Risk Factors Comparison 2024-02-07 to 2023-02-09 Form: 10-K

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

Set forth below are the risks we believe investors should consider carefully in evaluating an investment in the securities of Cousins Properties Incorporated. General Risks of Owning and Operating Real Estate Our ownership of commercial real estate involves a number of risks, the effects of which could adversely affect our business. General economic and market risks. In a general economic decline or recessionary climate, our commercial real estate assets may not generate sufficient cash to pay expenses, service debt, or cover operational, improvement, or maintenance costs, and, as a result, our results of operations and cash flows may be adversely affected. Factors that may adversely affect the economic performance and value of our properties include, among other things: • changes in the national, regional, and local economic climate; • local real estate conditions such as an oversupply of rentable space caused by increased development of new properties, a reduction in demand for rentable space caused by a change in the preferences and requirements of our tenants (including space usage), such as work- from- home practices and utilization of open workspaces or" co- working" space, or **local** economic conditions decreasing the desirability of our locations; • the attractiveness of our properties to tenants or buyers; • competition from other available properties; • changes in market rental rates and related concessions granted to tenants including, but not limited to, free rent and tenant improvement allowances; • uninsured losses or losses in excess of our insurance coverage as a result of casualty events or other claims or events; • insolvency of our insurance carriers; • sociopolitical unrest such as political instability, civil unrest, armed hostilities, or political activism resulting in a disruption of day- to- day building operations; • the impact of a public health crisis and the governmental and third party response to such a crisis; • the need to periodically repair, renovate, and re- lease properties; • changes in federal, state, and local income tax laws as they affect real estate companies and real estate investors; ~~and~~ • changes in interest rates and availability of permanent financing sources that may render the sale of a property difficult or unattractive or otherwise reduce returns to stockholders **; and • supply chain disruptions, labor shortages, and increased construction costs** . Uncertain economic conditions may adversely impact current tenants in our various markets and, accordingly, could affect their ability to pay rent owed to us pursuant to their leases. In periods of economic uncertainty, tenants are more likely to downsize and / or to declare bankruptcy; and, pursuant to various bankruptcy laws, leases may be rejected and thereby terminated. Furthermore, our ability to sell or lease our properties at favorable rates, or at all, may be negatively impacted by general or local economic conditions. Our ability to collect rent from tenants may affect our ability to pay for adequate maintenance, insurance, and other operating costs ~~(including real estate taxes)~~ . Also, the expense of owning and operating a property is not necessarily proportionally reduced when circumstances such as reduced occupancy or other market factors cause a reduction in ~~income~~ **revenue** from the property. If a property is mortgaged and we are unable to meet the mortgage payments, the lender could foreclose on the mortgage and take title to the property ~~. In addition, interest rates, financing availability, law changes, and governmental regulations (including those governing usage, zoning, and taxes) may adversely affect our financial condition~~ . Impairment risks. We regularly review our real estate assets for impairment **in accordance with accounting principles generally accepted in the United States (" GAAP")** ; and based on these reviews, we may record impairments that have an adverse effect on our results of operations. Negative or uncertain market and economic conditions, as well as market volatility, increase the likelihood of incurring impairment. If we decide to sell a real estate asset rather than holding it for long- term investment or if we reduce our estimates of future cash flows on a real estate asset, the risk of impairment increases. The magnitude and frequency with which these charges occur could materially and adversely affect our business, financial condition, and results of operations. Leasing risk. Our operating **office** properties were ~~91~~ **90** . ~~0~~ **9** % leased at December 31, ~~2022~~ **2023** . Our 20 largest customers account for a meaningful portion of our revenues. Our operating revenues are dependent upon entering into leases with, and collecting rents from, our tenants. Tenants whose leases are expiring may want to decrease the space they lease and / or may be unwilling to continue their lease. When leases expire or are terminated, replacement tenants may not be available upon acceptable terms and market rental rates may be lower than the previous contractual rental rates. Also, our tenants may approach us for additional concessions in order to remain open and operating. The granting of these concessions may adversely affect our results of operations and cash flows to the extent that they result in reduced rental rates, additional capital improvements, or allowances paid to, or on behalf of, the tenants. Tenant and market concentration risk. As of December 31, ~~2022~~ **2023** , our top 20 tenants represented 37. 9 % of our annualized base rental revenues with ~~no~~ **our largest** single tenant accounting for **8** ~~more than 7~~ . ~~3~~ **1** % of our annualized base rental revenues. The inability or refusal of any of our significant tenants to pay rent or a decision by a significant tenant to vacate their premises prior to, or at the conclusion of, their lease term could have a significant negative impact on our results of operations or financial condition if a suitable replacement tenant is not secured in a timely manner. For the three months ended December 31, ~~2022~~ **2023** , 36. ~~4~~ **5** % of our net operating income for properties owned was derived from the ~~metropolitan~~ Atlanta area, ~~31~~ **32. 8 % was derived from the Austin area, 9** . 1 % was derived from the ~~Austin~~ **Tampa** area, ~~9~~ **8** . ~~7~~ **6** % was derived from the ~~Tampa~~ **Charlotte** area, ~~8~~ **and 7** . ~~9~~ **6** % was derived from the Phoenix ~~area, and 8. 8 % was derived from the Charlotte~~ area. Any adverse economic conditions impacting Atlanta, Austin, Tampa, **Charlotte, or** Phoenix ~~, or Charlotte~~ could adversely affect our overall results of operations and financial condition. Uninsured losses and condemnation costs. Accidents, earthquakes, hurricanes, **tornadoes,** floods, droughts **, ice storms** , terrorism incidents, and other **physical** losses at our properties could adversely affect our operating results. Casualties may occur that significantly damage an operating property or property under development **, insurance deductibles or co- insurance limits may be significant (including with respect to damage from named wind storms)** , and insurance proceeds may be less than the total loss incurred by us. Although we, or our joint venture partners where applicable, maintain casualty insurance under policies we believe to be adequate and appropriate, including rent loss insurance on operating properties, some types of losses, such as those related to the termination of longer- term leases and other contracts, generally are not insured. Certain types of insurance may not be available or may be available on terms that could result in large uninsured losses, and insurers may not pay a claim as required under a policy. Property ownership also involves potential liability to third parties for such matters as personal injuries occurring on the property. Such losses may not be fully insured. In addition to uninsured losses, various government authorities may condemn all or parts of operating properties. Such condemnations could adversely affect the viability of such projects. Environmental issues. Federal, state, and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product released at a property. If determined to be liable, the owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean- up costs incurred by such parties in connection with the contamination, or perform such investigation and clean ~~-~~up itself. Although certain legal protections may be available to prospective purchasers of property, these laws typically impose clean- up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the regulated substances. Even if more than one person may have been responsible for the release of regulated substances at the property, each person covered by the environmental laws may be held responsible for all of the clean- up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from regulated substances emanating from that site. We manage this risk through Phase I Environmental Site Assessments and, as necessary, Phase II Environmental Site Assessments, which may include environmental sampling on properties we acquire or develop. Inquiries about indoor air quality and water quality may necessitate special investigation and, depending on the results, remediation beyond our regular testing and maintenance programs. Indoor air quality and water quality issues can stem from inadequate ventilation, chemical contaminants from indoor or outdoor sources, and biological contaminants such as molds, pollen, viruses, and bacteria. When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Indoor exposure to mold or other chemical or biological contaminants above certain levels can be alleged to be connected to allergic reactions or other health effects and symptoms in susceptible individuals. If these conditions were to occur at one of our properties, we may be subject to third- party claims for personal injury or may need to undertake a targeted remediation program, including without limitation, steps to increase indoor ventilation rates and eliminate sources of contaminants. Such remediation programs could be costly, necessitate the temporary relocation of some or all of the property' s tenants, or require rehabilitation of the affected property. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants, or others if property damage or personal injury occurs. We are not currently aware of any environmental liabilities at locations that we believe could have a material adverse effect on our business, assets, financial condition, or results of operations. Unidentified environmental liabilities could arise, however, and could have an adverse effect on our financial condition and results of operations. Sustainability strategies. Our sustainability strategy is to develop and maintain resilient buildings that are operated in an environmentally and socially responsible manner, encouraging office users to select us for their corporate operations while enhancing the communities in which our buildings are located. Failure to develop and maintain sustainable and resilient buildings relative to our peers could adversely impact our ability to lease space at competitive rates and negatively impact our results of operations and portfolio attractiveness. Climate change risks. The physical effects of climate change could have a material adverse effect on our properties, operations, and business. To the extent climate change causes changes in weather patterns or severity, our markets could experience increases in storm intensity (including floods, fires, tornadoes, hurricanes, **droughts,** or ice storms), rising sea-levels, and changes in precipitation, temperature, air quality, and quality and availability of water. Over time, these conditions could result in physical damage to, or declining demand for, our properties or our inability to operate the buildings efficiently or at all. Climate change may also indirectly affect our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of required resources, including energy, other fuel sources, water, and waste removal services, and increasing the risk and severity of ~~flood~~ **floods , fires, tornadoes, hurricanes** , droughts, ~~hurricanes~~ **ice storms** , and earthquakes at our properties. Should the impact of climate change be severe or occur for lengthy periods of time, our financial condition or results of operations could be adversely impacted. In addition, compliance with new or more stringent laws or regulations or stricter interpretations of existing laws may require material expenditure by us. For example, various federal, state, and local laws and regulations have been implemented or are under consideration to mitigate the effects of climate change caused by greenhouse gas emissions. Among other things," green" building codes may seek to reduce emissions through the imposition of standards for design, construction materials, water and energy usage and efficiency, and waste management. Such codes could require us to make improvements to our existing properties, increase the costs of maintaining or improving our existing properties or developing new properties, or increase taxes and fees assessed on us or our properties. Expenditures required for compliance with such codes may affect our cash flow and results of operations **. Additionally, although we pursue a robust sustainability strategy, new approaches and trends regarding building resiliency emerge from time to time in this rapidly evolving focus area. Our approaches and priorities may differ from those of our peers, and the perception of the public or investors of these differences may adversely impact our portfolio attractiveness of our ability to lease space at competitive rates** . Joint venture structure risks. We hold ownership interests in a number of joint ventures with varying structures and may in the future invest in additional real estate through such structures. Our venture partners may have rights to take actions over which we have no control, or the right to withhold approval of actions that we propose, either of which could adversely affect our interests in the related joint ventures, and in some cases, our overall financial condition and results of operations. A venture partner may have economic and / or other business interests or goals that are incompatible with our business interests or goals and that venture partner may be in a position to take action contrary to our interests. In addition, such venture partners may default on their obligations, including loans secured by property owned by the joint venture that could have an adverse impact on the financial condition and operations of the joint venture. Such defaults may result in our fulfilling the defaulting partners' obligations that may, in some cases, require us to contribute additional capital to the ventures. Furthermore, the success of a project may be dependent upon the expertise, business judgment, diligence, and effectiveness of our venture partners in matters that are outside our control. Thus, the involvement of venture partners could adversely impact the development, operation, ownership, financing, or disposition of the underlying properties. Title insurance risk. We did not acquire new title insurance policies in connection with the mergers with Parkway in 2016 or TIER in 2019, instead relying on existing policies benefiting those entities' subsidiaries. We generally do acquire title insurance policies for all developed and acquired properties; however, these policies may be for amounts less than the current or future values of the covered properties. If there were a title defect related to any of these properties, or to any of the properties acquired in connection with the mergers with Parkway or TIER where title insurance policies are ruled unenforceable, we could lose both our capital invested in and our anticipated profits from such property. Liquidity risk. Real estate investments are relatively illiquid and can be difficult to sell and convert to cash quickly. As a result, our ability to sell one or more of our properties, ~~whether in response to any changes in economic or other conditions or in response to a change in strategy,~~ may be limited. In the event we want to sell a property, we may not be able to do so in the desired time period, the sales price of the property may not meet our expectations or requirements, and / or we may be required to record an impairment on the property ~~as a result~~ . Ground lease risks. As of December 31, ~~2022~~ **2023** , we had interests in eight land parcels in various markets that we lease individually on a long- term basis. As of December 31, ~~2022~~ **2023** , we had 2. 0 million aggregate square feet of rental space located on these leased parcels, from which we ~~recognized 11~~ **generated 13** % of **our** total Net Operating Income (" NOI") in the fourth quarter of ~~2022~~ **2023** . In the future, we may invest in additional properties on some of these parcels or additional parcels subject to ground leases. Many of these ground leases and other restrictive agreements impose significant limitations on our uses of the subject property and restrict our ability to sell or otherwise transfer our interests in the property. These restrictions may limit our ability to timely sell or exchange the property, may impair the property' s value, or may negatively impact our ability to find suitable tenants for the property. In addition, if we default under the terms of any particular lease, we may lose the ownership rights to the property subject to the lease. Upon expiration of a lease, we may not be able to renegotiate a new lease on favorable terms, if at all. The loss of the ownership rights to these properties or an increase of rental expense could have an adverse effect on our financial condition and results. Compliance or failure to comply with the Americans with Disabilities Act or other federal, state, and local regulatory requirements could result in substantial costs. The Americans with Disabilities Act generally requires that certain buildings, including office buildings, be made accessible to disabled persons. We **believe that we** are currently in compliance with these requirements. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If, under the Americans with Disabilities Act, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers or the addition of access enhancements, it could adversely impact our earnings and cash flows, thereby impacting our ability to service debt and make distributions to our stockholders. Our properties are subject to various federal, state, and local regulatory requirements, such as state and local fire, health, and life safety requirements. We are currently in compliance with these requirements. If we fail to comply with these requirements, we could incur fines or other monetary damages. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations. Financing Risks At certain times, interest rates and other market conditions for obtaining capital could be unfavorable, and, as a result, we may be unable to raise the capital needed to invest in acquisition or development opportunities, maintain our properties, or otherwise satisfy our commitments on a timely basis, or we may be forced to raise capital at a higher cost or under restrictive terms, which could adversely affect ~~returns on our investments,~~ our cash flows ~~,~~ and results of operations. We generally finance our acquisition and development projects through one or more of the following: our $ 1 billion senior unsecured line of credit (the" Credit Facility"), unsecured debt, non- recourse mortgages, construction loans, the sale of assets, joint venture equity, the issuance of common stock, the issuance of preferred stock, and the issuance of units of CPLP. Each of these sources may be constrained from time to time because of market conditions, and the related cost of raising this capital may be unfavorable at any given point in time. These sources of capital, and the risks associated with each, include the following: • Credit Facility. Terms and conditions available in the marketplace for unsecured credit facilities vary over time. We can provide no assurance that the amount we need from our Credit Facility will be available at any given time, or at all, or that the rates and fees charged by the lenders will be reasonable. We incur interest under our Credit Facility at a variable rate. Variable rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect our cash flow and results of operations. Our Credit Facility contains customary ~~restrictions~~ **covenants** , requirements, and other limitations on our ability to incur indebtedness, including ~~restrictions~~ **covenants** on unsecured debt outstanding, restrictions on secured recourse debt outstanding, and requirements to maintain a minimum fixed charge coverage ratio. Our continued ability to borrow under our Credit Facility is subject to compliance with these covenants. • Unsecured debt. Terms and conditions available in the marketplace for unsecured debt vary over time. The availability of unsecured debt may vary based on the capital markets and capital market activity. Unsecured debt generally contains restrictive covenants that may place limitations on our ability to conduct our business similar to those placed upon us by our Credit Facility. • Non- recourse mortgages. The availability of non- recourse mortgages is dependent upon various conditions, including the willingness of mortgage lenders to lend at any given point in time. Interest rates and loan- to- value ratios may ~~also~~ be volatile ~~, and we may from time to time elect not to proceed with mortgage financing due to unfavorable terms offered by lenders~~ . If a property is mortgaged to secure payment of indebtedness and we are unable to make the mortgage payments, the lender may foreclose ~~. Further, at the time a mortgage matures, the property may be worth less than the mortgage amount and, as a result, we may determine not to refinance the mortgage and permit foreclosure~~ , potentially generating defaults on other debt. • Asset sales. Real estate markets tend to experience market cycles. Because of such cycles, the potential terms and conditions of sales, ~~including prices,~~ may be unfavorable for extended periods of time. **Our** ~~In addition, our~~ status as a REIT can limit our ability to sell properties ~~, which may affect our ability to liquidate an investment. As a result, our ability to raise capital through asset sales could be limited~~ . In addition, mortgage financing on an asset may prohibit prepayment and / or impose a prepayment penalty upon the sale of that property, which may decrease the proceeds from a sale or make the sale impractical. • Construction loans. Construction loans ~~generally~~ relate to specific assets under construction and fund costs above an initial equity amount as negotiated with the lender. Terms and conditions of construction loans vary, but they generally carry a term of two to five years, charge interest at variable rates, require the lender to be satisfied with the nature and amount of construction costs prior to funding, and require the lender to be satisfied with the level of pre- leasing prior to funding. Construction loans can require a portion of the loan to be recourse to us. In addition, construction loans generally require a completion guarantee by the borrower and may require a limited payment guarantee from the Company which may be disproportionate to any guaranty required from a joint venture partner. **Uncertain economic conditions may adversely impact our construction lenders and, accordingly, impact their ability to advance loan proceeds to us as required by the construction loans. In such event, alternative financing may be difficult or more expensive to obtain, and the progress of our development and leasing activity may be negatively impacted or delayed, as well as impacting our ability to achieve the returns we expect.** There may be times when construction loans are not available, or are only available upon unfavorable terms, which could have an adverse effect on our ability to fund development projects or on our ability to achieve the returns we expect. • Joint ventures. Joint ventures, including partnerships or limited liability companies, tend to be complex arrangements ~~,~~ and there are only a limited number of parties willing to undertake such investment structures. There is no guarantee that we will be able to undertake these ventures at the times we need capital and ~~at~~ **on** favorable terms **. Our ability to exit existing joint ventures may be limited by the terms of the joint venture agreement, which may limit our ability to liquidate our investment in a joint venture** . • Common stock ~~. We consider public issuances of common stock to be an available source of capital for our acquisitions, development, and general corporate purposes~~ . We can provide no assurance that conditions will be favorable for future issuances of common stock when we need capital. In addition, common stock issuances may have a dilutive effect on our earnings per share and funds from operations per share. The actual amount of dilution, if any, from any future offering of common stock will be based on numerous factors, particularly the use of proceeds and any return generated from these proceeds. The per share trading price of our common stock could decline as a result of the sale of shares of our common stock in the market in connection with an offering or as a result of the perception or expectation that such sales could occur. ~~We regularly issue common stock to key employees and our directors under our 2019 Omnibus Incentive Stock Plan. We also issue shares of common stock to participants in our 2021 Employee Stock Purchase Plan.~~ • Preferred stock. The availability of preferred stock at favorable terms and conditions is dependent upon a number of factors including the general condition of the economy, the overall interest rate environment, the condition of the capital markets, and the demand for this product by potential holders of the securities. Issuance of preferred stock, if convertible, could be dilutive to earnings per share and have an adverse effect on the trading price of common stock. We can provide no assurance that conditions will be favorable for future issuances of preferred stock when we need the capital **. • Operating partnership units. The issuance of units of CPLP in connection with property** , ~~which~~ **portfolio, or business acquisitions could be dilutive to our earnings per share and** could have an adverse effect on ~~our ability to fund acquisition and development activities. • Operating partnership units. The issuance of units of CPLP in connection with property, portfolio, or business acquisitions could be dilutive to our earnings per share and could have an adverse effect on~~ the per share trading price of our common stock. Any additional indebtedness incurred may have a material adverse effect on our financial condition and results of operations. As of December 31, ~~2022~~ **2023** , we had $ 2. ~~3~~ **5** billion of outstanding indebtedness. The incurrence of additional indebtedness could have adverse consequences on our business, such as: • requiring us to use a substantial portion of our cash flow from operations to service our indebtedness, which would reduce the available cash flow to fund working capital, capital expenditures, development projects, distributions, and other general corporate purposes; • limiting our ability to obtain additional financing to fund our working capital needs, ~~acquisitions,~~ capital expenditures **, development projects** , or other debt service requirements or for other purposes; • increasing our exposure to floating interest rates; • limiting our ability to compete with other companies who have less leverage, as we may be less capable of responding to adverse economic and industry conditions; • restricting us from making strategic acquisitions, developing properties, or capitalizing on business opportunities; • restricting the way in which we conduct our business due to financial and operating covenants in the agreements governing our existing and future indebtedness; • exposing us to potential events of default ~~(if not cured or waived)~~ under covenants contained in our debt instruments; • increasing our vulnerability to a downturn in general economic conditions; and • limiting our ability to react to changing market conditions in our industry. The impact of any of these potential adverse consequences could have a material adverse effect on our results of operations, financial condition, and liquidity. Covenants contained in our Credit Facility, senior unsecured notes, term loans, and mortgages could restrict our operational flexibility, which could adversely affect our results of operations. Our Credit Facility, senior unsecured notes, and our unsecured term loans impose financial and operating ~~restrictions~~ **covenants** on us. These restrictions may be modified from time to time, but restrictions of this type include limitations on our ability to incur debt, as well as limitations on the amount of our secured debt, unsecured debt, and on the amount of joint venture activity in which we may engage. These covenants may limit our flexibility in making business decisions. If we fail to comply with these covenants, our ability to borrow may be impaired, which could potentially make it more difficult to fund our capital and operating needs. Our failure to comply with such covenants could cause a default, and we may then be required to repay our outstanding debt with capital from other sources. Under those circumstances, other sources of capital may not be available to us or may be available only on unattractive terms, which could materially and adversely affect our financial condition and results of operations. In addition, the cross default provisions on the Credit Facility, senior unsecured notes ~~,~~ and term loans may affect business decisions on other debt. Some of our mortgages contain customary negative covenants, including limitations on our ability, without the lender' s prior consent, to further mortgage that specific property, to enter into new leases, to modify existing leases, or to redevelop or sell the property. Compliance with these covenants ~~and requirements~~ could harm our operational flexibility and financial condition. Our degree of leverage could limit our ability to obtain additional financing or affect the market price of our securities. Net debt as a percentage of either total asset value or total market capitalization and net debt as a multiple of annualized EBITDAre are non-GAAP metrics often used by analysts to gauge the financial health of ~~equity~~ REITs like us. If our degree of leverage is viewed unfavorably by **common equity investors,** lenders **,** or potential joint venture partners, it could affect our ability to obtain additional ~~financing~~ **capital** . In general, our degree of leverage could also make us more vulnerable to a downturn in business or the economy. In addition, increases in our ~~net~~ debt ~~to market capitalization ratio~~ **ratios** ~~, which is in part a function of our stock price, or to other measures of asset value used by financial analysts~~ may have an adverse effect on the market price of common stock ~~. Planned discontinuation of LIBOR could have an adverse impact on operations. The London Interbank Offered Rate (" LIBOR") has been the subject of regulatory guidance and proposals for reform, and in March 2021, the United Kingdom' s Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after June 30, 2023. In December 2022, the Financial Accounting Standards Board (" FASB") issued Accounting Standards Update (" ASU") 2022- 06 to defer the sunset date of FASB Accounting Standards Codification (ASC) Topic 848, Reference Rate Reform until December 31, 2024. As of December 31, 2022, we have one loan (within our Neuhoff joint venture) with a LIBOR- based variable interest rate. This construction loan bears interest at LIBOR plus 3. 60 % and matures on September 30, 2025. The Neuhoff loan provides for alternate interest rate calculations if LIBOR is no longer widely available, including the Secured Overnight Financing Rate (" SOFR"). There can be no assurances as to what alternative interest rates may be and whether such interest rates, such as SOFR, will be more or less favorable than LIBOR and any other unforeseen impacts of the discontinuation of LIBOR~~ . Real Estate Acquisition and Development Risks We face risks associated with operating property acquisitions. Operating property acquisitions contain inherent risks. These risks may include: • difficulty in leasing vacant space or renewing existing tenants at the acquired property; • the costs and timing of repositioning or redeveloping ~~acquisitions~~ **the acquired property** ; • disproportionate concentrations of earnings in one or more markets; • the acquisitions may fail to meet internal projections or otherwise fail to perform as expected; • the acquisitions may be in markets that are unfamiliar to us and could present unforeseen business **and operating** challenges; • the timing of acquisitions may not match the timing of ~~dispositions, leading~~ **raising the capital necessary** to **fund the acquisitions** ~~periods of time where proceeds are not invested as profitably as we desire or where we increase short- term borrowings until sales proceeds become available~~ ; • a change in our sustainability or resiliency profile, including an increase in key performance metrics like energy consumption intensity and greenhouse gas emissions, and / or a decrease in the percentage of our operating portfolio with key sustainability certifications; • the inability to obtain financing for acquisitions on favorable terms, or at all; • the inability to successfully integrate the operations, maintain consistent standards, controls, policies, and procedures, or realize the anticipated benefits of acquisitions within the anticipated time frames, or at all; • the inability to effectively monitor and manage our expanded portfolio of properties, retain key employees, or attract highly qualified new employees; • the possible decline in value of the acquired asset; • the diversion of our management' s attention away from other business concerns; and • the exposure to any undisclosed or unknown issues, expenses, or potential liabilities relating to acquisitions. In addition, we may acquire properties subject to liabilities with no, or limited, recourse against the prior owners or other third parties. As a result, if a liability were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle or contest it, which might not be fully covered by owner' s title insurance policies or other insurance policies. Any of these risks could cause a failure to realize the intended benefits of our acquisitions and could have a material adverse effect on our financial condition, results of operations, and the market price of our common stock. We face risks associated with the development of real estate. Development activities contain ~~certain~~ inherent risks. Although we seek to minimize risks from development through various management controls and procedures, development risks cannot be eliminated. **These risks may include** ~~Some of the key factors affecting development of property are as follows~~ : • Abandoned predevelopment costs. The development process ~~inherently~~ requires ~~that~~ a large number of opportunities be pursued with only a few actually being developed. We may incur significant costs for predevelopment activity for projects that are ultimately abandoned, which would directly affect our results of operations. For projects that are abandoned, we must expense certain costs, such as salaries and interest on debt, that would have otherwise been capitalized. We have procedures and controls in place that are intended to minimize this risk, but it is likely that we will incur predevelopment ~~expense~~ **costs** on abandoned projects on an ongoing basis. • Project costs. Construction and leasing of a **development** project involves a variety of costs that cannot always be identified at the beginning of a project. Costs may arise that have not been anticipated or actual costs may exceed estimated costs. These additional costs can be significant and ~~could~~ **can** adversely impact our return on a project and the expected results of operations upon completion of the project. Also, construction costs vary over time based upon many factors, including the cost of labor, building materials, and compliance with applied regulations. We attempt to mitigate the risk of unanticipated increases in construction costs on our development projects through guaranteed maximum price contracts and pre- ordering of certain materials, but we may be adversely affected by increased construction costs on our current and future projects. • Construction delays. ~~Real estate development~~ **Development activity** carries the risk that a project could be delayed due to ~~a number of issues that may arise including~~ , but not limited to, weather and other forces of nature, availability of materials, availability of skilled labor **, supply chain disruption** , the financial health of general contractors or sub- contractors, and the competing demands on plan- approving authorities. Construction delays could cause adverse financial impacts to us which could include incurring more interest and other carrying costs than originally budgeted, monetary penalties from tenants pursuant to their leases, and higher construction costs. Delays could also result in a violation of terms of construction loans that could increase fees, interest, or trigger additional recourse of a construction loan ~~to us~~ . • Leasing risk. The success of a commercial real estate development project is heavily dependent upon entering into leases with acceptable terms within a predefined lease- up period. Although our policy is generally to achieve certain pre- leasing goals (which vary by market, product type, and circumstances) before committing to a project, it is expected that sometimes not all the space in a project will be leased at the time we commit to the project. If the additional space is not leased on schedule and upon the expected terms and conditions, our returns, future earnings, and results of operations from the project could be adversely impacted. Whether or not tenants are willing to enter into leases on the terms and conditions we project and on the timetable we expect will depend upon a number of factors, many of which are outside our control. These factors may include: • general business conditions in the local or broader economy or in the prospective tenants' industries; • supply and demand conditions for space in the marketplace; and • level of competition in the marketplace. • Reputation risks. We have historically developed and managed a significant portion of our real estate portfolio and believe that we have built a positive reputation for quality and service with our lenders, joint venture partners, and tenants. If we developed under-performing properties, suffered sustained losses on our investments, defaulted on a significant level of loans, or experienced significant foreclosure or deed in lieu of foreclosure of our properties ~~,~~ our reputation could be damaged. Damage to our reputation could make it more difficult to successfully develop properties in the future and to continue to grow and expand our relationships with ~~our~~ lenders, joint venture partners, and tenants, which could adversely affect our business, financial condition, and results of operations. • Governmental approvals. All necessary zoning, land- use, building, occupancy, and other required governmental approvals, permits, and authorizations may not be obtained, may only be obtained subject to onerous conditions, or may not be obtained on a timely basis resulting in possible delays, decreased profitability, and increased management time and attention. • Competition. We compete for tenants in our Sun Belt markets by highlighting our locations, rental rates, **quality and breadth of** services, amenities, reputation, and the design ~~and~~ **,** condition **and resiliency** of our facilities including operational efficiencies and sustainability improvements. As the competition for tenants is intense, we may be required to provide rent abatements, increase our capital improvement expenditures, incur charges for tenant improvements and other concessions, and may not be able to lease vacant space in a timely manner **. Additionally, competing properties may have vacancy rates higher than our properties, which may result in their owners being willing to lease available space at lower rates than the space in our properties** . • Risks associated with the development of mixed- use properties. We operate, are currently developing, and may in the future develop properties, either alone or through joint ventures, that are known as" mixed-use" developments. This means that in addition to the development of office space, the project may also include space for retail, residential, or other commercial purposes. We ~~do not have as much experience in developing and managing non- office real estate as we do office real estate and, as a result, we~~ may seek to develop the non- office component ourselves, sell the right to that component to a third- party developer, or we may partner with a third party who has more non- office real estate experience. If we do choose to develop other components ourselves, we would be exposed not only to those risks typically associated with the development of commercial real estate generally, but also to specific risks associated with the development and ownership of non- office real estate. In addition, even if we sell the rights to develop the other components or elect to participate in the development through a joint venture, we may be exposed to the risks associated with the failure of the other party to complete the development as expected. These include the risk that the other party would default on its obligations necessitating that we complete the other component ourselves, including potential financing of the project. If we decide ~~not~~ to ~~sell or participate in a joint venture and instead~~ hire a third **-** party manager, we would be dependent on them and their key personnel to provide services to us, and we may not find a suitable replacement if the management agreement is terminated or if key personnel leave or otherwise become unavailable to us. Federal Income Tax Risks Any failure to continue to qualify as a REIT for federal income tax purposes could have a material adverse impact on us and our stockholders. We intend to continue to operate in a manner intended to qualify us as a REIT for federal income tax purposes. Qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code (the " Code "), for which there are only limited judicial or administrative interpretations. Certain facts and circumstances not entirely within our control may affect our ability to qualify as a REIT. In addition, we can provide no assurance that legislation, new regulations, administrative interpretations, or court decisions will not adversely affect our qualification as a REIT or the federal income tax consequences of our REIT status. If we were to fail to qualify as a REIT, we would not be allowed a deduction for distributions to stockholders in computing our taxable income. In this case, we would be subject to federal income tax on our taxable income at regular corporate rates. Unless entitled to relief under certain Code provisions, we also would be disqualified from operating as a REIT for the four taxable years following the year during which qualification was lost. As a result, we would be subject to federal and state income taxes which could adversely affect our results of operations and distributions to stockholders. Although we currently intend to operate in a manner designed to qualify as a REIT, it is possible that future economic, market, legal, tax, or other considerations may cause us to revoke the REIT election. In order to qualify as a REIT, under current law, we generally are required each taxable year to distribute to our stockholders at least 90 % of our net taxable income (excluding any net capital gain). To the extent that we do not distribute all of our net capital gain or distribute at least 90 %, but less than 100 %, of our other taxable income, we are subject to tax on the undistributed amounts at regular corporate rates. In addition, we are subject to a 4 % nondeductible excise tax to the extent that distributions paid by us during the calendar year are less than the sum of the following: • 85 % of our ordinary income; • 95 % of our net capital gain income for that year; and • 100 % of our undistributed taxable income (including any net capital gains) from prior years. We intend to make distributions to our stockholders to comply with the 90 % distribution requirement, to avoid corporate- level tax on undistributed taxable income, and to avoid the nondeductible excise tax. Distributions could be made in cash, in stock, or in a combination of cash and stock. Differences in timing between taxable income and cash available for distribution could require us to borrow funds to meet the 90 % distribution requirement, to avoid corporate- level tax on undistributed taxable income, and to avoid the nondeductible excise tax. Certain property transfers may be characterized as prohibited transactions. From time to time, we may transfer or otherwise dispose of some of our properties. Under the Code, any gains resulting from transfers or dispositions, from other than a taxable REIT subsidiary, that are deemed to be prohibited transactions would be subject to a 100 % tax on any gain associated with the transaction. Prohibited transactions generally include sales of assets that constitute inventory or other property held **-** for **-** sale to customers in the ordinary course of business. Since we acquire properties primarily for investment purposes, we do not believe that our occasional transfers or disposals of property are deemed to be prohibited transactions. However, whether or not a transfer or sale of property qualifies as a prohibited transaction depends on all the facts and circumstances surrounding the particular transaction. The Internal Revenue Service (" IRS") may contend that certain transfers or disposals of properties by us are prohibited transactions. While we believe that the IRS would not prevail in any such dispute, if the IRS were to argue successfully that a transfer or disposition of property constituted a prohibited transaction, we would be required to pay a tax equal to 100 % of any gain allocable to us from the prohibited transaction. In addition, income from a prohibited transaction might adversely affect our ability to satisfy the income tests for qualification as a REIT for federal income tax purposes. Recent changes to the U. S. tax laws could have an adverse impact on our business operations, financial condition, and earnings. In recent years, numerous legislative, judicial, and administrative changes have been made in the provisions of federal and state income tax laws applicable to investments similar to an investment in our shares. In particular, the comprehensive tax reform legislation enacted in December 2017 and commonly known as the Tax Cuts and Jobs Act (" TCJA") made many significant changes to the U. S. federal income tax laws that have profoundly impacted the taxation of individuals and corporations (including both regular C corporations and corporations that have elected to be taxed as REITs). A number of changes that affect noncorporate taxpayers will expire at the end of 2025 unless Congress acts to extend them. Among other changes, the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, signed into law on March 27, 2020, makes certain changes to the TCJA. These changes have impacted us and our stockholders in various ways, some of which are adverse or potentially adverse compared to prior law. Additional changes to tax laws were enacted with the Inflation Reduction Act (" IRA") of 2022, signed into law on August 16, 2022. Many of the material provisions of the IRA exempt REITs. To date, the IRS has issued only limited guidance with respect to certain of the new provisions, and there are numerous interpretive issues that will require further guidance. It is highly likely that technical corrections of legislation will be needed to clarify certain aspects of the new law and give proper effect to Congressional intent. There can be no assurance, however, that technical clarifications or changes needed to prevent unintended or unforeseen tax consequences will be enacted by Congress in the near future. Additional changes to tax laws are likely to continue to occur in the future, and we cannot assure investors that any such changes will not adversely affect the taxation of our stockholders. Any such changes could have an adverse effect on an investment in shares or on the market value or the resale potential of our properties. Investors are urged to consult with their own tax advisor with respect to the impact of recent legislation on ownership of shares and the status of legislative, regulatory, or administrative developments and proposals, and their potential effect on ownership of shares. We may face risks in connection with Section 1031 Exchanges. When possible, we dispose of and acquire **real** properties in transactions that are intended to qualify as Section 1031 Exchanges. If a transaction' s gain that is intended to qualify as a Section 1031 deferral is later determined to be taxable, we may face adverse consequences, and if the laws applicable to such transactions are amended or repealed, we may not be able to dispose of properties on a tax- deferred basis. In such case, our taxable income and earnings and profits would increase. This could increase the dividend income to our stockholders by reducing any return of capital they received. In some circumstances, we may be required to pay additional dividends or, in lieu of that, corporate income tax, possibly including interest and penalties. In addition, if a Section 1031 Exchange were later to be determined to be taxable, we may be required to amend our tax returns for the applicable year in question ~~. Further, as a result of changes made by the TCJA, Section 1031 Exchanges are only permitted with respect to real property. The changes generally apply to exchanges completed after December 31, 2017, unless the property was disposed of or received in the exchange on or before such date. If a material amount of personal property is associated with the real property that we have disposed of in a Section 1031 Exchange, these provisions will be less beneficial than under prior law~~ . Disclosure Controls and Internal Control over Financial Reporting Risks Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting. The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements, or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, there can be no guarantee that our internal control over financial reporting will be effective in accomplishing all control objectives at all times. Deficiencies, including any material weakness, in our internal ~~control~~ **controls** over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, or otherwise materially adversely affect our business, reputation, results of operations, financial condition, or liquidity. A pandemic, epidemic **,** or outbreak of a contagious disease could adversely affect us. Public health crises, pandemics, and epidemics have had, and could continue to have, a material adverse effect on global, national, and local economies, as well as on our business and our tenants' businesses. The potential impact of a pandemic, epidemic, or outbreak of a contagious disease on our tenants and our properties is difficult to predict or assess. If an outbreak occurs within the workforce of our tenants or otherwise disrupts their management and other personnel, the business and operating results of our tenants could be negatively impacted. We are dependent upon the services of certain key personnel, including members of the Board of Directors, the loss of any of whom could adversely impact our ability to execute our business. One of our objectives is to develop and maintain a strong management group at all levels. At any given time, we could lose the services of key executives, members of the Board of Directors, and other employees. None of our Board members, key executives, or other employees are subject to employment contracts. Further, we do not carry key person insurance on any of our executive officers or other key employees. The loss of services of any of these key persons could have an adverse effect upon our results of operations, financial condition, and our ability to execute our business strategy. We may change our policies without obtaining the approval of our stockholders. Our operating and financial policies, including our policies with respect to acquisitions, development **,** and dispositions of real estate, growth, target markets, operations, indebtedness, capitalization, and dividends are exclusively determined by the Company' s Board of Directors. Accordingly, our stockholders do not control these policies. Any such changes may increase our costs or otherwise affect the profitability of our business or the value of our assets. Employee misconduct or misconduct by members of the Board of Directors could adversely impact our ability to execute our business. Our reputation is critical to maintaining and developing relationships with tenants, vendors, and investors and there is a risk that our employees or members of the Board of Directors could engage, deliberately or recklessly, in misconduct that creates legal exposure for us and adversely impacts our business. Employees or members of the Board becoming subject to allegations of illegal activity, sexual harassment, or racial and gender discrimination, regardless of the outcome, could result in adverse publicity that could harm our reputation and brand. The loss of reputation could impact our ability to develop and manage relationships with tenants, vendors, and investors and have an adverse impact on the price of our common stock. Our restated and amended articles of incorporation contain limitations on ownership of our stock, which may prevent a change in control that might otherwise be in the best interest of our stockholders. Our restated and amended articles of incorporation impose limitations on the ownership of our stock. In general, except for certain individuals who owned stock at the time of adoption of these limitations, and except for persons or organizations that are granted waivers by our Board of Directors, no individual or entity may own more than 3. 9 % of the value of our outstanding stock. We provide waivers to this limitation on a case by case basis, which could result in increased voting control by a stockholder. The ownership limitation may have the effect of delaying, inhibiting, or preventing a transaction or a change in control that might involve a premium price for our stock or otherwise be in the best interest of our stockholders. The market price of our common stock may fluctuate. The market price of shares of our common stock ~~have~~ **has** been, and may continue to be, subject to fluctuation **in** ~~due to~~ many events and factors such as those described in this report including: • actual or anticipated variations in our operating results, funds from operations, or liquidity; • the general reputation of real estate as an attractive investment in comparison to other equity securities and / or the reputation of the product types of our assets compared to other sectors of the real estate industry; • material changes in any significant tenant industry concentration; • material changes in market concentrations; • the general stock and bond market conditions, including changes in interest rates or fixed income securities; • changes in tax laws; • changes to our dividend policy; • changes in **the** market valuations of our properties; • adverse market reaction to the amount of our outstanding debt at any time, the amount of our maturing debt, and our ability to refinance such debt on favorable terms; • any failure to comply with existing debt covenants; • any foreclosure or deed in lieu of foreclosure of our properties; • additions or departures of directors, key executives, and other employees; • actions by institutional stockholders; • uncertainties in world financial markets; • general market and economic conditions; in particular, market and economic conditions of Atlanta, Austin, Tampa, **Charlotte,** Phoenix ~~, Charlotte~~ , Dallas, and Nashville; and • the realization of any of the other risk factors described in this report. Many of the factors listed above are beyond our control. Those factors may cause the market price of shares of our common stock to decline, regardless of our financial performance, condition, and prospects. The market price of shares of our common stock may fall significantly in the future, and it may be difficult for our stockholders to resell our common stock at prices they find attractive. If our future operating performance does not meet the projections of our analysts or investors, our stock price could decline. Securities analysts publish quarterly and annual projections of our financial performance. These projections are developed independently based on their own analyses, and we undertake no obligation to monitor, and take no responsibility for, such projections. Such estimates are inherently subject to uncertainty and should not be relied upon as being indicative of the performance that we anticipate for any applicable period. Our actual revenues, net income, funds from operations, and funds available for distribution may differ materially from what is projected by securities analysts. If our actual results do not meet analysts' guidance, our stock price could decline significantly. We face risks associated with security breaches through cyber attacks or cyber intrusions, as well as other significant disruptions of our information technology (IT) networks and related systems. We face risks associated with security breaches or disruptions, whether through cyber attacks or cyber intrusions over the internet, malware, computer viruses, attachments to emails, persons inside our organization, persons with access to systems inside our organization, and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber attacks or cyber intrusion, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as the number, intensity, and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day- to- day operations (including managing our building systems) and, in some cases, may be critical to the operations of certain of our tenants. While, to date, we have not had a significant cyber breach or attack that had a material impact on our business or results of operations, there can be no assurance that our efforts to maintain the security and integrity of these types of IT networks and related systems will be effective or that attempted security breaches or disruptions will not be successful or damaging. A security breach or other significant disruption involving our IT networks and related systems could adversely impact our financial condition, results of operations, cash flows, liquidity, and the market price of our common stock and would require significant management attention and resources to remedy any resulting damages. A security breach or other significant disruption involving our IT networks and systems could result in our inability to maintain the building systems relied upon by our customers for their efficient use of their leased space, and the continuation of that circumstance could entitle the affected tenants to abate a portion of their rent. Further, one or more of our tenants could experience a cyber incident which could impact their operations and ability to perform under the terms of their lease with us. While we maintain insurance coverage that may, subject to policy terms and conditions including deductibles, cover specific aspects of cyber risks, such insurance coverage may be insufficient to cover all losses. As cyber threats continue to evolve, we may be required to expend additional resources to continue to enhance our information security measures and to investigate and remediate any information security vulnerabilities. **Increased** ~~Public~~ **public** attention to **corporate responsibility** ~~environmental, social, and governance~~ matters **may expose us to negative public perception, impose additional costs on our business, or impact our stock price** . Recently, more attention is being directed towards publicly- traded companies regarding ~~ESG~~ **Corporate Responsibility (" CR")** matters. Our efforts to improve our ~~ESG~~ **CR** profile and practices, including reducing emissions and improving the efficiency of our building operations **and the resiliency of our buildings** , may require capital expenditures and may result in short- or long- term increases in our operating costs, all of which could adversely impact our financial condition or results of operations. Our ability to achieve our ~~ESG~~ **CR** goals and objectives and to accurately and transparently report our progress presents numerous operational, financial, legal, and other risks and are partially dependent on the actions of our customers and vendors. A failure, or a perceived failure, to respond to investor, customer, employee, or other stakeholder expectations related to ~~ESG~~ **CR** concerns, or to comply with regulatory requirements, including a failure, or a perceived failure, to achieve any voluntarily adopted goals or initiatives, could negatively impact our reputation, ability to do business with certain partners, access to capital, stock price, and customer and employee attraction and retention. In addition, organizations that provide information to investors on corporate governance and other matters have developed rating systems for evaluating companies on their approach to ~~ESG~~ **CR** . Unfavorable ~~ESG~~ **CR** ratings may lead to negative investor sentiment, which could have a negative impact on our stock price. As the nature, scope, and complexity of ~~ESG~~ **CR** reporting, diligence, and disclosure requirements expand, we may have to undertake additional costs to control, assess, and report on ~~ESG~~ **CR** metrics. Any failure or perceived failure, whether or not valid, to pursue or fulfill our ~~ESG~~ **CR** goals, targets, and objectives or to satisfy various ~~ESG~~ **CR** reporting standards within the timelines we announce, or at all, could increase the risk of litigation. Additionally, while we strive to create and maintain an inclusive culture and a diverse workforce where everyone is valued and respected, a failure, or a perceived failure, to properly address matters of culture, including inclusivity and diversity matters, could result in reputational harm or an inability to attract and retain customers or employees.