tax expense incurred would decrease the cash available for cash distributions to our common shareholders and non- controlling interest holders. Additionally, in order for us to continue to qualify as a REIT we must meet a number of organizational and operational requirements, including a requirement to distribute annual dividends to our shareholders equal to a minimum of 90 % of our adjusted taxable income. Tax laws may continue to change at any time and any such legislative or other actions could have a negative effect on us. Tax laws remain under constant review by persons involved in the legislative process, at the Internal Revenue Service, the U. S. Department of Treasury, and by various state and local tax authorities. Future changes in tax laws including administrative interpretations, enacted tax rates, or new pronouncements relating to accounting for income taxes could adversely affect us in a number of ways, including making it more difficult or more costly for us to qualify as a REIT. A cybersecurity incident and other technology disruptions could negatively impact our business. We use technology in substantially all aspects of our business operations, including internet and cloud- based systems and applications. We also use mobile devices, social networking, outside vendors, and other online activities to connect with our employees, suppliers, and residents. Such uses and the on- going advancement in technology such as generative artificial intelligence, machine learning, and remote connectivity solutions give rise to potential cybersecurity risks with increasing sophistication, including but not limited to, security breaches, espionage, system disruption, theft, and inadvertent release of confidential information. Our business involves the storage and transmission of numerous classes of sensitive and confidential information and intellectual property, including residents' and suppliers' personal information, private information about employees, and financial and strategic information about us. Further, as we pursue our strategy to grow through acquisitions and developments and to pursue new initiatives to improve our operations, we are also expanding our information technologies, resulting in a larger technological presence and corresponding exposure to cybersecurity risk. If we fail to assess and identify cybersecurity risks associated with our operations, we may become increasingly vulnerable to such risks and may be liable for the consequential litigation and remediation costs. Additionally, the measures we have implemented to prevent security breaches and cyber incidents may not be effective and there can be no complete assurance of prevention or anticipation of such incidents. The theft, destruction, loss, misappropriation, or release of sensitive data, confidential information or intellectual property, or interference with our information technology systems or the technology systems of third parties on which we rely could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of residents, potential liability, and competitive disadvantage, any of which could result in a material adverse effect on our financial condition or results of operations. Our third- party service providers are primarily responsible for the security of their own information technology environments and in certain instances we rely significantly on third- party service providers to supply and store our sensitive data in a secure manner. All of these third parties face potential risks relating to cybersecurity similar to ours which could disrupt their businesses and therefore adversely impact us. While we provide guidance and specific requirements in some cases, we do not directly control

any of these parties' information technology security operations, or the amount of investment they place in guarding against cybersecurity threats. Accordingly, we are subject to any flaw or breaches to their information technology systems, or those which they operate for us, which could have a material adverse effect on our financial condition or results of operations. Risks Associated with Our Indebtedness and Financing We have significant debt, which could have adverse consequences. As of December 31, ~~2023~~ 2024, we had outstanding debt of approximately \$ 3.75 billion. This indebtedness could have adverse consequences including but not limited to, the following: • increasing our vulnerability to general adverse economic and industry conditions; and • limiting our flexibility in planning for, or reacting to, changes in business and industry conditions. The notes related to our properties subject to secured debt, our unsecured term loans, and unsecured revolving credit facility, and the indenture under which our unsecured debt was issued contain customary restrictions, requirements, and other limitations, as well as certain financial and operating covenants including maintenance of certain financial ratios. Maintaining compliance with these provisions could limit our financial flexibility. A default in these provisions, if uncured, could require us to repay the indebtedness before the scheduled maturity date which could adversely affect our liquidity and increase our financing costs. Insufficient cash flows could limit our ability to make required payments for debt obligations or pay distributions to shareholders. Substantially all of our income is derived from rental and other income from our multifamily communities. As a result, our performance depends in large part on our ability to collect rent from residents, which could be negatively affected by a number of factors including, but not limited to, the following: • delay in resident lease commencements; • decline in occupancy; • failure of residents to make rental payments when due; • the attractiveness of our properties to residents and potential residents; • our ability to adequately manage and maintain our communities; • competition from other available apartments and housing alternatives; • changes in market rents; • increases in operating expenses; and • changes in governmental regulations such as eviction moratoriums, rent control, or stabilization laws regulating rental housing. Cash flow could be insufficient to meet required payments of principal and interest with respect to debt financing. In order for us to continue to qualify as a REIT we must meet a number of organizational and operational requirements, including a requirement to distribute annual dividends to our shareholders equal to a minimum of 90 % of our adjusted taxable income. This requirement limits the cash available to meet required principal payments on our debt. Issuances of additional debt may adversely impact our financial condition. Our capital requirements depend on numerous factors, including the rental and occupancy rates of our multifamily properties, minimum dividend requirements to our equity holders, development, redevelopment and other capital expenditures, costs of operations, and potential acquisitions. If our capital requirements vary materially from our plans, we may require additional financing earlier than anticipated. If we issue more debt we could become more leveraged, resulting in increased risk of default on our obligations and an increase in our debt service requirements, both of which could adversely affect our financial condition and ability to access debt and equity capital markets in the future. We may be unable to renew, repay, or refinance our outstanding debt. We are subject to the risk our indebtedness will not be renewed, repaid, or refinanced when due or the terms of any renewal or refinancing will not be as favorable as the existing terms of such indebtedness. If we are unable to refinance our indebtedness on acceptable terms, or at all, we might be forced to dispose of one or more of our properties on disadvantageous terms, which might result in losses to us. Such losses could have a material adverse effect on us and our ability to pay amounts due on our debt and make distributions to our shareholders. Rising interest rates could increase our borrowing costs, lower the value of our real estate, and decrease our share price, leading investors to seek higher yields through other investments. As of the date of this filing, we have an unsecured term loan with varying interest rates dependent upon various market indexes. In addition, we have an unsecured revolving credit facility bearing interest at variable rates on all amounts drawn and a senior unsecured note which has been converted into a floating rate instrument through an interest rate swap arrangement. We may incur other additional variable rate debt in the future. Increases in interest rates would increase our interest expense, unless we make arrangements which hedge the risk of rising interest rates, and would increase the costs of refinancing existing debt and of issuing new debt. Accordingly, higher interest rates could adversely affect cash flow, net income, and cash available for payment of our debt obligations and distributions to shareholders. An environment of rising interest rates may also result in a decrease in the value of our real estate and a decrease in the market price of our shares, which may lead holders of our securities to seek higher yields through other investments. Failure to maintain our current credit ratings could adversely affect our cost of funds, related margins, liquidity, and access to capital markets. Fitch, Moody's, and Standard & Poor's, the major debt rating agencies, routinely evaluate our debt and have given us ratings of A- with stable outlook, A3 with stable outlook, and A- with stable outlook, respectively, on our senior unsecured debt as of December 31, ~~2023~~ 2024. These ratings are based on a number of factors, which include their assessment of our financial strength, liquidity, capital structure, asset quality, and sustainability of cash flow and earnings. Due to changes in market conditions, we may not be able to maintain our current credit ratings, which could adversely affect our cost of funds and related margins, liquidity, and access to capital markets. Risks Associated with Our Shares Share ownership limits and our ability to issue additional equity securities may prevent takeovers beneficial to shareholders. For us to maintain our qualification as a REIT, we must have 100 or more shareholders during the year and not more than 50 % in value of our outstanding shares may be owned, directly or indirectly, by five or fewer individuals. As defined for federal income tax purposes, the term "individuals" includes a number of specified entities. To minimize the possibility of us failing to qualify as a REIT under this test, our declaration of trust includes restrictions on transfers of our shares and ownership limits. The ownership limits, as well as our ability to issue other classes of equity securities, may delay, defer, or prevent a change in control. These provisions may also deter tender offers for our common shares which may be attractive to you or limit your opportunity to receive a premium for your shares which might otherwise exist if a third party were attempting to effect a change in control transaction. The form, timing, and amount of dividend distributions in future periods may vary and be impacted by economic and other considerations. The form, timing, and amount of dividend distributions ~~are will be~~ declared at the discretion of our Board of Trust Managers and ~~will~~ depend on actual cash from operations, our financial condition, ~~expected~~ **expected** ~~future~~ capital requirements, the annual distribution requirements under the REIT provisions of the Code, and other factors as

the Board of Trust Managers may consider relevant. The Board of Trust Managers may **also** modify the form, timing, and amount of dividends **in the future** ~~from time to time~~. General Risk Factors ~~Environmental, social, and governance factors may impose additional costs and / or expose us to new risks~~ Certain investors, customers, regulators, and other stakeholders are placing increased importance corporate responsibility, specifically related to environmental, social, and governance ("ESG") factors. Additionally, there is increased attention to these matters by various state and federal regulatory authorities, including the SEC, and the expense and activities necessary to comply with new regulations or standards may be significant, which may adversely impact our financial results. Third-party providers of corporate responsibility ratings and reports on companies have increased, resulting in varied, and potentially, inconsistent standards. We may face reputational damage if our corporate responsibility procedures or standards do not meet the standards met by various constituencies. Also, some investors use these factors to guide their investment strategies and, in some cases, may choose not to invest in us based on their assessment of our approach to ESG factors, which could have an adverse impact on the price of our securities. Litigation risks could affect our business. As an owner, manager, and developer of multifamily properties, we may incur liability based on various conditions at our properties and the buildings thereon, and we also have become and in the future may become involved in legal proceedings, including consumer, employment, tort, **antitrust**, or commercial litigation, which if decided adversely to or settled by us, and not adequately covered by insurance, could result in ~~liability~~ **liabilities** which ~~is~~ **are** material to our financial condition or results of operations. Damage from catastrophic weather and other natural events could result in losses. A certain number of our properties are located in areas which have experienced and may in the future experience catastrophic weather and other natural events from time ~~to~~ **to** time, including fires, snow or ice storms, windstorms, tornadoes, hurricanes, earthquakes, flooding, or other environmental events. These adverse weather or natural events could cause substantial damages or losses to our properties which could exceed our insurance coverage. In the event of a loss in excess of insured limits, we could lose our capital invested in the affected property, anticipated future revenue from the property, and could also continue to be obligated to repay any mortgage indebtedness or other obligations related to the property. Any such loss could materially and adversely affect our business, financial condition and results of operations. Competition could adversely affect our ability to acquire properties. We expect other real estate investors will compete with us to acquire additional operating properties. This competition could increase prices for the type of properties we would likely pursue and adversely affect our ability to acquire these properties or achieve the expected profitability of such properties upon acquisition. We could be adversely impacted due to our share price fluctuations. The market price and trading volume of our common shares are subject to fluctuation due to general market conditions, the risks discussed in this report and other matters, including, but not limited to, the following: • operating results which vary from the expectations of securities' analysts and investors; • investor interest in our property portfolio; • the reputation and performance of REITs; • the attractiveness of REITs as compared to other investment vehicles; • the results of our financial condition and operations; • the perception of our growth and earnings potential; • minimum dividend requirements; • increases in market interest rates may lower the values of our real estate and the price of our shares; and • changes in financial markets and national and regional economic and general market conditions.