

## Risk Factors Comparison 2024-02-16 to 2023-02-17 Form: 10-K

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

Set forth below are the risks that we believe are material to our shareholders. We refer to the shares of beneficial interest in Elme Communities as our “ common shares, ” and the investors who own shares as our “ shareholders. ” This section includes or refers to certain forward- looking statements. You should refer to the explanation of the qualifications and limitations on such forward- looking statements beginning on page ~~38-42~~. Risks Related to our Business and Operations We may be unable to successfully expand our operations into new markets and submarkets, which could have a material adverse effect on us, the trading price of our shares and our ability to make distributions to our shareholders. **We In connection with our strategic transformation, which began in 2021, we** intend to further expand our residential platform through acquisitions in Sunbelt markets. Our current targeted expansion markets include Atlanta, Georgia, Raleigh / Durham, North Carolina, Charlotte, North Carolina and Dallas- Fort Worth, Texas. **During** ~~Between~~ 2021 and ~~2022-2023~~, we acquired ~~five~~ **six** apartment communities in the Atlanta metro region and plan to continue to invest in the Sunbelt region in ~~2023-2024~~ and beyond. However, our historic operations have been concentrated in the Washington DC, metro region, where we have expertise in acquiring and operating assets. The risks applicable to our ability to acquire, integrate and operate apartment communities in the Washington DC, metro region are also applicable to our ability to acquire, integrate and operate apartment communities in new markets. In addition to these risks, we will not possess the same level of familiarity with the dynamics and market conditions of any new markets that we have entered ~~in connection~~ **or that we may enter as we do** with ~~the Washington, DC market~~ **our strategic transformation or that we may enter**, which could adversely affect our ability to expand and success in expanding into those markets. Furthermore, we may be unable to build a significant market ~~share~~ **presence** or achieve a desired return on our investments **in communities** in new markets. The occurrence of any of the foregoing risks could have a material adverse effect on us, the trading price of our shares and our ability to make distributions to our shareholders. Our performance and value are subject to risks associated with our apartment communities and with the real estate industry, which could adversely affect our cash flow and ability to make distributions to our shareholders. ~~Furthermore, substantially all of our investments are concentrated in the multifamily asset class.~~ Our financial performance and the value of our apartment communities are subject to the risk that they do not generate revenues sufficient to meet our operating expenses, debt service and capital expenditures, which could cause our cash flow and ability to make distributions to our shareholders to be adversely affected. Any of the following factors, among others, may adversely affect the cash flow generated by our apartment communities and ability to make distributions to our shareholders: • a decrease in demand for rental properties over home ownership resulting from, among other reasons, resident preferences, decreases in housing prices and mortgage interest rates, and government programs to promote home ownership or subsidize rental housing, slow or negative employment growth and household formation; • competition with other housing alternatives, including owner occupied single and residential apartment homes; • a return of the availability of low- interest mortgages or the availability of mortgages requiring little or no down payment for single family home buyers; • declines in the financial condition of our residents; • significant job losses in the regions in which we operate; • **changes in interest rates and availability of financing;** • economic and market conditions including: migration to areas outside of major metropolitan areas where our portfolio is concentrated, new construction and excess inventory of residential and owned housing / condominiums, increasing portions of owned housing / condominium stock being converted to rental use; • **the effects of government regulation in the real estate industry;** • our ability to integrate new technological innovations into our properties to attract residents; • **our ability to attract and retain qualified personnel with knowledge of the market;** and • political conditions, civil disturbances, earthquakes and other natural disasters, terrorist acts or acts of war and actual or anticipated geopolitical instability. ~~Additionally~~ **Substantially all of our investments are concentrated in the multifamily asset class, as which make us more vulnerable to a downturn in that asset class and could adversely affect our results of operations.** As of December 31, ~~2022-2023~~, substantially all of our investments are concentrated in the multifamily industry, and we are subject to risks inherent in investments in a single type of property. A downturn or slowdown in the demand for multifamily housing may have more pronounced effects on our results of operations or on the value of our assets than when we had investments in more than one asset class. ~~The~~ **Additionally, the** multifamily industry is also highly competitive. We compete with many other entities engaged in real estate investment activities, including individuals, corporations, bank and insurance company investment accounts, other REITs, real estate limited partnerships, and other entities engaged in real estate investment activities. Many of these entities have significant financial and other resources, including operating experience, allowing them to compete effectively with us. Competitors with substantially greater financial resources than us may be able to accept more risk than we can effectively manage. In addition, those competitors that are not REITs may be at an advantage to the extent they can use working capital to finance projects, while we (and our competitors that are REITs) may have to forgo and / or liquidate otherwise attractive investments as we must comply with REIT requirements. These actions could have the effect of reducing our income and amount available for distribution to shareholders. Thus, compliance with REIT requirements may hinder our ability to make, or, in certain cases, maintain ownership of, certain attractive investments. Competition may also result in overbuilding of multifamily properties, causing an increase in the number of multifamily units available which could potentially decrease occupancy and multifamily rental rates at our properties. We may also be required to expend substantial sums to attract new residents. These factors may cause ~~the~~ **the** resale value of ~~the property~~ **properties** to be diminished because the market value of a particular property will depend principally upon the net revenues generated by the property. Further, costs associated with real estate investment generally are not reduced when circumstances, such as ~~a~~ **the** ongoing pandemic, cause a reduction in

income from the investment. Each of these factors could possibly limit our ability to retain our current residents, attract new ones or increase or maintain rents, which could lower the value of our properties and adversely affect our results of operations and our financial condition. Macroeconomic trends, including inflation and rising interest rates, may adversely affect our **cash flow**, financial condition and results of operations. Macroeconomic trends, including increases in inflation and rising interest rates, may adversely impact our business, financial condition and results of operations. ~~Recently~~ **In recent years**, inflation in the United States has risen to levels not experienced in recent decades, including rising energy prices, prices for consumer goods, interest rates and wages. These increases and any interventions, fiscal or otherwise, by the U. S. government in reaction to such events could negatively impact our business by increasing our operating costs and borrowing costs as well as decreasing the cash available to our residents and tenants and prospective residents and tenants who wish to rent in our communities. Although we expect to be able to increase rent to combat the effects of inflation, the cost to operate and maintain communities could increase faster or at a rate greater than our ability to increase rents that residents and tenants would be willing to pay, which could adversely affect our results of operations. Additionally, a decline in the market value of real estate in the regions in which we operate may result in the carrying value of certain real estate assets exceeding their fair value, which **has recently and in the future** may require us to recognize an impairment to those assets. **For example, we recognized an impairment in the third quarter of 2023 on our sole remaining office property, Watergate 600. Also, if prevailing interest rates or other factors, such as the reluctance of lenders to make commercial real estate loans or the loss of the benefits of hedging arrangements, results in higher interest rates on our indebtedness, the increased interest expenses would adversely affect our cash flow, financial condition, and results of operation**. We are currently dependent upon the economic and regulatory climate of the Washington, DC **and Atlanta** metro ~~region~~ **regions**, which may impact ~~our profitability and may limit our ability to meet our financial condition obligations when due and results of operations~~ ~~/or make distributions to our shareholders~~. As of December 31, ~~2022~~ **2023**, ~~80-75~~ % of our residential apartment homes were located in the Washington, DC metro region and ~~20-25~~ % of our residential apartment homes were located in the Atlanta, Georgia metro region. While we **intend to are** ~~implementing a strategy of continued~~ **continue** expansion ~~into~~ **of our platform in** the Sunbelt region, our current concentration in just two geographic ~~markets~~ **metro regions** may expose us to a greater amount of market -dependent risk than if we were more geographically diverse. Our performance could be adversely affected by the economic conditions in, and other factors relating to, these two geographic areas, including zoning and other regulatory conditions, competition for residents and supply and demand for apartment in these regions, as well as unemployment and job growth. Additionally, in the Washington, DC **and Atlanta** metro ~~region~~ **regions**, general economic conditions and local real estate conditions are dependent upon various industries that are predominant in the area (such as **, in Washington, D. C.**, government and professional / business services). A downturn in one or more of these industries may have a particularly strong effect on the economic climate of the region. ~~We~~ **Additionally, we are also** susceptible to adverse developments in the ~~Washington, D. C.~~ **Washington, D. C.** regulatory environment **of any of the markets in which we operate, particularly Washington, D. C.**, such as increases in real estate and other taxes, the costs of complying with governmental regulations or increased regulations, **including zoning and tax laws**, and actual or threatened reductions in ~~federal~~ government spending and / or changes to the timing of government spending, as has occurred during federal government shutdowns. To the extent that these markets become less desirable to operate in, our results of operations could be more negatively impacted than if we were more **geographically** diversified ~~within our markets~~. In the event of negative economic and / or regulatory changes in the regions in which we operate, we may experience a negative impact to our ~~profitability and may be limited in our ability to meet our financial condition obligations when due and results of operations~~ ~~/or make distributions to our shareholders~~. Short- term leases expose us to the effects of declining market rents sooner than long- term leases, which could adversely affect our cash flow, results of operations and financial condition. Substantially all of our apartment leases are for a term of one year or less. Because these leases generally permit the residents to leave at the end of the lease term without penalty, our rental revenues are impacted by declines in market rents sooner than if our apartment leases were for longer terms. Additionally, if the terms of a renewal or reletting are less favorable than current terms, then our results of operations and financial condition could be negatively affected. For each **of** the three years ended December 31, ~~2022~~ **2023**, the same -store residential resident retention rate **for each year' s respective same- store community portfolio**, was 63 %, **63** %, and 60 %, ~~and 57~~ %, respectively. **Expenses may increase or remain constant even if our revenues decrease. The expense of owning and operating a property is not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property or an increase in operating costs. As a result, if revenues drop, we may not be able to reduce our expenses accordingly. Loan payments are an example of a cost that will not be reduced if our revenues decrease. If a property is mortgaged and we are unable to meet the mortgage payments, the lender could foreclose on the mortgage and take the property, resulting in a further reduction in revenues**. The risks related to our commercial operations could adversely impact our results of operations and financial condition. Although we are primarily in the residential rental business, we also own ancillary commercial space, primarily within our apartment communities, and own one office building that we lease to third parties. Gross rental revenue provided by leased commercial space in our portfolio represented ~~9-8~~ % of our real estate rental revenue from continuing operations in ~~2022~~ **2023**. The long term nature of our commercial leases and characteristics of many of our tenants (generally small, local businesses) may subject us to certain risks, such as difficulties or delays in reletting this commercial space and in achieving desired rental rates, the cost of allowances and concessions to tenants, which may be less favorable than current terms, a failure rate of small, local business that may be higher than average and competition with other commercial spaces, which may affect our ability to lease space and the level of rents we can obtain. Additionally, if our commercial tenants experience financial distress or bankruptcy, they may fail to comply with their contractual obligations, seek concessions in order to continue operations or cease their operations. Each of these factors could adversely impact our results of operations and financial condition. Real estate investments are illiquid, and we may not be able to sell our properties on a timely basis when we

determine it is appropriate to do so, which could negatively impact our profitability. Real estate investments can be difficult to sell and convert to cash quickly, especially if market conditions are not favorable. Such illiquidity could limit our ability to quickly change our portfolio of properties in response to changes in economic or other conditions. Moreover, the REIT tax laws require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer property sales that otherwise would be in our best interest. Due to these factors, we may be unable to sell a property at an advantageous time or on the terms anticipated which could negatively impact our profitability. Rent control or rent stabilization legislation and other regulatory restrictions may limit our ability to increase rents and pass through new or increased operating costs to our residents. Jurisdictions in which we own property have adopted, or may in the future adopt, laws and regulations imposing restrictions on the timing or amount of rent increases or have imposed regulations relating to low- and moderate- income housing. Such laws and regulations limit our ability to charge market rents, increase rents or evict residents at our apartment communities and could make it more difficult for us to dispose of properties in certain circumstances. Similarly, compliance procedures associated with rent control statutes and low- and moderate- income housing regulations could have a negative impact on our operating costs, and any failure to comply with low- and moderate- income housing regulations could result in the loss of certain tax benefits and the forfeiture of rent payments. In addition, such low- and moderate- income housing regulations often require us to rent a certain number of homes at below- market rents, which has a negative impact on our ability to increase cash flows from our residential properties subject to such regulations. Furthermore, such regulations may negatively impact our ability to attract higher- paying residents to such properties. As of December 31, ~~2022~~2023, four of our residential properties, each located within the Washington, DC metro region, were subject to such regulations. Our business and reputation depend on our ability to continue to provide high quality housing and consistent operation of our communities, the failure of which could adversely affect our business, financial condition and results of operations. Our business and reputation depend on providing our residents with quality housing including a wide variety of amenities such as covered parking, swimming pools, fitness facilities and similar features, highly reliable services, including water and electric power and the consistent operation of our communities. The delayed delivery or any material reduction or prolonged interruption of these services may cause residents to terminate their leases or may result in a reduction of rents and / or increase in our costs or other issues. In addition, we may fail to provide quality housing and continuous access to amenities, including **as a result of** government mandated closures due to health concerns, mechanical failure, power outage, human error, vandalism, physical or electronic security breaches, war, terrorism and similar events. Such service interruptions, closures, mechanical failures or other events may also expose us to additional liability claims and damage our reputation and brand and could cause current residents to terminate or not renew their leases, and prospective residents to seek housing elsewhere. Any such failures could impair our ability to continue providing quality housing and consistent operation of our communities, which could adversely affect our business, financial condition and results of operations. We face risks associated with property development / redevelopment, which could have an adverse effect on our financial condition, results of operations or ability to satisfy our debt service obligations. We may, from time to time, engage in development and redevelopment activities, some of which may be significant. Developing or redeveloping properties presents a number of risks for us, including risks relating to necessary permitting, risks relating to development and construction costs and / or permanent financing, environmental remediation, timeline disruptions and demand for the completed property. Properties developed or acquired for development may generate little or no cash flow from the date of acquisition through the date of completion of development and commencement of leasing activity. In addition, new development activities, regardless of whether or not they are ultimately successful, may require a substantial portion of management's time and attention. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken. Some of these development / redevelopment risks may be heightened given ~~current~~ uncertain and potentially volatile market conditions. If market volatility causes economic conditions to remain unpredictable or to trend downwards, we may not achieve our expected returns on properties ~~under we development~~ **develop** and we could lose some or all of our investments in those properties. In addition, the lead time required to develop, construct, and lease- up a development property may increase, which could adversely impact our projected returns or result in a termination of the development project. The materialization of any of the foregoing risks could have an adverse effect on our financial condition, results of operations or ability to satisfy our debt service obligations. Corporate social responsibility, specifically related to **ESG matters** ~~Environmental, Social and Governance~~, may constrain our business operations, impose additional costs and expose us to new risks that could adversely impact our results of operations and financial condition and the price of our securities. Environmental, social and governance matters have become increasingly important to investors and other stakeholders. Certain organizations that provide corporate risk and corporate governance advisory services to investors have developed scores and ratings to evaluate companies based upon ESG metrics. Many investors focus on ESG- related business practices and scores when choosing where to allocate their investments and may consider a company's score as a factor in making an investment decision. The focus and activism related to ESG and related matters may constrain our business operations or increase expenses. Additionally, if our corporate responsibility procedures or standards do not meet the standards set by various constituencies, we may face reputational damage. There can be no assurance of how we will score on the ESG metrics used by such advisory organizations in the future, particularly since the criteria by which companies are rated for their ESG efforts may change. A low ESG score could result in a negative perception of the Company, exclusion of our securities from consideration by certain investors and / or cause investors to reallocate their capital away from the Company, each of which could have an adverse impact on the price of our securities. **As we continue to invest and focus on ESG efforts and initiatives that we believe are appropriate for the Company and our shareholders, we could also be criticized by ESG detractors for the scope or nature of our ESG initiatives or goals. We could also be subjected to negative responses by governmental actors (such as anti- ESG legislation or retaliatory legislative treatment), tenants and residents, that could adversely affect our reputation, financial condition and results of operations.** We face risks associated with property acquisitions. We may

acquire properties and expand into new markets which would increase our size and geographic diversity and could alter our capital structure. In addition, our acquisition activities and results may be exposed to the following risks: • we may have difficulty finding properties that are consistent with our strategies and meet our standards; • we may be unable to finance acquisitions on favorable terms or at all; • the occupancy levels, lease-up timing and rental rates of acquired properties may not meet our expectations; • even if we enter into an acquisition agreement for a property, we may be unable to complete that acquisition after making a non-refundable deposit and incurring certain other acquisition-related costs; • we may be unable to acquire a desired property at all or at the desired purchase price because of competition from other real estate investors, including publicly traded real estate investment trusts, institutional investment funds and private investors; • the timing of property acquisitions may lag the timing of property dispositions, leading to periods of time where projects' proceeds are not invested as profitably as we desire; • we may **fail to secure required zoning, occupancy or other governmental permits and authorizations or applicable zoning and land use laws may change; • we may** be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations; • **new acquisitions and developments may fail to perform as expected or we may underestimate costs necessary to bring an acquired property up to our standards**; • we may assume liabilities for undisclosed environmental contamination; • our estimates of capital expenditures required for an acquired property, including the costs of repositioning or redeveloping, may be inaccurate and the acquired properties may fail to perform as we expected in analyzing our investments; and • we could experience a decline in value of the acquired assets after acquisition. **In addition, our financing of an acquisition could negatively impact our cash flows and liquidity, require us to incur substantial debt or involve the issuance of new equity, which would be dilutive to existing stockholders.** We may also acquire properties subject to liabilities and without recourse, or with limited recourse with respect to unknown liabilities. As a result, if liability were asserted against us based upon the acquisition of a property, we may have to pay substantial sums to settle it, which could adversely affect our cash flow. We ~~face risks associated with third-party service providers, which could negatively impact our profitability. We enter into arrangements from time to time with various service providers which conduct day-to-day community management and / or leasing activities at many of our apartment communities. As of December 31, 2022, our office property and 95 % of our apartment homes are managed by third-party service providers. Failure of such service providers to adequately perform their contracted services could negatively impact our ability to retain residents or lease vacant space. As a result, any such failure could negatively impact our profitability. Our strategic transformation could place a significant strain on our management team and personnel and requires us to increase the size of our workforce. Furthermore, we depend on our key personnel, and we can provide no assurances that we will be successful in attracting and retaining such personnel. We expect the total number of our employees to increase as we internalize our community management operations, which could place significant strain on our management, personnel, operations, systems, technical performance, financial resources, and internal financial control and reporting functions. Properly managing this internalization will also require us to increase the size of our workforce as we hire, train, and manage qualified employees and staff. If our new hires perform poorly, if we are unsuccessful in hiring, training, managing, and integrating new employees and staff, or if we are not successful in retaining our existing employees and staff, our business may be harmed. Additionally, if any of our key personnel were to terminate their employment with us, our operating results could suffer, and since competition for such personnel is intense, we cannot assure you that we will be successful in attracting and retaining such personnel or that we will not need to incur additional expense to attract and retain such personnel. Moreover, if we must implement any reductions in workforce or restructurings, we may be subject to unintended consequences and costs, such as attrition beyond the intended reduction in workforce, the distraction of employees, or reduced employee morale which could adversely affect our reputation as an employer, make it more difficult for us to hire new employees in the future or increase the risk that we may not achieve the anticipated benefits from the reduction in workforce. A failure to properly manage the size of our workforce could have an adverse effect on our financial condition and results of operations. We may suffer economic harm as a result of the actions of our partners in real estate joint ventures and other investments which may adversely affect our financial condition, results of operations, cash flows and ability to make distributions to our shareholders. **We** While we currently have no interests in joint ventures, we may from time to time invest in joint ventures in which we are not the exclusive investor or the only decision maker. Investments in such entities may involve risks not present when a third party is not involved, including the possibility that the other parties to these investments might become bankrupt or fail to fund their share of required capital contributions, and we may be forced to make contributions to maintain the value of the property. Our partners in these entities may have economic, tax or other business interests- **interest** or goals that are inconsistent with our **own** business interests or goals and may be in a position to take actions contrary to our policies or objectives. Such investments may also lead to impasses, **including** for example, as to whether to sell a property, because neither we nor **or** the other parties to these investments may have full control over the entity. In addition, we may in certain- **retain** circumstances be liable **joint venture properties** for- **or interests, become bankrupt** the actions of the other parties to these investments. Each of these factors could have an adverse effect on our- **or fail** financial condition, results of operations, cash flows and ability to make **fund their share of required capital** distributions **contributions** to our shareholders. In some instances, joint venture partners may have competing interests that could create conflicts of interest, **including** compliance with the REIT requirements, and our REIT status could be jeopardized if any of our **future** joint ventures do not operate in compliance with the REIT requirements. To the extent our joint venture partners do not meet their obligations to us or they act inconsistent with our interests in the joint venture, we may be adversely affected. Climate change and regulation regarding climate change in the regions in which we operate may adversely affect our financial condition, results of operations, cash flows, per share market price of our common shares and our ability to satisfy our principal and interest obligations and to make distributions to our shareholders. Climate change (including rising sea levels, flooding, **prolonged periods of extreme temperature or other** extreme weather, and changes in precipitation and temperature), may result in physical damage to, a decrease in demand for and~~

/ or a decrease in rent from and value of our properties located in the areas affected by these conditions (particularly in areas closer to coasts). Additionally, our insurance premiums may increase as a result of the threat of climate change or the effects of climate change may not be covered by our insurance policies. Changes in U. S. federal and state legislation and regulations on climate change could result in utility expenses and / or capital expenditures to improve the energy efficiency of our existing properties or other related aspects of our properties in order to comply with such regulations or otherwise adapt to climate change. The U. S. government and various state agencies have introduced or are contemplating regulatory changes in response to the potential impact of climate change, including legislation regarding green- house gas emissions and renewable energy targets. Any such regulation regarding climate change may require unplanned capital improvements and increased engagement by our employees. Any adopted future climate change regulations could negatively impact our ability to compete with companies not subject to such regulations. From a medium and long- term perspective, as a result of these regulatory initiatives, we may see an increase in costs relating to any owned or future properties and failure to meet certain performance standards could result in fines for non- compliance, a decrease in demand and a decline in the value of our properties. As a result of these and other regulations, our financial condition, results of operations, cash flows, per share market price of our common shares and our ability to satisfy our principal and interest obligations and to make distributions to our shareholders could be adversely affected. Actual or threatened acts of violence, including terrorist attacks, may adversely affect our ability to generate revenues and the value of our properties. Actual or threatened acts of violence, including terrorist attacks **and increased crime rates, resulting in more safety and security incidents**, could occur in the localities in which we conduct business. As a result, some residents in our markets may choose to relocate to other markets. This could result in an overall decrease in the demand for such markets generally, which could increase vacancies or impact rental rates in our properties. In addition, future acts of violence or terrorist attacks could directly or indirectly damage our properties, both physically and financially, or cause losses that materially exceed our insurance coverage. As a result of the foregoing, our ability to generate revenues and the value of our properties could decline materially which would negatively affect our results of operations. Some potential losses are not covered by insurance, which could adversely affect our financial condition or cash flow. The property insurance that we maintain for our properties has historically been on an “ all risk ” basis, which is in full force and effect until renewal in ~~March 2023 or August 2023~~ **2024**, depending on the property. There are other types of losses, such as from wars or catastrophic events, for which we cannot obtain insurance at all or at a reasonable cost. Our insurance does not cover terrorist related activities except certain non- certified nuclear, chemical and biological acts of terrorism. Our financial condition and results of operations are subject to the risks associated with acts of terrorism and the potential for uninsured losses as the result of any such acts. 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. **Furthermore, losses related to other types of risk, such as cybersecurity incidents or climate change 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. Any such uninsured loss could adversely affect our financial condition or cash flow. In the event of an uninsured loss or a loss in excess of our insurance limits, we could lose both the revenues generated from the affected property and the capital we have invested in the affected property. Depending on the specific circumstances of the affected property, it is possible that we could be liable for any mortgage indebtedness or other obligations related to the property. Any such loss could adversely affect our business and financial condition and results of operations. Additionally, any material increase in insurance rates or decrease in available coverage in the future could adversely affect our results of operations and financial condition. **Compliance with Certain certain** federal, state and local laws and regulations **could adversely affect our results of operation, and** may cause us to incur substantial costs or subject us to potential liabilities. We are subject to certain compliance costs and potential liabilities under various U. S. federal, state and local environmental, **employment, health, safety and zoning laws and regulations that** ~~These laws and regulations govern our and our tenants’ operations including with respect to air emissions, wastewater disposal, and the use, storage and disposal of hazardous and toxic substances and petroleum products, including in storage tanks that power emergency generators.~~ If we fail to comply with such laws, including if we fail to obtain any required permits or licenses, we could face substantial fines or possible revocation of our authority to conduct some of our operations. **In addition, Some of our current or former properties have had tenants that used hazardous substances or petroleum in the course of their businesses.** Various environmental laws impose liability on a current or former owner or operator of real property for investigation, ~~removal or remediation~~ **cleanup** of hazardous ~~or toxic~~ substances or petroleum products at **, on, under or migrating from** our currently or formerly owned or leased real property, regardless of whether or not we knew of, or caused, the presence or release of such substances **or products**. Liability under these laws may be joint and several, meaning that we could be required to bear 100 % of the liability even if other parties are also liable. From time to time, we may be required to ~~remediate such~~ **investigate and clean- up hazardous substances or petroleum products** or remove, abate or manage asbestos, mold, radon gas, lead or other hazardous conditions at our properties **, and the costs of those effort may be substantial and could exceed the value of the property and / or our aggregate assets**. The presence or release of such ~~toxic or~~ hazardous substances or petroleum products at our currently owned or leased properties could result in limitations on or interruptions to our operations, **and or may adversely affect our ability to sell or rent such properties or borrow using such properties as collateral.** ~~releases~~ **Releases of hazardous substances or petroleum products** at our currently or formerly owned or leased properties could result ~~in~~ in third- party claims for bodily injury, property or natural resource damages, or other losses, including liens in favor of the government for costs the government incurs in cleaning up contamination. In addition, we may be liable for the costs of investigating or remediating contamination at off- site waste disposal facilities to which we have arranged for the disposal, or treatment of hazardous substances without regard to whether we complied with environmental laws in doing so. It is our policy to retain independent environmental consultants to conduct Phase I environmental site assessments and asbestos surveys prior to our acquisition of properties. However, there is a risk that these assessments will not identify all potential

environmental issues at a given property. Moreover, environmental, health and safety requirements have become increasingly stringent, and our costs may increase as a result. New or revised laws and regulations or new interpretations of existing laws and regulations, such as those related to climate change, could affect the operation of our properties or result in significant additional expense and operating restrictions on our properties or adversely affect our ability to sell properties or to use properties as collateral. We may also incur significant costs complying with other regulations. In addition, failure of our properties to comply with the Americans with Disabilities Act (“ADA”) could result in injunctive relief, fines, an award of damages to private litigants or mandated capital expenditures to remedy such noncompliance. Any imposition of injunctive relief, fines, damage awards or capital expenditures could adversely impact our business or results of operations. Our properties are subject to various other federal, state and local regulatory requirements, such as state and local fair housing, rent control and fire and life safety requirements. If we fail to comply with the requirements of the ADA or other federal, state and local regulations, we could be subject to fines, penalties, injunctive action, reputational harm and other business effects which could materially and negatively affect our performance and results of operations. **In addition, existing laws could be interpreted in a manner that restricts our ability to use systems that we currently use in our operations and we may face litigation or regulatory risk in connection with such laws. Future compliance with new laws of general applicability, laws applicable to companies in our industry, or laws applicable to public companies generally could increase our costs and could have an adverse effect on our financial performance. For example, one of our vendors, RealPage, is currently involved in lawsuits alleging that RealPage and others conspired to artificially inflate the prices of multifamily residential real estate above competitive levels.** We face cybersecurity risks which have the potential to disrupt our operations, cause material harm to our financial condition, result in misappropriation of assets, compromise confidential information and / or damage our business relationships and we can provide no assurance that the steps we and our service providers take in response to these risks will be effective. **Despite We are dependent on our information technology networks and system systems redundancy to access, as well as the those implementation of security measures third parties, required to process, transmit and store proprietary and confidential information, including personal information of residents, employee-employees awareness training and the existence of a disaster recovery plan, we and vendors. We face cybersecurity risks threats, such as including system, network or internet failures, cyber- attacks, ransomware and other malware, social engineering, phishing schemes or bad actors inside and workforce member error, negligence, our or organization fraud.** The risk of a security breach, disruption, or cyber- attack, including by computer hackers, nation- state affiliated actors and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks around the world have increased. Any such cybersecurity incident, including those impacting personal information, may result in disruption of our operations, material harm to our financial condition, cash flows and the market price of our common shares, misappropriation of assets, compromise or corruption of confidential information collected in the course of conducting our business, liability for stolen impacted information or assets, increased cybersecurity protection and insurance costs, regulatory scrutiny or enforcement, litigation and damage to our stakeholder relationships. **These A cybersecurity incident could also interfere with our ability to comply with financial reporting requirements. Additionally, future or past business transactions (such as acquisitions or integrations) could expose us to additional cybersecurity risks require increasing resources from us to analyze and mitigate threats, as our systems could be negatively affected by vulnerabilities present in acquired or integrated entities’ systems and there is no assurance technologies. Furthermore, we may discover security issues that were not found during due diligence of such acquired our or efforts will integrated entities, and it may be difficult to integrate companies into effective. Additionally, as a result of the internalization of community management services for our properties, which began in late 2022, we collect and retain greater amounts of personal information technology environment, both from employees and current and potential residents security program. In addition, which increased regulation of data collection, use and retention practices, including self- regulation and industry standards, changes in existing laws and regulations, enactment of new laws and regulations, increased enforcement activity, and changes in interpretation of laws, could increases increase our cost the risks and potential effects of such compliance an and incident operation, limit our ability to grow our business or otherwise harm the Company.** We also rely on third- party service providers in our conduct of our business, and we can provide no assurance that the security measures of those providers will be effective. **While In the normal course of business, we and may be entitled to damages if our third- party service providers collect and retain certain personal information provided by fail to satisfy their security- related obligations to us, any award may be insufficient to cover our damages, our or residents, employees and vendors we may be unable to recover such award.** Although we and our third- party service providers make efforts to maintain the security and integrity of our information, including the implementation of security measures, required employee awareness training and the existence of a disaster recovery plan, we can provide no assurance that our data security measures will be able to detect or prevent unauthorized access all cybersecurity incidents. **These risks require increasing resources from us to this analyze and mitigate, and there is no assurance that our efforts will be effective. Additionally, as a result of the internalization of community management services for our properties, which was completed in 2023, we collect and retain greater amounts of personal information. In addition to, both from employees and current and potential residents, which increases the risks discussed above related to a breach of confidential information, a breach of personal information may result in regulatory fines and orders, obligations potential effects of such a cybersecurity incident. We have identified and expect to notify individuals continue to identify cyberattacks and cybersecurity incidents on or our litigation risks systems and those of third parties, but none of the cyberattacks and incidents we have identified to date has had a material impact on our business or operations. While we have purchased cybersecurity insurance, there are no assurances that the coverage would be adequate in relation to any incurred losses. Moreover, as cyber- attacks increase in frequency and magnitude, we may be unable to obtain cybersecurity insurance in amounts and on terms we view as adequate for our operations.** A pandemic, including the outbreak of COVID-19, and measures intended to

prevent its spread, could have a material adverse effect on our business, results of operations, cash flows and financial condition. A pandemic and emergence of new variants could (as the ~~current~~ outbreak of COVID- 19 ~~has~~ **did**) negatively impact the global economy, disrupt financial markets and international trade, and result in varying unemployment levels, all of which could negatively impact the multifamily industry and our business. Pandemic outbreaks could lead (and the ~~current~~ outbreak of COVID- 19 ~~has~~ **led**) governments and other authorities around the world, including federal, state and local authorities in the United States, to impose measures intended to mitigate its spread, including restrictions on freedom of movement and business operations such as ~~issuing guidelines, travel bans, border closings, business closures, quarantine orders, and~~ orders not allowing the collection of rents, rent increases, or eviction of non- paying residents and tenants. The impact of an ongoing pandemic and measures to prevent its spread could (and the ~~current~~ outbreak of COVID- 19 ~~has~~ **did**) ~~negatively impact and could continue to~~ negatively impact our businesses in a number of ways, including shifts in consumer housing demand, our residents' ability or willingness to pay rents and the demand for multifamily communities within the markets we operate. ~~In the event of a decline in business activity and demand for real estate transactions, our ability or desire to grow or diversify our residential portfolio could (and has been) be affected. Additionally, local and national authorities could continue to expand and extend certain measures imposing restrictions on our ability to enforce contractual rental obligations upon our residents and tenants.~~ Unanticipated costs and operating expenses and decreased anticipated and actual revenue related to compliance with regulations ~~could~~ negatively impact our future compliance with financial covenants of debt agreements and our ability to satisfy certain REIT- related requirements. ~~The full extent of the impact of a pandemic on our business is largely uncertain and dependent on a number of factors beyond our control, and we are not able to estimate with any degree of certainty the effect a pandemic or measures intended to curb its spread could have on our business, results of operations, financial condition, and cash flows. Moreover, many of the other risk factors described herein could be more likely to impact us as a result of a pandemic or measures intended to curb its spread.~~ Risks Related to Financing **Rising interest rates would increase our interest costs and negatively impact our cash flow. We have and may continue to incur indebtedness that bears interest at variable rates. As a result, an increase in interest rates will increase our interest expense, which could adversely affect our cash flow and our ability to service debt. As a protection against rising interest rates, we may enter into agreements such as interest rate swaps, caps, floors and other interest rate exchange contracts. These agreements, however, increase our risks including other parties to the agreements not performing or that the agreements may be unenforceable.** We face risks associated with the use of debt, including refinancing risk. We rely on borrowings under our credit facility, **term loan**, mortgage notes, and debt securities to finance acquisitions and development activities and for general corporate purposes. In the past, the commercial real estate debt markets have experienced significant volatility due to a number of factors, including the tightening of underwriting standards by lenders and credit rating agencies and the ~~diminished reported significant inventory of unsold mortgage-backed securities in the~~ **market sentiment and prices with respect to certain asset classes**. This volatility resulted in investors decreasing the availability of debt financing as well as increasing the cost of debt financing. These conditions, which increase the cost and reduce availability of debt, may continue to worsen in the future. Circumstances could again arise in which we may not be able to obtain debt financing in the future on favorable terms, or at all. If we ~~were~~ **are** unable to borrow under our credit facility, **obtain new debt financing** or to refinance existing debt ~~financing~~, our financial condition and results of operations would likely be adversely affected. Similarly, global equity markets have experienced significant price volatility and liquidity disruptions in recent years, and similar circumstances could significantly and negatively impact liquidity in the financial market in the future. Any disruption could negatively impact our ability to access additional financing at reasonable terms or at all. We anticipate that only a small portion of the principal of our currently outstanding debt, **if any**, will be repaid prior to maturity. Therefore, we are likely to need to refinance a significant portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing will not be as favorable as the terms of the existing debt. If principal payments due at maturity cannot be refinanced, extended or repaid with proceeds from other sources, such as new equity capital, our cash flow may not be sufficient to repay all maturing debt in years when significant "balloon" payments come due. In addition, we may rely on debt to fund a portion of our new investments such as our acquisition and development activity. There is a risk that we may be unable to finance these activities on favorable terms or at all. The materialization of any of the foregoing risks would adversely affect our financial condition and results of operations. Our degree of leverage could limit our ability to obtain additional financing, affect the market price of our common shares or debt securities or otherwise adversely affect our financial condition. On February ~~14-13~~, **2023-2024**, our total consolidated debt was approximately \$ ~~0.6-7~~ billion. Using the closing share price of \$ ~~19-14~~, **04-13** per share of our common shares on February ~~14-13~~, **2023-2024**, multiplied by the number of our common shares, our consolidated debt to total consolidated market capitalization ratio was approximately ~~25-36~~ % as of February ~~14-13~~, **2023-2024**. Our degree of leverage could affect our ability to obtain additional financing for working capital, capital expenditures, acquisitions, development or other general corporate purposes. Our senior unsecured debt is currently rated investment grade by two major rating agencies. However, there can be no assurance that we will be able to maintain this rating, and in the event our senior debt is downgraded from its current rating, we would likely incur higher borrowing costs and / or difficulty in obtaining additional financing. Our degree of leverage could also make us more vulnerable to a downturn in business or the economy generally. There is a risk that changes in our debt to market capitalization ratio, which is in part a function of our share price, or our ratio of indebtedness to other measures of asset value used by financial analysts, may have an adverse effect on the market price of our equity or debt securities. Additionally, payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties, fully implement our capital expenditure, acquisition and redevelopment activities, or meet the REIT distribution requirements imposed by the Code. Failure to effectively hedge against interest rate changes may adversely affect our financial condition, results of operations, cash flow, per share market price of our common shares and ability to make distributions to our shareholders and agreements we enter into to protect us from rising interest rates expose us to counterparty risk. We have

entered into, and may in the future enter into, hedging transactions to protect ourselves from the effects of interest rate fluctuations on variable rate debt. Our hedging transactions have included, and may in the future include, entering into agreements such as interest rate swaps, caps, floors and other interest rate exchange contracts. These agreements involve risks, such as the risk that such arrangements would not be effective in reducing our exposure to interest rate changes or that a court could rule that such an agreement is not legally enforceable. In addition, interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates. Failure to hedge effectively against interest rate changes could materially adversely affect our financial condition, results of operations, cash flow, per share trading price of our common shares and ability to make distributions to our shareholders. While such agreements are intended to lessen the impact of rising interest rates on us, they could also expose us to the risk that the other parties to the agreements would not perform, and that the hedging arrangements may not be effective in reducing our exposure to interest rate changes. In addition, the REIT provisions of the Code may limit use of certain hedging techniques that might otherwise be advantageous or push us to implement those hedges through a taxable REIT subsidiary, which would increase the cost of our hedging activities. Moreover, there can be no assurance that our hedging arrangements will qualify as highly effective cash flow hedges under Financial Accounting Standards Board (“FASB”), Accounting Standards Codification (“ASC”) Topic 815, Derivatives and Hedging, or that our hedging activities will have the desired beneficial impact on our results of operations. Should we desire to terminate a hedging agreement, there could be significant costs and cash requirements involved to fulfill our obligation under the hedging agreement. Loans under our credit facility **and term loan agreement** may bear interest based on SOFR, but experience with SOFR based loans is limited. Our credit facility **and term loan agreement** requires the applicable interest rate or payment amount by reference to SOFR (“Secured Overnight Financing Rate”). The use of SOFR based rates may result in interest rates and / or payments that are higher or lower than the rates and payments that we previously experienced under USD- LIBOR. In addition, ~~confusion related to the use of transition from USD- LIBOR to SOFR based rates is relatively new, and there could have been unanticipated difficulties or disruptions with the calculation and publication of SOFR based rates that could~~ hinder our ability to establish effective hedges and result in a different economic value over time for these instruments than they otherwise would have had under USD- LIBOR. ~~Furthermore, the use of SOFR based rates is relatively new, and there could be unanticipated difficulties or disruptions with the calculation and publication of SOFR based rates.~~ In particular, if the agent under our credit facility **or under our term loan agreement** determines that SOFR based rates cannot be determined or the **applicable** agent or the lenders determine that SOFR based rates do not adequately reflect the cost of funding, outstanding SOFR based loans may be converted into base rate loans, which could result in increased borrowing costs. Covenants in our debt agreements could adversely affect our financial condition. Our credit facility and other debt instruments contain customary restrictions, requirements and other limitations on our ability to incur indebtedness. We must maintain certain ratios, including a maximum of total indebtedness to total asset value, a maximum of secured indebtedness to total asset value, a minimum of quarterly adjusted EBITDA to fixed charges and a maximum of unsecured indebtedness to unencumbered pool value. Our ability to borrow under our credit facility is subject to compliance with our financial and other covenants. Failure to comply with any of the covenants under our unsecured credit facility or other debt instruments (including our indenture, **term loan agreement** and our notes purchase agreement) could result in a default under one or more of our debt instruments. If we fail to comply with the covenants in our unsecured credit facility or other debt instruments, other sources of capital may not be available to us or be available only on unattractive terms. In addition, if we breach covenants in our debt agreements, the lenders can declare a default and, if the debt is secured, take possession of the property securing the defaulted loan. Any default or cross- default events could cause our lenders to accelerate the timing of payments and / or prohibit future borrowings, either of which would have a material adverse effect on our business, operations, financial condition and liquidity. Risks Related to Our Organizational Structure Our ~~charter~~ **declaration of trust** and Maryland law contain provisions that may delay, defer or prevent a change in control of Elme Communities, even if such a change in control may be in the best interest of our shareholders, and as a result may depress the market price of our common shares. Provisions of the Maryland General Corporation Law (“MGCL”) may limit a change in control which could prevent holders of our common shares from profiting as a result of such change in control. These provisions include: • a provision where a corporation is not permitted to engage in any business combination with any “interested stockholder,” defined as any holder or affiliate of any holder of 10 % or more of the corporation’s stock, for a period of five years after that holder becomes an “interested stockholder,” and • a provision where the voting rights of “control shares” acquired in a “control share acquisition,” as defined in the MGCL, may be restricted, such that the “control shares” have no voting rights, except to the extent approved by a vote of holders of two-thirds of the common shares entitled to vote on the matter. Our bylaws currently provide that the foregoing provision regarding “control share acquisitions” will not apply to any acquisition by any person of shares of beneficial interest of Elme Communities. There can be no assurance that this provision will not be amended or eliminated at any time in the future by our ~~board~~ **Board of trustees** and may be amended or eliminated with retroactive effect. Additionally, Title 8, Subtitle 3 of the MGCL permits our ~~board~~ **Board of trustees**, without shareholder approval and regardless of what is currently provided in our declaration of trust or bylaws, to implement certain takeover defenses. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us under the circumstances that otherwise could provide our common shareholders with the opportunity to realize a premium over the then current market price. The share ownership limits imposed by the Code for REITs and imposed by our ~~charter~~ **declaration of trust** may restrict our business combination opportunities that might involve a premium price for our common shares or otherwise be in the best interest of our shareholders. The ownership of our shares must be restricted in several ways in order for us to maintain our qualification as a REIT under the Code. Our ~~charter~~ **declaration of trust** provides that no person (other than an excepted holder, as defined in our ~~charter~~ **declaration of trust**) may actually or constructively own more than 9.8 % of the aggregate of our outstanding common shares by value or by number of shares, whichever is more restrictive, or 9.8 % of the



aggregate of the equity shares by value. Our ~~board Board of trustees~~ has the authority under our ~~charter~~ **declaration of trust** to reduce these share ownership limits. Our ~~board Board of trustees~~ may, in its sole discretion, grant exemptions to the share ownership limits, subject to such conditions and the receipt by our ~~board Board of trustees~~ of certain representations and undertakings to ensure that our REIT qualification is not adversely affected. In addition to 9.8 % (or any lower future percentage) share ownership limits, our ~~charter~~ **declaration of trust** also prohibits any person from (a) beneficially or constructively owning, as determined by applying certain attribution rules of the Code, our equity shares that would result in us being “closely held” under Section 856 (h) of the Code (regardless of whether the interest is held during the last half of a taxable year) or that would otherwise cause us to fail to qualify as a REIT, or (b) transferring equity shares if such transfer would result in our equity shares being owned by fewer than 100 persons. The share ownership limits contained in our ~~charter~~ **declaration of trust** are based on the ownership at any time by any “person,” which term includes entities and certain groups. The share ownership limitations in our ~~charter~~ **declaration of trust** are common in REIT charters and are intended to provide added assurance of compliance with the tax law requirements. However, the share ownership limits on our shares and our enforcement of them might delay, defer, prevent, or otherwise inhibit a transaction or a change in control of Elme Communities, including a transaction that might involve a premium price for our common shares or that might otherwise be in the best interest of our shareholders. Our rights and the rights of our shareholders to take action against our trustees and officers are limited, which could limit your recourse in the event of actions that you do not believe are in your best interests. Maryland law provides that a trustee has no liability in that capacity if he or she satisfies his or her duties to us and our shareholders. Under current Maryland law, our trustees and officers will not have any liability to us or our shareholders for money damages, except for liability resulting from: • actual receipt of an improper benefit or profit in money, property or services; or • a final judgment based upon a finding of active and deliberate dishonesty by the trustee or officer that was material to the cause of action adjudicated. In addition, our ~~charter~~ **declaration of trust** authorizes and our bylaws require us to indemnify our trustees for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our bylaws also require us to indemnify our officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our shareholders may have more limited rights against our trustees and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our trustees or officers impede the performance of Elme Communities, your ability to recover damages from such trustees or officers will be limited with respect to trustees and may be limited with respect to officers. In addition, we ~~will be obligated~~ **have agreed to obligations** to advance the defense costs incurred by our trustees and our executive officers, and may, in the discretion of our ~~board Board of trustees~~, advance the defense costs incurred by our officers, our employees and other agents, in connection with legal proceedings.

**Risks Related to Our Common Shares** We cannot assure you we will continue to pay dividends at current rates and the failure to do so could have an adverse effect on the market price of our common shares. Cash flows from operations are an important factor in our ability to sustain our dividend at its current rate. If our cash flows from operations were to decline significantly, we may have to borrow on our lines of credit to sustain the dividend rate or reduce our dividend. Our ability to continue to pay dividends on our common shares at their current rate or to increase our common share dividend rate will depend on a number of factors, including, among others, our future financial condition and results of operations and the terms of our debt covenants. Our ~~board Board of trustees~~ considers, among other factors, trends in our levels of funds from operations, together with associated recurring capital improvements, tenant improvements, leasing commissions and incentives, and adjustments to straight-line rents to reflect cash rents received to achieve a targeted payout ratio. If some or all of these factors were to trend downward for a sustained period of time, our ~~board Board of trustees~~ could determine to reduce our dividend rate. If we do not maintain or increase the dividend rate on our common shares in the future, it could have an adverse effect on the market price of our common shares. Additionally, the market value of our securities can be adversely affected by many factors, including certain factors related to our REIT status. The market value of our securities can be adversely affected by many factors. As with any public company, a number of factors may adversely influence the public market price of our common shares. These factors include: • level of institutional interest in us; • perceived attractiveness of investment in us, in comparison to other REITs; • perceived attractiveness of the Washington, DC metro and Sunbelt regions; • attractiveness of securities of REITs in comparison to other asset classes taking into account, among other things, that a substantial portion of REITs’ dividends may be taxed as ordinary income; • our financial condition and performance; • the market’s perception of our growth potential and potential future cash dividends; • investor confidence in the stock and bond markets generally; • national economic conditions and general stock and bond market conditions; • government uncertainty, action or regulation; • increases in market interest rates, which may lead investors to expect a higher annual yield from our distributions in relation to the price of our shares; • uncertainty around and changes in U. S. federal tax laws; • changes in our credit ratings; and • any negative change in the level of our dividend or the partial payment thereof in common shares. **Additionally, any future offerings of our shares may dilute the holdings of our existing shareholders, reduce the market price of our shares, or both. Holders of our shares are not entitled to preemptive rights or other protections against dilution.**

**Risks Related to Taxes and our Status as a REIT** The loss of our tax status as a REIT would have significant adverse consequences to us and the value of our common shares. We believe that we qualify as a REIT, and we intend to continue to operate in a manner that will allow us to continue to qualify as a REIT. However, our ~~charter~~ **declaration of trust** provides that our ~~board Board of trustees~~ may revoke or otherwise terminate our REIT election, without the approval of our shareholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. Furthermore, we cannot assure you that we are qualified as a REIT, or that we will remain qualified as a REIT in the future. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Code which include maintaining ownership of specified minimum levels of real estate-related assets, generating specified minimum levels of real estate-related income, maintaining certain diversity of ownership requirements with respect to our shares and distributing at least 90 % of our ~~“REIT taxable income”~~ (determined before the deduction for dividends paid and

excluding net capital gains) on an annual basis. Moreover, the complexity of these provisions and of applicable treasury regulations is greater in the case of a REIT that, like us, holds some of its assets through entities treated as partnerships for U. S. federal income tax purposes. Only limited judicial and administrative interpretations of the REIT rules exist. In addition, qualification as a REIT involves the determination of various factual matters and circumstances not entirely within our control. If we fail to qualify as a REIT, we could face serious tax consequences that could substantially reduce our funds available for payment of dividends for each of the years involved because: (i) we would be subject to U. S. federal income tax at the regular corporate rate, without any deduction for dividends paid to shareholders in computing our taxable income, and possibly increased state and local taxes; and (ii) unless we are entitled to relief under statutory provisions, we would be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. This treatment would reduce net earnings available for investment or distribution to shareholders because of the additional tax liability for the year (or years) involved. To the extent that distributions to shareholders had been made based on the assumption of our qualification as a REIT, we might be required to borrow funds or to liquidate certain of our investments to pay the applicable tax. As a result of these factors, our failure to qualify as a REIT could have a material adverse impact on our results of operations, financial condition and liquidity. If we fail to qualify as a REIT but are eligible for certain relief provisions, then we may retain our status as a REIT but may be required to pay a penalty tax, which could be substantial. Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends. The maximum tax rate applicable to income from "qualified dividends" payable by non-REIT C corporations to U. S. shareholders that are individuals, trusts or estates generally is 20 % (excluding the 3.8 % net investment income tax). Dividends payable by REITs, however, generally are not eligible for the maximum 20 % reduced rate and are taxed at applicable ordinary income tax rates, except to the extent that certain holding requirements have been met and a REIT's dividends are attributable to dividends received by a REIT from taxable corporations (such as a taxable REIT subsidiary), to income that was subject to tax at the REIT / corporate level, or to dividends properly designated by the REIT as "capital gain dividends." For taxable years beginning before January 1, 2026, U. S. shareholders that are individuals, trusts or estates may deduct 20 % of their dividends from REITs (excluding qualified dividend income and capital gains dividends). For those U. S. shareholders in the top marginal tax bracket of 37 %, the deduction for REIT dividends yields an effective income tax rate of 29.6 % (excluding the net investment income tax) on REIT dividends, which is higher than the 20 % tax rate on qualified dividend income paid by non-REIT C corporations (although the maximum effective rate applicable to such dividends, after taking into account the 21 % U. S. federal income tax rate applicable to non-REIT C corporations is 36.8 % (excluding the 3.8 % net investment income tax)). Although the reduced rates applicable to dividend income from non-REIT C corporations do not adversely affect the taxation of REITs or dividends payable by REITs, these reduced rates could cause investors who are non-corporate taxpayers to perceive investments in REITs to be relatively less attractive than investments in the shares of non-REIT C corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common shares. The REIT distribution requirements could require us to borrow funds during unfavorable market conditions or subject us to tax, which would reduce the cash available for distribution to our shareholders. In order to qualify as a REIT, we generally must distribute to our shareholders, on an annual basis, at least 90 % of our "REIT taxable income," determined without regard to the deduction for dividends paid and excluding net capital gains. In addition, we will be subject to U. S. federal income tax at the regular corporate rate (currently 21 %) to the extent that we distribute less than 100 % of our net taxable income (including net capital gains) and will be subject to a 4 % nondeductible excise tax on the amount by which our distributions in any calendar year are less than a minimum amount specified under U. S. federal income tax laws. We intend to continue to distribute our net income to our shareholders in a manner intended to satisfy the REIT 90 % distribution requirement and to avoid U. S. federal income tax and the 4 % nondeductible excise tax. In addition, from time to time our taxable income may exceed our net income as determined by GAAP. This may occur, for instance, because realized capital losses are deducted in determining our GAAP net income but may not be deductible in computing our taxable income. In addition, we may incur nondeductible capital expenditures or be required to make debt or amortization payments. As a result of the foregoing, we may generate less cash flow than taxable income in a particular year and we may incur U. S. federal income tax and the 4 % nondeductible excise tax on that income if we do not distribute such income to shareholders in that year. In that event, we may be required to (i) use cash reserves, (ii) incur debt at rates or times that we regard as unfavorable, (iii) sell assets in adverse market conditions, (iv) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, or (v) make a taxable distribution of our shares as part of a distribution in which shareholders may elect to receive our shares or (subject to a limit measured as a percentage of the total distribution) cash in order to satisfy the REIT 90 % distribution requirement and to avoid U. S. federal income tax and the 4 % nondeductible excise tax in that year. These alternatives could increase our costs or reduce **or dilute** our equity. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect our business, financial condition and results of operations. **The U. S. federal income tax treatment of the cash that we might receive from cash settlement of a forward sale agreement is unclear and could jeopardize our ability to meet the REIT qualification requirements. We may enter into forward sale agreements from time to time and, subject to certain conditions, we have the right to elect physical, cash or net share settlement under these agreements at any time and from time to time, in part or in full. In the event that we elect to settle a forward sale agreement for cash and the settlement price is below the forward sale price, we would be entitled to receive a cash payment from the applicable forward purchaser (s). Under Section 1032 of the Code, generally, no gains and losses are recognized by a corporation in dealing in its own shares, including pursuant to a "securities futures contract," as defined in the Code by reference to the Securities Exchange Act of 1934. Although we believe that any amount received by us in exchange for our common shares would qualify for the exemption under Section 1032 of the Code, because it is not entirely clear whether a forward sale agreement qualifies as a "securities futures contract," the U. S. federal income tax treatment of any cash settlement payment we receive is uncertain. In the event that we recognize**

**a significant gain from the cash settlement of a forward sale agreement, we might not be able to satisfy the gross income requirements applicable to REITs under the Code. If we were to fail to satisfy one or both of the gross income tests for any taxable year, we may nevertheless qualify as a REIT for such year if we were entitled to relief under certain provisions of the Code. If these relief provisions were inapplicable, we would not qualify to be taxed as a REIT**. Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flow. Even if we qualify for taxation as a REIT, we may be subject to certain U. S. federal, state and local taxes on our income, property or net worth, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. Moreover, if we have net income from " prohibited transactions, " that income will be subject to a 100 % tax. The need to avoid prohibited transactions could cause us to forego or defer sales of properties that might otherwise be in our best interest to sell. In addition, we could, in certain circumstances, be required to pay an excise or penalty tax (which could be significant in amount) in order to utilize one or more relief provisions under the Code to maintain our qualification as a REIT. Any of these taxes would decrease cash available for the payment of our debt obligations and distributions to shareholders. Our taxable REIT subsidiary (and any taxable REIT subsidiary formed in the future) generally will be subject to U. S. federal, state and local corporate income tax on their taxable income. Moreover, while we will attempt to ensure that our dealings with our taxable REIT subsidiary (and any taxable REIT subsidiary formed in the future) do not adversely affect our REIT qualification, we cannot provide assurances that we will successfully achieve that result. Partnership tax audit rules could have a material adverse effect on us. Under current federal partnership tax audit rules, subject to certain exceptions, any audit adjustment to items of income, gain, loss, deduction, or credit of a partnership (and a partner' s allocable share thereof) is determined, and taxes, interest, and penalties attributable thereto are assessed and collected, at the partnership level. With respect to any partnership in which we invest, unless such partnership makes an election or takes certain steps to require the partners to pay their tax on their allocable shares of the adjustment, it is possible that such partnership would be required to pay additional taxes, interest, and penalties as a result of an audit adjustment. We could be required to bear the economic burden of those taxes, interest, and penalties even though we, as a REIT, may not otherwise have been required to pay additional corporate - level taxes had we owned the assets of the partnership directly. There is a risk of changes in the tax laws which may adversely affect our taxation as a REIT and taxation of our shareholders. The IRS, the United States Treasury Department and Congress frequently review U. S. federal income tax legislation, regulations and other guidance. Most recently, numerous legislative, judicial and administrative changes have been made to the U. S. federal income tax laws in connection with the passage of the Tax Cuts and Jobs Act of 2017, the Coronavirus Aid, Relief and Economic Security Act and the Inflation Reduction Act of 2022. We cannot predict whether, when or to what extent new U. S. federal tax laws, regulations, interpretations or rulings will be adopted. Further, from time to time, changes in state and local tax laws or regulations are enacted, which may result in an increase in our tax liability. Any legislative action may prospectively or retroactively modify our tax treatment and, therefore, may adversely affect our taxation or taxation of our shareholders. We urge you to consult with your tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our common shares.