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

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

Our business, operating results, cash flows and financial condition are subject to various risks and uncertainties, including, without limitation, those set forth below, any one of which could cause our actual operating results to vary materially from recent results or from our anticipated future results. Risks Related to Our Real Estate Investments and Operations General real estate investment risks may adversely affect property income and values, and therefore our stock price may be adversely affected. If the communities and other real estate investments, including development and redevelopment properties, do not generate sufficient income to meet operating and financing expenses, cash flow and the ability to make distributions will be adversely affected. Income and growth from the communities may be further adversely affected by, among other things, the following factors, in addition to the other risk factors listed in this Item 1A: • changes in the general or local economic climate ~~and~~ **that could affect** demand for housing, including layoffs, **due to an** ~~industry slowdowns, relocations of employees from local employers, changing demographics, increased~~ - **increase in the use of new technologies to replace** ~~worker~~ **workers** ~~locational flexibility~~ **, slowing job growth** , and other events negatively impacting local employment rates, wages and the local economy; • changes in **demand for rental housing due to a variety of factors, including relocations of employees from local employers, increased worker locational flexibility and changing demographics, which could lead to a relative decrease in the renting population as the domestic population skews older due to the aging of baby boomers and older people may be more likely to purchase, rather than rent, homes, • changes in** supply and cost of housing; • ~~changing~~ **changes in** economic conditions, such as high inflationary periods in which our operating and financing costs may increase at a rate greater than our ability to increase rents, or deflationary periods where rents may decline more quickly relative to operating and financing costs; and • the appeal and desirability of our communities to tenants relative to other housing alternatives, including the size and amenity offerings, safety and location convenience, and our technology offerings. Short- term leases expose us to the effects of declining market rents, and the Company may be unable to renew leases or relet units as leases expire. If the Company is unable to promptly renew or re- let **existing** ~~in place~~ leases, or if the rental rates upon renewal or reletting are significantly lower than expected rates, then the Company' s results of operations and financial condition will be adversely affected. Economic environments can negatively impact the Company' s liquidity and operating results. In the event of a recession or other negative economic effects, the Company could incur reductions in rental and occupancy rates, property valuations and increases in costs. Any such recession or economic downturn may **also** affect consumer confidence and spending and negatively impact the volume and pricing of real estate transactions, which could negatively affect the Company' s liquidity and its ability to vary its portfolio promptly in response to changes to the economy. Furthermore, if residents do not increase their income, they may be unable or unwilling to pay rent. Rent control, or other changes in applicable laws, or noncompliance with applicable laws, could adversely affect the Company' s operations, property values or expose us to liability. The Company must own, operate, manage, acquire, develop and redevelop its properties in compliance with numerous federal, state and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include zoning laws, building codes, rent control or stabilization laws, emergency orders, laws benefiting disabled persons, federal, state and local tax laws, landlord tenant laws, environmental laws, employment laws, immigration laws and other laws regulating housing or that are generally applicable to the Company' s business and operations. Changes in, or noncompliance with, laws and regulations could expose the Company to liability and could require the Company to make significant unanticipated expenditures to address noncompliance. Existing and future rent control or rent stabilization laws and regulations, along with similar laws and regulations that expand tenants' rights or impose additional costs on landlords, may reduce rental revenues or increase operating costs. Such laws and regulations limit our ability to charge market rents, increase rents, evict tenants or recover increases in our operating expenses and could reduce the value of our communities or make it more difficult for us to dispose of properties in certain circumstances. Expenses associated with our investment in these communities, such as debt service, real estate taxes, insurance and maintenance costs, are generally not reduced when circumstances cause a reduction in rental income from the community. The ~~COVID- 19 pandemic and the~~ future outbreak of ~~other~~ contagious diseases could materially affect our business, financial condition, ~~stock price,~~ and results of operations. **If** ~~Uncertainty still surrounds the~~ **there** ~~long- term impact~~ **is a future outbreak** of **contagious diseases, such as** COVID- 19 **,** ~~. If there~~ -- **the** ~~is a future outbreak of COVID- 19 or other contagious diseases, the~~ Company may ~~again~~ be subject to eviction moratoria ~~,~~ **or** limits on rent increases and collection efforts, or may be legally required to or otherwise agree to restructure tenants' rent obligations ~~and may not be able to do so~~ on **less favorable** terms **than** ~~as favorable to us as~~ those currently in place. In the event of tenant nonpayment, default or bankruptcy, we may incur costs in protecting our investment, collecting delinquent rents, and re- leasing our property and **we may** have limited ability to renew existing leases or sign new leases at levels consistent with market rents. A new pandemic or disease outbreak may **also** cause increased costs, lower profitability and market fluctuations that may affect our ability to obtain necessary funds for our business or **may otherwise** negatively impact the ability of the Company' s third- party mezzanine loan borrowers and preferred equity investment sponsors to repay the Company. **Additionally, the Company may be subject to temporary or permanent legislative restrictions that may inhibit our ability to conduct normal business activities including timely repairs, maintenance and customer service** Acquisitions of communities involve various risks and uncertainties and may fail to meet expectations. The Company **' s acquisition of** ~~intends to continue to acquire~~ apartment communities ~~. However, acquisitions~~ may fail to meet the Company' s expectations due to factors including inaccurate estimates of future income, expenses and the costs of improvements or redevelopment **, which may be exacerbated by the lack of**

current market data due to limited deal flow. Further, the value and operational performance of an apartment community may be diminished if neighborhood changes occur before we are able to redevelop or sell the community. Also, in connection with such acquisitions, we may assume unknown or contingent liabilities, which could ultimately lead to material costs for us that we did not expect to incur ~~and for which the Company may have no recourse, or only limited recourse, against the sellers~~. In addition, the total amount of costs and expenses that may be incurred with respect to liabilities associated with apartment communities may exceed our expectations, and we may experience other unanticipated adverse effects, all of which may adversely affect our business, financial condition and results of operations. The use of equity financing for future developments or acquisitions could dilute the interest of the Company' s existing stockholders. If the Company finances new acquisitions under existing lines of credit, there is a risk that, unless the Company obtains substitute financing, the Company may not be able to undertake additional borrowing for further acquisitions or developments or such borrowing may ~~be~~ not **be** available on advantageous terms. Development and redevelopment activities may be delayed, not completed, and / or not achieve expected results. The Company pursues development and redevelopment projects, **including densification projects** and those activities generally entail certain risks, including: • funds may be expended and management' s time devoted to projects that may not be completed on time or at all; • construction costs may exceed original estimates possibly making some projects economically unfeasible; • projects may be delayed or abandoned due to, without limitation, weather conditions, labor or material shortages, municipal office closures and staff shortages, government recommended or mandated work stoppages, or environmental remediation; • occupancy rates and rents at a completed project may be less than anticipated; • expenses may be higher than anticipated, including, without limitation, due to inflationary pressures, supply chain issues, costs of litigation over construction contracts, environmental remediation or increased costs for labor, materials and leasing; • we **are reliant on third party contractors' and vendors' ability to deliver services and products as planned, and if the timeframe, quality or scope of such services and products are different than we expected, our projects may be subject to increased costs and our future income may be lower than expected; • we** may be unable to obtain, or experience a delay in obtaining, necessary governmental approvals or third party permits and authorizations, which could result in increased costs or delay or abandonment of opportunities; • we may be unable to obtain financing with favorable terms, or at all, for the proposed development or redevelopment of a community, which may cause us to delay or abandon an opportunity; and • we may incur liabilities to third parties during the development process. The geographic concentration of the Company' s communities and fluctuations in local markets may adversely impact the Company' s financial condition and operating results. The Company' s communities are concentrated in Northern and Southern California and the Seattle metropolitan area, which exposes the Company to greater economic risks. Factors that may adversely affect local market and economic conditions include regional specific acts of nature (e. g., earthquakes, fires, floods, etc.), layoffs affecting specific or broad sectors of the economy (such as technology- based companies), and those other factors listed in the risk factor titled " General real estate investment risks may adversely affect property income and values " and elsewhere in this Item 1A. The Company is susceptible to adverse developments in economic and regulatory environments, such as increases in real estate and other taxes, and increased costs of complying with governmental regulations. The State of California recently experienced increased relocation out of the state and is generally regarded as more litigious, highly regulated and taxed than many states, which may reduce demand for the Company' s communities. Any adverse developments in the economy or real estate markets in California or Washington, or any decrease in demand for the Company' s communities resulting from the California or Washington regulatory or business environments, could have an adverse effect on the Company' s business **and results of operations. Additionally, the political climates in California and Washington, in combination with the states' and certain local governments' relatively long suspension of rent payments and the corresponding restriction on evicting tenants due to non- payment of rent in connection with the COVID- 19 pandemic, may have shifted some residents' attitudes about the necessity of making rent payments. This shift could reduce some residents' willingness to pay rent and therefore the Company may continue to experience higher than historical average delinquency rates, which could adversely impact the Company' s financial condition** and results of operations. The Company may experience various increased costs, including increased property taxes, to own and maintain its properties. Real property taxes on our properties may increase as our properties are reassessed by taxing authorities or as property tax rates change. Our real estate taxes in Washington could increase as a result of property value reassessments or increased property tax rates. A California law commonly referred to as Proposition 13 (" Prop 13 ") generally limits annual real estate tax increases on California properties to 2 % of assessed value. However, under Prop 13, property tax reassessment generally occurs as a result of a" change in ownership" of a property. Because the property taxing authorities may not determine whether there has been a" change in ownership" or the actual reassessed value of a property for a period of time after a transaction has occurred, we may not know the impact of a potential reassessment for a considerable amount of time following a particular transaction. Therefore, the amount of property taxes we are required to pay could increase substantially from the property taxes we currently pay or have paid in the past, including on a retroactive basis. Various initiatives to repeal or amend Prop 13, to eliminate its application to commercial and residential property, to increase the permitted annual real estate tax increases, and / or to introduce split tax roll legislation could increase the assessed value and / or tax rates applicable to commercial property in California. Further, changes in U. S. federal tax law could cause state and local governments to alter their taxation of real property. The Company may experience increased costs associated with capital improvements and property maintenance as its properties advance through their life cycles. In some cases, we may spend more than budgeted amounts to make necessary improvements or maintenance, which could adversely impact the Company' s financial condition and results of operations. Competition in the apartment community market and other housing alternatives may adversely affect operations and the rental demand for the Company' s communities. There are numerous housing alternatives that compete with the Company' s communities in attracting tenants, including other apartment communities, condominiums and single- family homes. Competitive housing in a particular area and fluctuations in cost of owner- occupied single- and multifamily homes caused by a decrease in housing prices, mortgage interest rates and / or government programs to promote home ownership or create additional rental and / or other types of housing, or an increase in desire for more space due to work- from- home needs or increased time spent at home, could adversely affect the Company’ s ability to retain its tenants, lease apartment homes and increase or maintain rents. If the demand for the Company’ s communities is reduced, rental rates may drop, which may have a material adverse effect on the Company’ s financial condition and results of operations. The Company also faces competition from other businesses and other entities in the acquisition, development and operation of apartment communities. This competition may result in increased costs to acquire or develop apartment communities or impact the Company’ s ability to identify suitable acquisition or development transactions. Investments in mortgages, mezzanine loans, subordinated debt, other real estate, and other marketable securities could adversely affect the Company’ s cash flow from operations. The Company may purchase or otherwise invest in securities issued by entities which own real estate and / or invest in mortgages or unsecured debt obligations. The Company may make or acquire mezzanine loans, which are generally subordinated loans. In general, investing in mortgages involves risk, including that the value of mortgaged property may be less than the amounts owed, causing realized or unrealized losses; the borrower may not pay indebtedness under the mortgage when due and amounts recovered by the Company in connection with related foreclosures may be less than the amount owed; interest rates payable on the mortgages may be lower than the Company’ s cost of funds; in the case of junior mortgages, foreclosure of a senior mortgage could eliminate the junior mortgage; delays in the collection of principal and interest if a borrower claims bankruptcy; possible senior lender default or overconcentration of senior lenders in portfolio; and unanticipated early prepayments may limit the Company’ s expected return on its investment. If any of the above were to occur, it could adversely affect the Company’ s cash flows from operations. The Company’ s ownership of co- investments, including joint ventures and joint ownership of communities, its ownership of properties with shared facilities with a homeowners' association or other entity, its ownership of properties subject to a ground lease and its preferred equity investments and its other partial interests in entities that own communities, could limit the Company’ s ability to control such communities and may restrict our ability to finance, **refinance,** sell or otherwise transfer our interests in these properties and expose us to loss of the properties if such agreements are breached by us or terminated. The Company has entered into, and may continue in the future to enter into, certain co- investments, including joint ventures or partnerships through which it owns an indirect economic interest in less than 100 % of the community or land or other investments owned directly by the joint venture or partnership. Joint venture partners often have shared control over the development and operation of the joint venture assets, which may prevent the Company from taking action without the partners’ approval. A joint venture partner may have interests that are inconsistent with those of the Company or may take action contrary to the Company’ s interests or policies. Consequently, a joint venture partner' s actions might subject property owned by the joint venture to additional risk. In some instances, the Company and the joint venture partner may each have the right to ~~trigger~~ **exercise** a buy- sell arrangement, which could cause the Company to sell its interest, or acquire a partner’ s interest, at a time when the Company otherwise would not have initiated such a transaction **, and may result in the valuation of our interest or our partner’ s interest at levels which may not be representative of the valuation that would result from an arm’ s length marketing process and could cause us to recognize unanticipated capital gains or losses or the loss of fee income** . Should a joint venture partner become bankrupt, the Company could become liable for such partner’ s share of joint venture liabilities. From time to time, the Company, through the Operating Partnership, makes certain co- investments in the form of preferred equity investments in third- party entities that have been formed for the purpose of acquiring, developing, financing, or managing real property. The Operating Partnership’ s interest in these entities is typically less than a majority of the outstanding voting interests of that entity, which may limit the Operating Partnership’ s ability to control the daily operations of such co- investment. The Operating Partnership may not be able to dispose of its interests in such co- investment. In the event that such co- investment or the partners in such co- investment become insolvent or bankrupt or fail to develop or operate the property in the manner anticipated **, or are unable to refinance or sell their interest as planned** , the Operating Partnership may not receive the expected return in its expected timeframe or at all and may lose up to its entire investment. Additionally, the preferred return negotiated on these co- investments may be lower than the Company' s cost of funds. The Company may also incur losses if any guarantees or indemnifications were made by the Company. The Company also owns properties indirectly under" DownREIT" structures. The Company has entered into, and in the future may enter into, transactions that could require the Company to pay the tax liabilities of partners that contribute assets into DownREITs, joint ventures or the Operating Partnership, in the event that certain taxable events, which are generally within the Company’ s control, occur. Although the Company plans to hold the contributed assets or, if such assets consist of real property, defer recognition of gain on sale of such assets pursuant to the like- kind exchange rules under Section 1031 of the Internal Revenue Code of 1986, as amended (the" Code"), the Company may not be able to do so and if such tax liabilities were incurred they could have a material impact on its financial position. Also, from time to time, the Company invests in properties (i) which may be subject to certain shared facilities agreements with homeowners’ associations and other entities and / or (ii) subject to ground leases where a subtenant may have certain similar rights to that of a party under such a shared facilities agreements or where a master landlord may have certain rights to control the use, operation and / or repair of the property. In these arrangements, we cannot guarantee that the terms of the shared facilities agreements will be enforced or interpreted in favor of the Company, and the Company’ s inability to control expenditures, make necessary repairs and / or control certain decisions may adversely affect the Company’ s financial condition and results of operations, and / or the property’ s safety, compliance with applicable laws, marketability or market value. We may pursue acquisitions of other REITs and real estate companies, which may not yield anticipated results and could adversely affect our results of operations. We may make acquisitions of and / or investments in other REITs and real estate companies or enter into strategic alliances or joint ventures, which involves risks and uncertainties and may not be successful. We may not be able to identify suitable acquisition, investment, or joint venture opportunities, consummate any such transactions or relationships on terms and conditions acceptable to us, or realize the expected financial or strategic benefits of any such acquisition. The integration of acquired businesses or other acquisitions may not be successful and could result in disruption to other parts of our business. Pre- acquisition property due diligence may not identify all material issues that might arise with respect to such acquired business and its properties or as to any such other acquisitions. Any future acquisitions we make may also require significant additional debt or equity financing, which, in the case of debt financing, would increase our leverage and potentially affect our credit ratings and, in the case of equity or equity- linked financing, could be dilutive to Essex' s stockholders and the Operating Partnership' s unitholders. Additionally, the value of these investments could decline for a variety of reasons. These and other factors could adversely affect our financial condition and results of operations. Real estate investments are relatively illiquid and, therefore, the Company' s ability to vary its portfolio promptly in response to changes in economic or other conditions may be limited. Real estate investments are illiquid and, in our markets, can at times be difficult to sell at prices we find acceptable, which may limit our ability to promptly reduce our portfolio in response to changes in economic or other conditions and otherwise may adversely affect our financial condition and results of operations. The Company may not be able to lease its commercial space consistent with its projections or at market rates and the longer- term leases for existing space could result in below market rents over time. When leases for our existing commercial space expire, the space may not be relet on a timely basis, or at all, or the terms of reletting, including the cost of allowances and concessions to tenants, may be less favorable than the current lease terms. The Company' s portfolio may have environmental liabilities. Under various federal, state and local environmental and public health laws, regulations and ordinances, we have been required, and may be required in the future, regardless of our knowledge or responsibility, to provide warnings about certain chemicals, investigate and remediate the effects of hazardous or toxic substances or petroleum product releases at our properties (including in some cases naturally occurring substances such as methane and radon gas) or properties that we acquire, develop, manage or directly or indirectly invest in. We may be held liable under these laws or common law to a governmental entity or to third parties for compliance and response costs, property damage, personal injury or natural resources damages and for investigation and remediation costs incurred as a result of the impacts resulting from such releases. While the Company is unaware of any such response action required or damage claims associated with its existing properties which would have a material adverse effect on our business, or results of operations, potential future costs and damage claims may be substantial. Further, the presence of such substances, or the failure to properly remediate any such impacts, may adversely affect our ability to borrow against, develop, sell or rent the affected property, including due to any liens imposed on the impacted property by any government agencies for penalties or damages. The Company carries certain limited insurance coverage for this type of environmental risk as to its properties; however, such coverage is not fully available for all properties and, as to those properties for which limited coverage is fully available, it may be insufficient or may not apply to certain claims arising from known conditions present on those properties. While we conduct pre- acquisition and development Phase I environmental site assessments, such assessments may not discover, ascertain or quantify the full extent of the environmental conditions at or near a given property. Mold growth may occur when excessive moisture accumulates in buildings or on building materials. The Company has adopted policies to address and resolve reports of mold when it is detected, and to minimize any impact mold might have on tenants of the affected property, however, the Company may not identify and respond to all mold occurrences. The Company may incur general uninsured losses or may experience market conditions that impact the procurement of certain insurance policies. The Company purchases general liability and property, including loss of rent, insurance coverage for each of its communities and cyber risk insurance. The Company may also purchase limited earthquake, terrorism, environmental and flood insurance for some of its communities. However, there are types of losses, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, pollution, environmental matters or extreme weather conditions such as hurricanes, fires and floods that are uninsurable or not economically insurable ~~, or may be insured subject to limitations, such as large deductibles~~ . The Company utilizes a wholly owned insurance subsidiary, Pacific Western Insurance LLC (" PWI"), to self- insure certain earthquake and property losses for some of the communities in its portfolio. A decline in the value of the securities held by PWI may adversely affect PWI' s ability to cover all or any portion of the amount of any insured losses. Despite our insurance coverage, the Company may incur material losses due to uninsured risks, deductibles and self- insured retentions, and / or losses in excess of coverage limits. Our communities are located in areas that are subject to earthquake activity. The Company manages and evaluates its financial loss exposure to seismic events by using actuarial loss models and property vulnerability analyses based on structural evaluations by seismic consultants, and by making upgrades to certain properties to better resist seismic events and / or by purchasing seismic insurance in some cases. While the properties were built to the seismic codes in place at the time of construction, not all properties have been, or are required to be, retrofitted to the current seismic codes. Thus, some properties may be subject to physical risk associated with earthquakes, and may suffer significant damage, including, but not limited to, collapse for any number of reasons, including structural deficiencies. Seismic coverage is limited and may not cover the Company' s seismic related losses. ~~Thus, we cannot assure you that an earthquake would not cause damage or losses greater than our current insured levels.~~ Our properties or markets may in the future be the target of actual or threatened terrorist attacks, shootings, or other acts of violence, which could directly or indirectly damage our communities both physically and financially, cause **uninsured** losses ~~that exceed our insurance coverage~~ , adversely affect the value of and our ability to operate our communities, subject us to significant liability claims, or otherwise impair our ability to achieve our expected results. Although the Company may carry insurance for potential losses associated with its communities, employees, tenants, and compliance with applicable laws, it may still incur material losses due to uninsured risks, deductibles, copayments or losses in excess of applicable insurance coverage. In the event of a substantial loss, insurance coverage may not be able to cover the full replacement cost of the Company' s lost investment, or the insurance carrier may become insolvent and not be able to cover the full amount of the insured losses. Changes in building codes and ordinances, environmental considerations and other factors might also affect the Company' s ability to replace or renovate an apartment community after it has been damaged or destroyed. In addition, certain causalities and / or losses incurred may expose the Company in the future to higher insurance premiums. Climate change may adversely affect our business. As a result of climate change, we may experience extreme weather, an increased number of natural disasters and changes in precipitation, temperature and wild fire and drought exposure, all of which may result in physical damage, a decrease in demand for our communities located in these areas or affected by these conditions, damage to our properties, disruption of services at our properties or increased costs associated with **water or energy use and** maintaining or insuring our communities **. Transition risks associated with climate change may result in interruptions in energy access, increased energy costs, or increased regulatory requirements and stakeholder expectations regarding reporting and energy efficiency** . Should the impact of climate change be material in nature or occur for lengthy periods of time **, even if not directly impacting the Company' s current markets** , the types and pricing of insurance the Company is able to procure may be negatively impacted and our financial condition or results of operations may be adversely affected. We could experience increased costs related to further developing our communities to mitigate the effects of climate change or repairing damage related to the effects of climate change that may or may not be fully covered by insurance. In addition, changes in federal, state and local legislation and regulation on climate change could result in increased operating costs (for example, increased utility costs) and / or increased capital expenditures to improve the energy efficiency of our existing communities (for example, increased costs associated with meeting electric vehicle charging mandates) and could also require us to spend more on our new development communities without a corresponding increase in revenue ~~and could increase our exposure to new physical risks and liabilities (for example, we may see an increase in fires caused by electric vehicle chargers)~~ . Accidental death or severe injuries at our communities due to fires, floods, other natural disasters or hazards could adversely affect our business and results of operations. Our insurance coverage may not cover all losses associated with such events, and we may experience difficulty marketing communities where any such events have occurred, which could have a material adverse effect on our business and results of operations **. Further, we may not have the ability to respond immediately to a major event, which may cause increased losses** . Adverse changes in laws may adversely affect the Company' s liabilities and / or operating costs relating to its properties and its operations. Increases in real estate taxes and income, service and transfer taxes cannot always be passed through to tenants in the form of higher rents, and may adversely affect the Company' s cash available for distribution and its ability to make distributions and pay amounts due on its debts. Additionally, ongoing political volatility may increase the likelihood of significant changes in laws that could affect the Company' s overall strategy. Changes in laws increasing the potential liability of the Company and / or its operating costs on a range of issues, including those regarding potential liability for other environmental conditions existing on properties or increasing the restrictions on discharges or other conditions, as well as changes in laws affecting development, construction and safety requirements, may result in significant unanticipated expenditures, including without limitation, those related to structural or seismic retrofit or more costly operational safety systems and programs, which could have a material adverse effect on the Company. Failure to succeed in new markets **or with new community operations formats** may limit the Company' s growth. The Company may make acquisitions or commence development activity outside of its existing market areas if appropriate opportunities arise, which may expose the Company to new risks, including, but not limited to an inability to evaluate accurately local apartment market conditions and local economies; an inability to identify appropriate acquisition opportunities or to obtain land for development; an inability to hire and retain key personnel; and **a** lack of familiarity with local governmental and permitting procedures **. Additionally, we have recently adjusted our operating model to reduce the number of staff on- site at individual properties and moved towards a hub model where specialized staff can service multiple properties from a central location and rely on certain technologies, such as virtual apartment tours, to further reduce the need for on- site staffing. There may be resistance to such change from our employees and residents, and if we experience difficulty in retaining and / or hiring employees or residents, as applicable, this could adversely affect the Company' s results of operations. Further, there are unknown risks with relying on new technologies and operating models, such as whether there is consumer preference for in- person tours or if we are not able to as rapidly respond to resident demands, and we cannot guarantee that this model will be successful, which could adversely affect our results of operations** . Our business and reputation depend on our ability to continue providing high quality housing and consistent operation of our communities, the failure of which could adversely affect our business, financial condition and results of operations. We provide tenants with reliable services, including water and electric power, along with the consistent operation of our communities, including a wide variety of amenities. Public utilities, especially those that provide water and electric power, are fundamental for the consistent operation of our communities. The delayed delivery or any prolonged interruption of these services may cause tenants 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 as a result of other factors, including government mandated closures, mechanical failure, power outage, human error, vandalism, physical or electronic security breaches, war, terrorism or similar events. Such events may also expose us to additional liability claims and damage our reputation and brand and could cause tenants to terminate or not renew their leases, or prospective tenants 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 financial condition and results of operations. The Company' s real estate assets may be subject to impairment charges. The Company continually evaluates the recoverability of the carrying value of its real estate assets **, including those assets it invests in indirectly or places subordinated loans on through its preferred equity and mezzanine lending program,** under U. S. generally accepted accounting principles (" U. S. GAAP"). Factors considered in evaluating impairment of the Company' s existing multifamily real estate assets held for investment include significant declines in property operating profits, recurring property operating losses and other significant adverse changes in general market conditions that are considered permanent in nature. Generally, a multifamily real estate asset held for investment is not considered impaired if the undiscounted, estimated future cash flows of the asset over its estimated holding period are in excess of the asset' s net book value at the balance sheet date. Assumptions used to estimate annual and residual cash flow and the estimated holding period of such assets require the judgment of management. There can be no assurance that the Company will not take charges in the future related to the impairment of the Company' s assets **, including those assets it invests in indirectly or places subordinated loans on through its preferred equity and mezzanine lending program** . Any future impairment charges could have a material adverse effect on the Company' s results of operations. We face risks associated with land holdings for future developments and related activities. Real estate markets are highly uncertain and the value of undeveloped **land** may fluctuate significantly. In addition, carrying costs can be significant and can result in losses or reduced profitability. If there are ~~subsequent~~ changes in the fair value of our land holdings which we determine is less that the carrying basis of our land holdings reflected in our financial statements plus estimated costs to sell, we may be required to take ~~future~~ impairment ~~changes~~ **charges** which could have a material adverse effect on our financial condition and results of operations **. We are subject to laws and regulations relating to the handling of personal information and we rely on information technology to sustain our operations. Any failure by us to comply with applicable requirements or material failure, inadequacy, interruption or breach of the Company' s privacy or information systems, or those of our vendors or other third parties, could materially adversely affect the Company' s business, results of operations and financial condition** . We rely on information technology **hardware** ~~in our operations~~ , **software** ~~and any material failure~~ , ~~inadequacy~~ **networks and systems (collectively** , ~~interruption or breach~~ **" IT Systems "), some** of ~~the Company' s privacy or~~ **which are provided by vendors, to process, transmit and store personal** information ~~security systems~~ , ~~or those of our vendors or~~ **tenant and lease data, and** other ~~third parties, could materially adversely affect the Company' s business and financial condition. We rely on information technology networks and systems to process, transmit and store~~ electronic information **(collectively, " Confidential Information ")** , and to manage or support a variety of business processes, including financial transactions and records ~~, personally identifiable information (" PII "), and tenant and lease data~~ . Our business requires us and some of our vendors to use and store ~~PII~~ **personal** and other sensitive information of our tenants and employees. The collection ~~and~~ **,** use **and other processing** of ~~PII~~ **personal information** is governed by federal and state laws and regulations. Privacy and ~~information security~~ **cybersecurity** laws continue to evolve **, with several states passing new data privacy laws that govern the processing of information about state residents,** and **laws** may be inconsistent from one jurisdiction to another. The Company endeavors to comply with **privacy** ~~all such~~ laws and regulations **applicable to it** , including ~~by providing~~ **the California Consumer Privacy Act (" CCPA ") which governs the collection, use, disclosure and security of information about California residents. The CCPA** ~~required~~ **requires the Company to, among other things, provide certain** disclosures **to California residents** , promptly ~~responding~~ --- **respond** to **certain** consumer requests ~~for~~ **related to their** data, and ~~seeking~~ **contractually impose certain obligations on** ~~vendor~~ **vendors** ~~compliance with applicable privacy and information security laws~~ . Compliance with ~~all such~~ **existing and future** laws and regulations **related to data privacy and protection** may increase the Company' s operating costs and adversely impact the Company' s ability to market the Company' s properties and services **, and any failure to comply with such laws and regulations could harm our business, reputation and financial results** . Although we have taken steps to abide by **applicable** privacy and **cybersecurity laws, and strive to protect the** security ~~laws, and to protect the security~~ of our ~~information~~ **IT** ~~systems~~ **Systems** and ~~maintain confidential~~ **Confidential** ~~tenant, prospective tenant and employee information~~ **Information** , the compliance and security measures put in place by the Company ~~,~~ and ~~such~~ **its** vendors ~~,~~ cannot guarantee perfect compliance or provide absolute security, and the Company and ~~our~~ **its** vendors' ~~compliance~~ **IT** ~~systems~~ **Systems** ~~and / or information technology infrastructure~~ may be vulnerable to ~~criminal~~ cyber- attacks or **cybersecurity incidents that threaten the confidentiality, integrity and availability of our IT Systems and Confidential Information, including through ransomware distributed denial- of- service attempts,** data **theft** ~~security incidents~~ , ~~including ransom of data (~~ **account takeovers, social engineering / phishing, technological error, employee error, malfeasance, misconfigurations, " bugs ", or other vulnerabilities in Company, or vendor, IT Systems. These threats can also come from diverse threat actors,** such as **state- sponsored organizations** , ~~tenant~~ **opportunistic hackers** and **hacktivists** ~~/ or employee information), due to employee error, malfeasance, or other vulnerabilities~~ . Any ~~such~~ incident could compromise the Company' s or ~~such~~ **our** vendors' ~~networks~~ **IT Systems** (or the **IT** ~~networks or systems~~ **Systems** of third parties that facilitate the Company' s or such vendors' business activities), and the **Confidential** ~~information~~ **Information** stored by **or on behalf of** the Company or such vendors could be accessed, misused, publicly disclosed, corrupted, lost, or stolen, resulting in fraud, including wire fraud related to Company assets **or tenant payments** , or other harm. Moreover, if there is a compliance failure, or if a ~~data security~~ **cybersecurity** incident ~~or breach~~ affects the Company' s ~~systems~~ or ~~such~~ vendors' systems, whether through a breach of the Company' s **IT** ~~systems~~ **Systems** or a breach of the **IT** ~~systems~~ **Systems** of third parties, or results in the unauthorized release of ~~PII~~ **Confidential Information** , the Company' s reputation and brand could be materially damaged, which could increase our costs in attracting and retaining tenants, and other serious consequences may result. Potential other consequences include **potential** ~~that the Company may be exposed~~ - **exposure** to ~~a risk of~~ litigation, including government enforcement actions, private litigation **(including class actions), fines** or criminal penalties; and **potential** ~~that the Company may be exposed~~ - **exposure** to a risk of loss including loss related to the fact that agreements with such vendors, or such vendors' financial condition, may not allow the Company to recover all costs related to a **cybersecurity incident** ~~cyber- breach~~ for which they alone or they and the Company should be jointly responsible for, which could result in a material adverse effect on the Company' s **business,** results of operations and financial condition. Privacy and ~~information security~~ **cybersecurity** risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware **and generative AI** , and the increased sophistication **, techniques** and activities of ~~perpetrators of cyber- attacks~~ **threat actors; accordingly, the Company may be unable to anticipate these techniques or implement adequate preventative measures** . We maintain cyber risk insurance which may be insufficient ~~in the event of~~ **type or amount to cover us against claims related to** a **cybersecurity** ~~cyber-~~ incident **, and we cannot be certain that such insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claims** . In the future, the Company may expend additional resources to continue to enhance the Company' s ~~information~~

~~security~~ **cybersecurity** measures to investigate and remediate any ~~information security~~ **cybersecurity** vulnerabilities and / or to further ensure compliance with privacy and ~~information security~~ **cybersecurity** laws. Despite these steps, the Company may suffer a significant ~~data security~~ **cybersecurity** incident in the future, unauthorized parties may gain access to ~~sensitive data~~ **Confidential Information** stored on the Company' s **or its vendors' IT** ~~systems~~ **Systems** , and any such incident may not be discovered in a timely manner. ~~Further, the techniques used by criminals to obtain unauthorized access to sensitive data, such as phishing are increasing in sophistication and are often novel or change frequently; accordingly, the Company may be unable to anticipate these techniques or implement adequate preventative measures.~~ Any **cybersecurity incident or** failure in **the implementation, compliance with** or ~~breach~~ **effectiveness** of the Company' s **IT** ~~information security systems~~ **Systems** ~~,~~ **or cybersecurity program or** those of third party service providers, or a breach of other third party systems that ultimately impacts the operational or **IT** ~~information security systems~~ **Systems** of the ~~Company as a result of cyber- attacks or information security breaches~~ could result in a wide range of potentially serious harm to our business and results of operations. Reliance on third party software providers to host systems **is** critical to our operations and to provide the Company with data. We rely on certain key software vendors to support business practices critical to our operations, including the collection of rent and ancillary income and communication with our tenants, and to provide us with data **, such as environmental, social and governance (" ESG ") data** . The market is currently experiencing a consolidation of these software vendors, particularly in the multi- family space, which may negatively impact the Company' s choice of vendor and pricing options. Moreover, if any of these key vendors were to terminate our relationship or access to data, or ~~to~~ fail, we could suffer losses while we ~~sought~~ **seek** to replace the services and information provided by the vendors We may from time to time be subject to litigation,which could have a material adverse effect on our business,financial condition and results of operations.Some of these claims may result in defense costs,settlements,fines or judgments against us,some of which are not,or cannot be,covered by insurance,the payment of which could have an adverse impact on our financial position and results of operations.In addition,certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage and expose us to increased risks that would be uninsured.Litigation, **including anti- trust litigation,** even if resolved in our favor,could adversely impact our reputation ~~and divert the attention of our management~~ ,which could negatively impact our operations and cash flow **.** . Risks Related to Our Indebtedness and Financings Capital and credit market conditions and volatility, including significant fluctuations in the price of the Company' s stock, may affect the Company' s access to sources of capital and / or the cost of capital, which could negatively affect the Company' s business, stock price, results of operations, cash flows and financial condition. Our current balance sheet, the debt capacity available on the unsecured line of credit with a diversified bank group, access to the public and private placement debt markets and secured debt financing providers provide some insulation from volatile capital markets. We primarily use external financing, including sales of debt and equity securities, to fund acquisitions, developments, and redevelopments and to refinance indebtedness as it matures. If sufficient sources of external financing are not available to us on cost effective terms, we could be forced to limit our acquisition, development and redevelopment activity and / or take other actions to fund our business activities and repayment of debt, such as selling assets, reducing our cash dividend or distributing less than 100 % of our REIT taxable income. In general, to the extent that the Company' s access to capital and credit is at a higher cost than the Company has experienced in recent years (reflected in higher interest rates for debt financing or a lower stock price for equity financing without a corresponding change to investment cap rates) the Company' s ability to make acquisitions, develop or redevelop communities, obtain new financing, and refinance existing borrowing at competitive rates could be adversely affected, which would impact the Company' s financial standing and related credit rating. In addition, if our ability to obtain financing is adversely affected, the Company' s stock price may be adversely affected, and we may be unable to satisfy scheduled maturities on existing financing through other sources of our liquidity, which, in the case of secured financings, could result in ~~lender~~ foreclosure ~~on the apartment communities securing such debt~~ . Debt financing has inherent risks. The Company is subject to the risks normally associated with debt financing, including that cash flow may not be sufficient to meet required payments of principal and interest and the REIT distribution requirements of the Code; inability to renew, repay, or refinance maturing indebtedness on encumbered apartment communities on favorable terms or at all, possibly requiring the Company to sell a property or properties on disadvantageous terms; inability to comply with debt covenants could trigger cash management provisions limiting our ability to control cash flows, cause defaults, or an acceleration of maturity dates; paying debt before the scheduled maturity date could result in prepayment penalties; and defaulting on secured indebtedness may result in lenders seeking a foreclosure ~~on communities~~ or pursuing other remedies which would reduce the Company' s income and net asset value, its ability to service other debt, or create taxable income without accompanying cash proceeds, thereby hindering our ability to meet REIT distribution requirements. Any of these risks might result in losses that could have an adverse effect on the Company and its ability to make distributions and pay amounts due on its debt. Our ability to make payments on and to refinance our indebtedness and to fund our operations, working capital and capital expenditures, depends on our ability to generate cash in the future. There is a risk that we may not be able to refinance existing indebtedness or that a refinancing will not be done on as favorable terms, which in either case could have an adverse effect on our financial condition, results of operations and cash flows. Compliance requirements of tax- exempt financing and below market rent requirements may limit income from certain communities. The Company has, and expects to continue using, variable rate tax- exempt financing, which provides for certain deed restrictions and restrictive covenants. If the compliance requirements of the tax- exempt financing restrict our ability to increase our rental rates **with respect** to certain ~~tenants, or eligible / qualified~~ tenants, then our income from these properties may be limited. While we generally believe that the interest rate benefit attendant to properties with tax- exempt bonds outweighs any loss of income due to restrictive covenants or deed restrictions, this may not always be the case. Some of these requirements are complex and our failure to comply with them may subject us to material fines or liabilities. Certain state and local authorities may impose additional rental restrictions **, which** ~~. These restrictions~~ may limit income from the tax- exempt financed communities if the Company is required to decrease its rental rates. If the Company does not reserve the required number of apartment homes for tenants satisfying these income requirements, the tax- exempt status of the bonds may be terminated, the obligations under the bond documents may be accelerated and the Company may be subject to additional contractual liability. Notwithstanding the limitations due to tax- exempt financing requirements, the income from certain communities may be limited due to below- market rent requirements imposed by local authorities in connection with the original development of the community. The indentures governing our notes and other financing arrangements contain restrictive covenants that limit our operating flexibility and restrict our ability to take specific actions, even if we believe such actions to be in our best interests, including restrictions on our ability to consummate a merger, consolidation or sale of all or substantially all of our assets; and incur additional secured and unsecured indebtedness. The instruments governing our other unsecured indebtedness require us to meet specified financial and other covenants, which may restrict our ability to expand or fully pursue our business strategies. A breach of any of these covenants could result in a default under our indebtedness, which could cause those and other obligations to become due and payable. If any of our indebtedness is accelerated, we may not be able to repay it. ~~Uncertainty relating to the transition from LIBOR to SOFR may materially adversely affect us. The interest rate on certain of the Company' s debt obligations has been based on LIBOR, which is expected to be fully phased out by the end of June 2023. As of December 31, 2022, the Company has transitioned its unsecured debt obligations and the majority of its secured debt obligations to SOFR, the consensus alternative rate to LIBOR. While the transition to SOFR has not at this time caused any material impact to the Company' s debt costs, it is impossible to predict the extent to which SOFR will increase or decrease in the future, whether and to what extent banks will continue to use SOFR as the standard benchmark interest rate or if there will be any changes in the method used for determining SOFR which may result in a sudden or prolonged increase or decrease in SOFR. If a published U. S. dollar SOFR rate is unavailable, the interest rates on certain of the Company' s debt obligations could change. Any of these consequences could have a material adverse effect on our financing costs, and as a result, our financial condition and results of operations.~~ Interest rate hedging arrangements may result in losses. The Company from time to time uses interest rate swaps and interest rate caps to manage certain interest rate risks. Although these agreements may partially protect against rising interest rates, they also may reduce the benefits to the Company if interest rates decline. If a hedging arrangement is not indexed to the same rate as the indebtedness that is hedged, the Company may be exposed to losses to the extent that the rate governing the indebtedness and the rate governing the hedging arrangement change independently of each other. Finally, nonperformance by the other party to the hedging arrangement may subject the Company to increased credit risks. A downgrade in the Company' s investment grade credit rating could materially and adversely affect its business and financial condition. The Company plans to manage its operations to maintain its investment grade credit rating with a capital structure consistent with its current profile ~~,~~ but there can be no assurance that it will be able to maintain its current credit ratings. Any downgrades in terms of ratings or outlook by any of the rating agencies could have a material adverse impact on the Company' s cost and availability of capital, which could in turn have a material adverse impact on its financial condition, results of operations and liquidity, as well as the Company' s stock price. Changes in the Company' s financing policy may lead to higher levels of indebtedness. The Company manages its debt to be in compliance with debt covenants under its unsecured bank facilities and senior unsecured bonds. However, the Company may increase the amount of outstanding debt at any time without a concurrent improvement in the Company' s ability to service the additional debt ~~. Accordingly, the Company could become more leveraged~~ , resulting in an increased risk of default on its debt covenants or on its debt obligations and in an increase in debt service requirements. Any covenant breach or significant increase in the Company' s leverage could materially adversely affect the Company' s financial condition and ability to access debt and equity capital markets in the future. If the Company or any of its subsidiaries defaults on an obligation to repay outstanding indebtedness when due, the default could trigger a cross- default or cross- acceleration under other indebtedness. A default, including a default under mortgage indebtedness, lines of credit, bank term loan, the indenture for the Company' s outstanding senior notes, or the Company' s interest rate hedging arrangements that is not waived by the applicable required lenders, holders of outstanding notes or counterparties could trigger cross- default or cross- acceleration provisions under one or more agreements governing the Company' s indebtedness, which could cause an immediate default or allow the lenders to declare all funds borrowed thereunder to be due and payable. The Company could be negatively impacted by the condition of Fannie Mae or Freddie Mac and by changes in government support for multifamily housing. While we believe Fannie Mae and Freddie Mac will continue to provide liquidity to our sector, should they discontinue doing so, have their mandates changed or reduced **, become more resistant to allowing preferred equity or mezzanine financing on assets where they have purchased the senior loan,** or be disbanded or reorganized by the government or if there is reduced government support for multifamily housing more generally, it may adversely affect interest rates, capital availability, development of multifamily communities and the value of multifamily residential real estate and, as a result, may adversely affect the Company and its growth and operations. Risks Related to Personnel The Company depends on its personnel, whose continued service is not guaranteed. The Company' s success depends on its ability to attract, train and retain executive officers, senior officers and company managers. There is substantial competition for qualified personnel in the real estate industry and the departure of any of the Company' s key personnel could have an adverse effect on the Company. While the Company engages in regular succession planning for key positions, the Company' s plans may be impacted and therefore adjusted due to the departure of any key personnel. Additionally, executive leadership transitions can be inherently difficult to manage and, as a result, we may experience some disruption to our business. The Company must continue to recruit, train and retain qualified operational staff at its properties, which may be difficult in a highly competitive job market. Changes to our Company' s operational structure could result in an increase in issues or departures among our operational staff. **Our ability to timely deliver quality customer service or to respond to building repair and maintenance requests may be negatively impacted without adequate operational staff, which may adversely impact the results of operations.** Additionally, we could be subject to labor union efforts to organize our employees from time to time and, if successful, those organizational efforts may decrease our operational flexibility and increase operational costs.

The Company’ s Chairman is involved in other real estate activities and investments, which may lead to conflicts of interest. The Company’ s Chairman, George M. Marcus, is not an employee of the Company, and is involved in other real estate activities and investments, which may lead to conflicts of interest. Mr. Marcus owns interests in various other real estate- related businesses and investments. He is the Chairman of the Marcus & Millichap Company (" MMC"), which is a parent company of a diversified group of real estate service, investment and development firms ~~. Mr. Marcus is also the Chairman of and holds a controlling interest in, Marcus & Millichap, Inc., a national brokerage firm~~ . While conflict of interest protocols and agreements are in place, Mr. Marcus and his affiliated entities may potentially compete with the Company in acquiring and / or developing apartment communities. Due to potential competition for real estate investments, Mr. Marcus and his affiliated entities may have a conflict of interest with the Company, which may be detrimental to the interests of Essex' s stockholders and the Operating Partnership' s unitholders. The influence of executive officers, directors, and significant stockholders may be detrimental to holders of common stock. Mr. Marcus currently does not have majority control over the Company. However, he has, and likely will continue to have, significant influence with respect to the election of directors and approval or disapproval of significant corporate actions. Consequently, his influence could result in decisions that do not reflect the interests of all the Company’ s stockholders. Under the partnership agreement of the Operating Partnership, the consent of the holders of limited partnership interests is generally required for certain amendments of the agreement and for certain extraordinary actions. Through their ownership of limited partnership interests and their positions with the Company, the Company’ s directors and executive officers, including Mr. Marcus, have substantial influence on the Company. Consequently, their influence could result in decisions that do not reflect the interests of all stockholders. Our related party guidelines may not adequately address all of the issues that may arise with respect to related party transactions. The Company has adopted" Related Party Transaction Approval Process Guidelines" that are intended to determine whether a particular related party transaction is fair, reasonable and serves the interests of the Company’ s stockholders. Pursuant to these guidelines, related party transactions have been approved by the Audit Committee of the Company’ s Board of Directors (“ Board ”) from time to time. There is no assurance that this policy will be adequate for determining whether a particular related party transaction is suitable and fair for the Company. Also, the policy’ s procedures may not identify and address all the potential issues and conflicts of interests with a related party transaction. Employee theft or fraud could result in loss. Should any employee compromise our information technology systems, commit fraud or theft of the Company’ s assets, or misappropriate tenant or other information, we could incur losses, including significant financial or reputational harm, from which full recovery cannot be assured. We also may not have insurance that covers any losses in full or that covers losses from particular criminal acts. Risks Related to Taxes, Our Status as a REIT and Our Organizational Structure Failure to generate sufficient rental revenue or other liquidity needs and impacts of economic conditions could limit cash flow available for dividend distributions, as well as the form and timing of such distributions, to Essex' s stockholders or the Operating Partnership' s unitholders. Significant expenditures associated with each community such as debt service payments, if any, real estate taxes, insurance and maintenance costs are generally not reduced when circumstances cause a reduction in income from a community. The form, timing and / or amount of dividend distributions will be declared at the discretion of the Board and will depend on actual cash from operations, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and other factors as the Board may consider relevant. The Board may modify our dividend policy from time to time. Essex may choose to pay dividends in its own stock, in which case stockholders may be required to pay tax in excess of the cash they receive. If a U. S. stockholder sells the stock it receives as a dividend in order to pay applicable taxes, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non- U. S. stockholders, we may be required to withhold U. S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, the trading price of Essex' s stock ~~would~~ **could** experience downward pressure if a significant number of our stockholders sell shares of Essex' s stock in order to pay taxes owed on dividends .The Company’ s future issuances of common stock,preferred stock or convertible debt securities could be dilutive to current stockholders and adversely affect the market price of the Company’ s common stock.In order to finance the Company’ s acquisition and development activities,the Company could issue and sell common stock,preferred stock and convertible debt securities,including pursuant to its equity distribution program,issue partnership units in the Operating Partnership,or enter into joint ventures which may dilute stockholder ownership in the Company and could adversely affect the market price of the common stock . The Maryland Business Combination Act may delay, defer or prevent a transaction or change in control of the Company that might involve a premium price for the Company' s stock or otherwise be in the best interest of our stockholders. Under the Maryland Business Combination Act (the “ MBCA ”), certain" business combinations", including a merger, between a Maryland corporation and certain “ interested stockholders ” or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder and must be approved pursuant to certain supermajority voting requirements, subject to certain exemptions which include business combinations that are exempted by the Board prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to this exemption, the Board irrevocably has elected to exempt any business combination among the Company, Mr. Marcus and MMC or any entity owned or controlled by Mr. Marcus and MMC. However, other transactions with interested stockholders subject to the MBCA may be delayed or may not meet the related supermajority voting or other requirements of the MBCA, which may delay or prevent the consummation of such transactions. Certain provisions contained in the Operating Partnership agreement, Charter and Bylaws, and certain provisions of the Maryland General Corporation Law could delay, defer or prevent a change in control. While the Company is the sole general partner of the Operating Partnership, and generally has full and exclusive responsibility and discretion in the management and control of the Operating Partnership, certain provisions of the Operating Partnership agreement may limit the Company’ s power to act with respect to the Operating Partnership, which could delay, defer or prevent a transaction or a change in control that may otherwise be in the best interests of its stockholders or that could otherwise adversely affect their interests. The Company' s Charter authorizes the issuance of additional shares of common stock or preferred stock and the setting of the preferences, rights and other terms of such stock without the approval of the holders of the common stock. The Company may establish one or more classes or series of stock that could delay, defer or prevent a transaction or a change in control, or otherwise create rights that could ~~.~~ adversely affect the interests of holders of common stock. Additionally, the Company' s Charter contains provisions limiting the transferability and ownership of shares of capital stock, which may delay, defer or prevent a transaction or a change in control, or discourage tender offers. The Maryland General Corporation Law (the " MGCL ") restricts the voting rights of holders of shares deemed to be" control shares." Although the Bylaws exempt the Company from the control share provisions of the MGCL, the Board may amend or eliminate the provisions of the Bylaws at any time in the future. Moreover, any such amendment or elimination of such provision of the Bylaws may result in the application of the control share provisions of the MGCL. If the provisions of the Bylaws are amended or eliminated, the control share provisions of the MGCL could delay, defer or prevent a transaction or change in control. The Company' s Charter and Bylaws as well as the MGCL also contain other provisions that may impede various actions by stockholders without approval by the Board, and that in turn may delay, defer or prevent a transaction. Those provisions include, among others, directors may be removed by stockholders, without cause, only upon the affirmative vote of at least two- thirds of the votes entitled to be cast generally in the election of the directors, and with cause, only upon the affirmative vote of a majority of the votes entitled to be cast generally in the election of the directors; the Board can fix the number of directors and fill vacant directorships upon the vote of a majority of the directors and the Board can classify the board such that the entire board is not up for re- election annually; stockholders must give advance notice to nominate directors or propose business for consideration at a stockholders' meeting; and for stockholders to call a special meeting, the meeting must be requested by not less than a majority of all the votes entitled to be cast at the meeting. **Stockholders have limited control over changes in our policies and operations. The Board determines our major policies, including our policies regarding investments, financing, growth, debt capitalization, REIT qualification and distributions. The Board may amend or revise these and other policies without a vote of the stockholders. In addition, pursuant to the MGCL, all matters other than the election or removal of a director must be declared advisable by the Board prior to a stockholder vote.** Loss of the Company' s REIT status would have significant adverse consequences to the Company and the value of the Company' s common stock. The Company has elected to be taxed as a REIT, which requires it to satisfy various annual and quarterly requirements, including income, asset and distribution tests. Although the Company ~~intends~~ **believes** that its current organization and method of operation enable it to qualify as a REIT, it cannot assure you that it so qualifies or that it will be able to remain so qualified in the future. If the Company fails to qualify as a REIT in any taxable year, the Company would be subject to U. S. federal corporate income tax on the Company' s taxable income, and the Company would not be allowed to deduct dividends paid to its stockholders in computing its taxable income. The Company would also be disqualified from treatment as a REIT for the four taxable years following the year in which the Company failed to qualify, unless ~~we are~~ **it is** entitled to relief under statutory provisions. The additional tax liability would reduce its net earnings available for investment or distributions, and the Company would no longer be required to make distributions to its stockholders for the purpose of maintaining REIT status. As a result of all these factors, the Company' s failure to qualify as a REIT also could impair its ability to expand its business and raise capital, and could adversely affect the value and market price of the Company' s common stock. Complying with REIT requirements may affect our profitability and may force us to liquidate or forgo otherwise attractive investments. To qualify as a REIT, we must continually satisfy certain asset, income and distribution tests and other requirements, which could materially and adversely affect us. We may be required to liquidate or forgo otherwise attractive investments in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions **. If we do not acquire new assets, we may not have sufficient depreciation expense to offset income and may have to make special distributions to stockholders** . We also may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. As a result, having to comply with the distribution requirement could cause us to: (1) sell assets in adverse market conditions; (2) borrow on unfavorable terms; or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. Moreover, if we are compelled to liquidate our investments to meet any of these asset, income or distribution tests, or to repay obligations to our lenders, we may be unable to comply with one or more of the requirements applicable to REITs or may be subject to a 100 % tax on any resulting gain if such sales constitute prohibited transactions. ~~.~~ Legislative or other actions affecting REITs could have a negative effect on the Company or its stockholders. Changes to federal income tax laws, with or without retroactive legislation, could adversely affect the Company or its stockholders. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect the Company' s ability to qualify as a REIT, the federal income tax consequences of such qualification, or the federal income tax consequences of an investment in the Company. Also, the law relating to the tax treatment of other entities, or an investment in other entities, could change, making an investment in such other entities more attractive relative to an investment in a REIT. Failure of one or more of the Company' s subsidiaries to qualify as a REIT could adversely affect the Company' s ability to qualify as a REIT. The Company owns interests in multiple subsidiary REITs that have elected to be taxed as REITs under the Code. These subsidiary REITs are subject to the various REIT qualification requirements and other limitations that are applicable to the Company. If any of the Company' s subsidiary REITs were to fail to qualify as a REIT, then the subsidiary REIT would become subject to federal income tax ~~and the~~ **. The** Company' s ownership of shares in such subsidiary REIT would cease to be a qualifying asset for purposes of the asset tests applicable to REITs **and** ~~. If any of the Company' s subsidiary REITs were to fail to qualify as REITs,~~ it is possible that the Company could also fail to qualify as a REIT. The tax imposed on REITs engaging in" prohibited transactions" may limit the Company' s ability to engage in transactions which would be treated as sales for federal income tax purposes. Under the Code, unless certain exceptions apply, any gain resulting from transfers or dispositions of properties that the Company holds as inventory or primarily for sale to customers in the ordinary course of business could be treated as income from a prohibited transaction subject to a 100 % penalty tax, which could potentially adversely impact our status as a REIT. Since the Company acquires properties for investment purposes, it does not believe that its occasional transfers or disposals of property should be treated as prohibited transactions. However, if the Internal Revenue Service successfully contends that certain transfers or disposals of properties by the Company are prohibited transactions, then the Company would be required to pay a 100 % penalty tax on any gain allocable to it from the prohibited transaction, and the Company' s ability to retain proceeds from real property sales may be jeopardized. Dividends payable by REITs may be taxed at higher rates than dividends of non- REIT corporations, which could reduce the net cash received by stockholders and may be detrimental to the Company' s ability to raise additional funds through any future sale of its stock. Dividends paid by REITs to U. S. stockholders that are individuals, trusts or estates are generally not eligible for the reduced tax rate applicable to qualified dividends received from non- REIT corporations. U. S. stockholders that are individuals, trusts and estates generally may deduct 20 % of ordinary dividends from a REIT for taxable years beginning before January 1, 2026. Although this deduction reduces the effective tax rate applicable to certain dividends paid by REITs, such tax rate is still higher than the tax rate applicable to regular corporate qualified dividends. This may cause investors to view REIT investments as less attractive than investments in non- REIT corporations, which in turn may adversely affect the value of stock in REITs. We may face risks in connection with Section 1031 exchanges. We occasionally dispose of real properties in transactions intended to qualify as" like- kind exchanges" under Section 1031 of the Code. If a transaction intended to qualify as a Section 1031 exchange 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 real properties on a tax deferred basis. Partnership tax audit rules could have a material adverse effect on us. It is possible that partnerships in which we directly or indirectly invest would be required to pay additional taxes, interest, and penalties as a result of a partnership tax audit adjustment. We, as a direct or indirect partner of these partnerships, could be required to bear the economic burden of those taxes, interest, and penalties even though Essex, as a REIT, may not otherwise have been required to pay additional corporate- level taxes had we owned the assets of the partnership directly. The partnership tax audit rules apply to Essex Portfolio, L. P. and its subsidiaries that are classified as partnerships for U. S. federal income tax purposes. There can be no assurance that these rules will not have a material adverse effect on us. General Risks We may from time to time be...... impact our operations and cash flow. Rising interest rates may affect the Company' s costs of capital and financing activities and results of operation and otherwise adversely affect the market price of our common stock. Interest rates could increase, which could result in higher interest expense on the Company' s variable rate indebtedness or increase interest rates when refinancing maturing fixed rate debt. Prolonged interest rate increases could negatively impact the Company' s ability to make acquisitions and develop projects with positive economic returns on investment and to refinance existing borrowings. The soundness of financial institutions could adversely affect us. We maintain cash and cash equivalent balances generally in excess of federally insured limits at a limited number of financial institutions. The failure of one or more of these financial institutions may materially adversely affect our ability to recover our cash balances or our 401 (k) assets. Certain financial institutions are lenders under our credit facilities, and, from time to time, we execute transactions with counterparties in the financial services industry. In the event that the volatility of the financial markets adversely affects these financial institutions or counterparties, we, or other parties to the transactions with us, may be unable to complete transactions as intended, which could adversely affect our business and results of operations. Additionally, certain of our tax- exempt bond financing documents require us to obtain a guarantee from a financial institution of payment of the principal and interest on the bonds. ~~The guarantee may take the form of a letter of credit, surety bond, guarantee agreement or other additional collateral.~~ If the financial institution defaults in its guarantee obligations, or if we are unable to renew the applicable guarantee or otherwise post satisfactory collateral, a default will occur under the applicable tax- exempt bonds and the community could be foreclosed upon if we do not redeem the bonds. The price per share of the Company' s stock may fluctuate significantly. The market price per share of the Company' s common stock may fluctuate significantly in response to many factors, including the factors discussed in this Item 1A, and actual or anticipated variations in the Company' s quarterly operating results, earnings estimates, or dividends, the resale of substantial amounts of the Company' s stock, or the anticipation of such resale, general stock and bond market conditions, **actual or anticipated actions taken by the Federal Reserve Bank,** the general reputation of REITs and the Company, shifts in our investor base, **the inability of the United States Congress to pass bills that continue to timely fund the federal government and its obligations, including due to the current political climate or partisanship,** natural disasters, armed conflict or geopolitical impacts ~~, including, the ongoing conflict in Ukraine~~ , or an active shooter incident. Many of these factors are beyond the Company' s control and may cause the market price of the Company' s common stock to decline, regardless of the Company' s financial condition, results of operations, or business prospects . The Company' s future issuances...... the Board prior to a stockholder vote . Our score by proxy advisory firms or other corporate governance consultants advising institutional investors, as well as the increased attention to certain **ESG** ~~environmental, social and governance~~ matters, could have an adverse effect on our reputation, the perception of our corporate governance, and thereby negatively impact the market price of our common stock. Various proxy advisory firms and other corporate governance consultants advising institutional investors provide scores of our governance measures, nominees for election as directors, executive compensation practices, ~~environmental, social and governance ("~~ ESG ~~")~~ matters, and other matters that may be submitted to stockholders for consideration at our annual meetings. From time to time certain matters that we propose for approval may not receive a favorable score, or may result in a recommendation against the nominee or matter proposed. Some investors and financial institutions use ESG or sustainability scores, ratings or benchmarks to make financing, investment and voting decisions. These unfavorable scores may lead to rejected proposals or a loss of stockholder confidence in our corporate governance measures, which could adversely affect the market price of our common stock. Corporate responsibility, specifically related to ESG factors, may impose additional costs and expose us to new risks. **Some** ~~The Company and many of its~~ investors and potential investors are focused on positive ESG business practices and sustainability scores to guide their investment strategies, including the decisions whether to invest in our common stock. Additionally, the SEC continues to issue evolving rules relating to climate risk disclosures, human capital management and other ESG matters and other regulatory bodies **, such as the State of California,** have issued new laws or regulations relating to **climate disclosures and** board structure. Although the Company makes ESG disclosures and undertakes sustainability and diversity initiatives, the Company may not score highly on ESG matters in the future and may face increased costs **, such as increased capital expenditures or new expenses,** in order **to undertake such initiatives or** to make such disclosures. If the criteria by which companies are rated changes, the Company may perform differently or worse than it has in the past, or it may become more expensive for the Company to access capital. The Company may face reputational damage in the event its corporate responsibility procedures, or its board structure, do not meet the standards set by various constituencies. Further, if we fail to comply with new ESG- related laws, regulations, expectations or reporting requirements, or if we are perceived as failing, our reputation and business could be adversely impacted. **Simultaneously, there are efforts by some stakeholders to reduce companies' efforts on certain ESG- related matters, and certain states are adopting or are considering adopting laws that seek to limit the use of ESG in certain contexts. In addition, both advocates and opponents to certain ESG matters are increasingly resorting to a range of activism forms, including media campaigns and litigation, to advance their perspectives. To the extent we are subject to such activism or fragmented regulation with respect to ESG considerations, it may require us to incur costs or otherwise adversely impact our business.** The occurrence of any of the foregoing could have an adverse effect on the price of the Company' s stock and the Company' s financial condition and results of operations. In addition, investments to attain an ESG outcome may not perform as expected, resulting in losses. We could face adverse consequences as a result of actions of activist investors. Responding to stockholder activism or engaging in a ~~process or~~ proxy contest may be costly and time- consuming, disrupt our operations and divert the attention of our management team and our employees from executing our business plan, which could adversely affect our business and results of operations. Expanding social media vehicles present ~~new~~ **additional** risks. The use of social media **, such as unauthorized live- streaming at our properties,** could cause us to suffer brand damage or information leakage. Negative posts or comments about us on any social networking website could damage our reputation. In addition, employees or others might disclose non- public sensitive information relating to our business through external media channels. The continuing evolution of social media will present us with new challenges and risks. Any material weaknesses identified in the Company' s internal control over financial reporting could have an adverse effect on the Company' s stock price. Section 404 of the Sarbanes- Oxley Act of 2002 requires the Company to evaluate and report on its internal control over financial reporting. If the Company identifies one or more material weaknesses in its internal control over financial reporting, the Company could lose investor confidence in the accuracy and completeness of its financial reports, which in turn could have an adverse effect on the Company' s stock price.