Risk Factors Comparison 2024-03-26 to 2023-03-23 Form: 10-K

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Our future results may be affected by a number of factors over which we have little or no control. The following issues, uncertainties, and risks, among others, should be considered in evaluating our business and outlook. Also, note that additional risks not currently identified or known to us could also negatively impact our business or financial results. Risks Relating to our Business A decline in the economic conditions in Baltimore and Washington, D. C. markets could adversely affect our business. Nearly all of our residential / mixed- use and commercial properties are located in the Baltimore area and Washington, D. C. We are, therefore, subject to increased exposure to (positive or negative) economic factors and other competitive factors specific to markets in confined geographic areas. Our operations may also be affected if too many competing properties are built in these markets. An economic downturn in these markets resulting from factors outside of our control could adversely affect our operation. Such a downturn could be triggered by such factors as the downsizing or relocation of government jobs ~~, increased work from home opportunities~~ , crime or acts of terrorism. We cannot be sure that these markets will continue to grow or demand the type of assets in our portfolio. We conduct a significant portion of our operations through joint ventures, which may lead to disagreements with our joint venture partners and adversely affect our interests in the joint ventures. We currently are a party to several joint ventures and we may enter into additional joint ventures in the future. In each of our existing joint ventures, the consent of our joint venture partner is required to take certain actions, and in some cases will share equal voting control. Our joint venture partners, as well as future partners, may have interests that are different from ours which may result in conflicting views as to the conduct of the joint ventures. In the event that we have a disagreement with a joint venture partner as to the resolution of a particular issue to come before the joint venture, or as to the conduct or management of the joint venture generally, we may not be able to resolve such disagreement in our favor and such a disagreement could have a material adverse effect on our interest in the joint venture or on the business of the joint venture generally. Our business may be adversely affected by seasonal factors and harsh weather conditions. The Mining Royalty Lands Segment and the Development Segment could be adversely affected by reduced construction and mining activity during periods of inclement weather. These factors could cause our operating results to fluctuate from quarter to quarter. An occurrence of unusually harsh or long- lasting inclement weather such as hurricanes, tornadoes and heavy snowfalls could have an adverse effect on our operations and profitability. Our business could be negatively impacted by cyberattacks targeting our computer and telecommunications systems and infrastructure, or targeting those of our third- party service providers. Our business, like other companies in our industry, has become increasingly dependent on digital technologies, including technologies that are managed by third- party service providers on whom we rely to help us collect, host or process information. Such technologies are integrated into our business operations. Use of the internet and other public networks for communications, services, and storage, including" cloud" computing, exposes all users (including our business) to cybersecurity risks. While we and our third- party service providers commit resources to the design, implementation, and monitoring of our information systems, there is no guarantee that our security measures will provide absolute security. Despite these security measures, we may not be able to anticipate, detect, or prevent cyberattacks, particularly because the methodologies used by attackers change frequently or may not be recognized until launched, and because attackers are increasingly using techniques designed to circumvent controls and avoid detection. We and our third- party service providers may therefore be vulnerable to security events that are beyond our control, and we may be the target of cyber- attacks, as well as physical attacks, which could result in information security breaches and significant disruption to our business. Our revenues depend in part on construction sector activity, which tends to be cyclical. Our Mining Royalty Lands Segment revenues are derived from royalties on construction aggregates mined on our properties. Thus, our results depend in part on residential, commercial and infrastructure construction activity and spending levels. The construction industry in our markets tends to be cyclical. Construction activity and spending levels vary across our markets and are influenced by interest rates, inflation, consumer spending habits, demographic shifts, environmental laws and regulations, employment levels and the availability of funds for public infrastructure projects. Economic downturns may lead to recessions in the construction industry, either in individual markets or nationally. Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties. Liability for environmental contamination on real property owned by the Company may include the following costs, without limitation: investigation and feasibility study costs, remediation costs, litigation costs, oversight costs, monitoring costs, institutional control costs, penalties from state and federal agencies and third- party claims. These costs could be substantial and in extreme cases could exceed the value of the contaminated property. Moreover, on- site operations may be suspended until certain environmental contamination is remediated and / or permits are received, and governmental agencies can impose permanent restrictions on the manner in which a property may be used depending on the extent and nature of the contamination. This may result in a breach of the terms of the lease entered into with our tenants. Governmental agencies also may create liens on contaminated sites for damages it incurred to address such contamination. In addition, the presence of hazardous substances at, on, under or from a property may adversely affect our ability to sell the property or borrow funds using the property as collateral, thus harming our financial condition. The presence of contaminated material at our Riverfront on the Anacostia development site will subject us to substantial environmental liability and costs as construction proceeds. With respect to Phases III and IV of the Riverfront on the Anacostia site in Washington, D. C., preliminary environmental testing has indicated the presence of contaminated material that will have to be specially handled in excavation in conjunction with construction. While we have recovered partial reimbursement for these costs from neighboring property owners, we still expect to incur significant environmental costs in connection with construction.

The Company has no obligation to remediate this contamination on Phases III and IV of the development until such time as it makes a commitment to commence construction on each phase. The Company' s actual expense to address this issue may be materially higher or lower than the expense previously recorded depending upon the actual costs incurred. ~~Our operations could be adversely affected by~~ **The geographic concentration of our properties makes our business more vulnerable to severe weather conditions, natural disasters and** climate change ~~and climate change regulations~~ . Climate change presents an array of risks to real estate companies due to sea level rise, flooding, extreme weather, stronger storms and human migration. ~~[~~ **A significant number of our properties are located in areas that are susceptible to hurricanes, tropical storms, flooding, sea level rise and other natural disasters.** We have accounted for the risk of flooding and sea level rise in the design of our Riverfront on the Anacostia development. ~~]~~ Future developments, including potential " second life " uses of our mining properties, could be impacted by these factors and the impacts that they have on human behavior. **Weather conditions could disrupt the business of our tenants, which may affect the ability of some tenants to pay rent and / or their willingness to remain in or move to affected areas. [Additionally, the cost of insurance associated with our properties has increased, and future weather conditions may cause premiums to increase in the future.]** Uninsured losses could significantly reduce our earnings. We self- insure for a portion of our claims exposure resulting from workers' compensation, auto liability, general liability and employees' health insurance. We also are responsible for our legal expenses relating to such claims. We maintain insurance above the amounts for which we self- insure with licensed insurance carriers. Although we believe the aggregate insurance limits should be sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed our aggregate coverage limits. Additionally, there are certain losses, such as losses from hurricanes, terrorism, wars or earthquakes, where insurance is limited or not economically justifiable. If the Company experiences an uninsured loss of real property, we could lose both the invested capital and anticipated revenues associated with such property. We accrue currently for estimated incurred losses and expenses and periodically evaluate and adjust our claims' accrued liability to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses greater than accrued amounts. We may be unable to renew leases or re- lease properties as leases expire. When a lease expires, a tenant may elect not to renew it. If that occurs, we may not be able to lease the property on similar terms. The terms of renewal or re- lease (including the cost of required renovations and concessions to tenants) may be less favorable than the prior lease. If we are unable to lease all or substantially all of our properties, or if the rental rates upon such re- leasing are significantly lower than expected rates, our cash generated before debt repayments and capital expenditures may be adversely affected. We may be unable to lease currently vacant properties. If we are unable to obtain leases sufficient to cover carrying costs, then our cash flows may be adversely affected. The bankruptcy or insolvency of significant tenants with long- term leases may adversely affect income produced by our properties. Should tenants default on their obligations, our cash flow would be adversely affected, and we may not be able to find another tenant to occupy the space under similar terms or may have to make expenditures to retrofit or divide the space. Additionally, we may have to incur a non- cash expense for a significant amount of deferred rent revenue generated from the accounting requirement to straight- line rental revenues. The bankruptcy or insolvency of a major tenant may also adversely affect the income produced by a property. If any of our tenants become a debtor in a case under the U. S. Bankruptcy Code, we cannot evict that tenant solely because of its bankruptcy. The bankruptcy court may authorize the tenant to reject and terminate its lease with the Company. Our claim against such a tenant for unpaid future rent would be subject to a statutory limitation that may be substantially less than the remaining rent actually owed to us under the tenant' s lease. Any shortfall in rent payments could adversely affect our cash flow. Our inability to obtain necessary approvals for property development could adversely affect our profitability. We may be unable to obtain, or incur delays in obtaining, necessary zoning, land- use, building, occupancy and other required governmental permits and authorizations, which could result in increased costs or abandonment of certain projects. Before we can develop a property, we must obtain a variety of approvals from local and state governments with respect to such matters as zoning, density, parking, subdivision, site planning and environmental issues. Legislation could impose moratoriums on new real estate development or land- use conversions from mining to development. These factors may reduce our profit or growth and may limit the value of these properties. Real estate investments are not as liquid as other types of assets. The illiquid nature of real estate investments may limit our ability to react promptly to changes in economic or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. Thus, the illiquid nature of our real estate investments could adversely affect our profitability under certain economic conditions. Our debt service obligations may have adverse consequences on our business operations. We use debt to finance our operations, including acquisitions of properties. As of December 31, ~~2022~~ **2023** , we had outstanding non- recourse mortgage indebtedness of $ 180, 070, 000, secured by developed real estate properties having a carrying value of $ ~~254~~ **246** , ~~856~~ **804** , 000. Our use of debt may have adverse consequences, including the following: · Our cash flows from operations may not be sufficient to meet required payments of principal and interest. · We may be forced to dispose of one or more of our properties, possibly on disadvantageous terms, to make payments on our debt. · We may default on our debt obligations, and the lenders may foreclose on our properties that collateralize those loans. · A foreclosure on one of our properties could create taxable income without any accompanying cash proceeds to pay the tax. · We may not be able to refinance or extend our existing debt. · The terms of any refinancing or extension may not be as favorable as the terms of our existing debt. · We may not be able to issue debt on unencumbered properties under reasonable terms to finance growth of our portfolio of properties. · We may be subject to a significant increase in the variable interest rates on our unsecured and secured lines of credit, which could adversely impact our operations. · Our debt agreements have yield maintenance requirements that result in a penalty if we prepay loans. Our uncollateralized revolving credit agreement restricts our ability to engage in some business activities. Our uncollateralized revolving credit agreement contains customary negative covenants and other financial and operating covenants that, among other things: · restricts our ability to incur certain additional indebtedness; · restricts our ability to make certain investments; ·

restricts our ability to merge with another company; · restricts our ability to pay dividends; · requires us to maintain financial coverage ratios; and · requires us to not encumber certain assets except as approved by the lenders. These restrictions could cause us to default on our unsecured line of credit or negatively affect our operations. ~~The replacement of LIBOR with an alternative reference rate may adversely affect interest expense related to outstanding debt and our financial results. The United Kingdom' s Financial Conduct Authority (FCA) has announced that it would phase out LIBOR as a benchmark by June 30, 2023. We will need to agree upon a replacement index with our lenders, which would require an amendment to our borrowing arrangements that use LIBOR as a factor in determining the interest rate (including our credit agreement with Wells Fargo), and the interest rate thereunder will likely change. The U. S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U. S. financial institutions, is considering replacing U. S. dollar LIBOR with a new index, the Secured Overnight Financing Rate (SOFR), calculated using short- term repurchase agreements backed by Treasury securities. Whether or not SOFR, or another alternative reference rate, attains market traction as a LIBOR replacement tool remains in question. The transition to an alternative rate will require careful and deliberate consideration and implementation so as to not disrupt the stability of financial markets. There is no guarantee that a transition from LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which could have an adverse effect on our business, results of operations and financial condition. Furthermore, any changes announced by the FCA, U. S. Federal Reserve, or other regulators in the method pursuant to which the reference rates are determined may result in a sudden or prolonged increase or decrease in the reported reference rates, which could have an adverse effect on our interest payments and our results of operations and financial condition.~~ Fluctuations in value of our U. S. Treasury debt investments. As of December 31, ~~2022~~ **2023** , the Company had total investments of $ ~~161~~ **128** , ~~585~~ **795** , 000 in U. S. Treasury Notes which mature ~~in late~~ **through mid-** ~~2023~~ **2024** . The Company measures the fair value of these investments on a quarterly basis and recognizes the unrealized gain or loss in its comprehensive income. As a result, the Company' s comprehensive income will be impacted by factors outside our control such as fluctuations in interest rates that impact the value of our investment portfolio. The Company could incur losses should it sell the Notes prior to maturity. **We** ~~Our Asset Management and Development Segments~~ face competition from numerous sources. As a developer of apartments, retail, flexible warehouse and office space, we compete with numerous developers, owners and operators of real estate, many of whom own properties similar to ours in the same submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose potential tenants and we may be pressured to reduce our rental rates to an amount lower than we currently charge in order to retain tenants when our tenants' leases expire. As a result, our financial condition, results of operations, cash flow and ability to satisfy our debt service obligations could be materially adversely affected. Construction costs may be higher than anticipated. Our long- term business plan includes a number of construction projects. The construction costs of these projects may exceed original estimates and possibly make the completion of a property uneconomical. Building material commodity shortages, supply chain disruptions, construction delays or stoppages or rapidly escalating construction costs may out- pace market rents, which would adversely affect our profits. The market environment and existing lease commitments may not allow us to raise rents to cover these higher costs. Risks Relating to our Common Stock Certain shareholders have effective control of a significant percentage of FRP' s common stock and would have significant influence on the outcome of any shareholder vote. As of December 31, ~~2022~~ **2023** , our Chief Executive Officer, John D. Baker, II beneficially owned approximately 15. ~~7~~ **8** % of the outstanding shares of our common stock (79. ~~9~~ **4** % of which are held in trusts under which voting power is shared with other family members) and members of his family who are (i) officers or directors of the company, (ii) required to report their beneficial ownership on Schedule 13D or Schedule 13G, or (iii) are members of his immediate family beneficially own, collectively, an additional ~~22~~ **21. 2** % of the outstanding shares of our common stock. As a result, these individuals effectively may have the ability to direct the election of all members of our board of directors and to exercise a controlling influence over its business and affairs, including any determinations with respect to mergers or other business combinations involving the Company, its acquisition or disposition of assets, its borrowing of monies, its issuance of any additional securities, its repurchase of common stock and its payment of dividends. Provisions in our articles of incorporation and bylaws and certain provisions of Florida law could delay or prevent a change in control of FRP. The existence of some provisions of our articles of incorporation and bylaws and Florida law could discourage, delay or prevent a change in control of FRP that a shareholder may consider favorable. These include provisions: These provisions apply even if a takeover offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our board of directors determines is not in the Company' s or the shareholders' best interests. FRP may issue preferred stock with terms that could dilute the voting power or reduce the value of our common stock. Our articles of incorporation authorize us to issue, without the approval of our shareholders, one or more classes or series of preferred stock having such designations, powers, preferences and relative, participating, optional and other rights, and such qualifications, limitations or restrictions as our board of directors generally may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of FRP' s common stock. For example, FRP could grant holders of preferred stock the right to elect some number of its directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or dividend, distribution or liquidation preferences FRP could assign to holders of preferred stock could affect the residual value of the common stock. Institutional investor focus on environmental, social and governance issues may impact our stock price. Many large institutional investors focus on sustainability in managing investment risks, portfolio design and dealing with companies in which they invest. This focus extends to climate change and the plan for transitioning to a net- zero economy, diversity and inclusion and other human resource matters, and social and governance issues and corporate social responsibility. While we are proud of the returns to shareholders and our sustainable practices in construction and environmental management, we recognize our responsibility to focus on these key issues that impact our long- term sustainability. Our failure to demonstrate this commitment could dissuade institutional investors from holding our stock, which would result in downward pressure on our stock price.