Risk Factors Comparison 2024-02-28 to 2023-02-23 Form: 10-K

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

Risks Related to Our Business and Operations • We depend on residents for revenue and if residents fail to pay rent it may cause a material decline in our operating results. • Future unfavorable changes in economic conditions could adversely impact us. • Our concentration of investments in a single asset class makes our results of operations more vulnerable to a downturn in the multifamily sector. • Competition could limit our ability to lease apartments or increase or maintain rental income, and short-term leases make us more susceptible to these risks. • Redevelopment risks may cause our revenues and expenses to fluctuate significantly from one period to another which may result in losses. • Labor and materials required for maintenance, repair, renovation or capital expenditure may be more expensive than anticipated or significantly delayed. • We face the risk of fluctuations in the cost, availability and quality of our materials and products, which could adversely affect our results of operations. • Capital expenditure costs, and other costs of operating real estate assets, may be greater than anticipated which may adversely affect our results of operations. • Increasing real estate taxes, utilities and insurance costs may negatively impact operating results. • Substantial inflationary pressures could adversely affect our financial condition or results of operations. • The loss of services of any of our senior officers or key employees and increased competition for personnel could adversely affect us and / or increase our labor costs. • We may fail to grow our portfolio through acquisitions or such acquisitions may not yield the cash flows expected. • A cybersecurity incident and other technology disruptions could negatively impact our business. • Damage from catastrophic weather and other natural events could result in losses. • **International military conflicts or war could negatively impact our business, increase costs, and increase the likelihood of a cybersecurity incident. •** We may be subject to contingent or unknown uninsurable liabilities related to properties or businesses that we have acquired. • We may be adversely affected by changes in state and local tax laws and may become subject to tax audits from time to time. • We may fail to produce accurate and timely financial statements. • We may acquire or develop properties through joint ventures, which may be riskier than our typical acquisitions. • Bankruptcy or defaults of our counterparties could adversely affect our performance. • If we sell properties by providing financing to purchasers, we will bear the risk of default by the purchaser. • New strains of the COVID- 19 virus **or other infectious diseases** could adversely affect our business operations. • We are subject to ESG risks that could adversely affect our reputation and the market price of our securities. Risks Associated with Debt Financing • We plan to incur mortgage indebtedness and other borrowings and are not limited in the amount or percentage of indebtedness that we may incur, which may increase our business risk. • Debt financing and other required capital may not be available to us or may only be available on ~~adverse~~ **unfavorable** terms. • Rising interest rates could both increase our borrowing costs, thereby adversely affecting our cash flows and the amounts available for distribution to our stockholders, and decrease our share price, if investors seek higher yields through other investments. • Failure to hedge effectively against interest rates may adversely affect our results of operations. • Lender- imposed restrictions may affect our ability to make distributions to our stockholders and otherwise affect our operating policies. • We may guaranty certain debt made to the entities that own our properties. In certain circumstances, we may be responsible for the satisfaction of the debt which could negatively impact our business. • We may be adversely affected by ~~changes in LIBOR reporting practices, the method in which LIBOR is determined, the use of alternative reference rates, or~~ our use of SOFR as the base rate for our unsecured debt due to SOFR' s limited history and its potential to be volatile. Risks Related to Regulation and Compliance with Laws • We are subject to significant regulations, which could adversely affect our results of operations. • The costs of compliance with laws and regulations may adversely affect our net income and the cash available for any distributions. • A change in the United States government policy with regard to Fannie Mae and Freddie Mac could impact our financial condition. United States Federal Income Tax Risks • Legislative or regulatory action could adversely affect the returns to our investors. • Dividends paid by REITs generally do not qualify for the reduced tax rates **applicable to qualified dividend income** provided under current law. • The ability of our Board of Directors to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders. • Failure to qualify as a REIT could have adverse consequences. • We may take action to maintain our REIT status which could adversely affect our overall financial performance. • Certain of our business activities are potentially subject to the prohibited transaction tax, which could reduce the return on any investment in our securities. • The ~~use~~ **income** of TRSs ~~would increase our overall~~ **will be subject to federal and possibly state corporate income** tax ~~liability~~. • If our operating partnership, IROP, is not treated as a partnership or disregarded entity for U. S. federal income tax purposes, its income may be subject to taxation. • Distributions to tax- exempt investors may be classified as unrelated business taxable income, or UBTI, and tax- exempt investors would be required to pay tax on such income and to file income tax returns. • Distributions to foreign investors may be treated as an ordinary income distribution to the extent that it is made out of current or accumulated earnings and profits. • Foreign investors may be subject to FIRPTA tax upon the sale of their shares of our stock or upon a capital gain dividend. • We may make distributions consisting of both stock and cash, in which case stockholders may be required to pay income taxes in excess of the cash distributions they receive. Risks Related to Our Organization and Structure • Our structure as a Maryland real estate investment trust may make it more difficult for us to be acquired. • Stockholders have limited control over changes in our policies and operations. • Our holding company structure may limit our ability to get cash from our operating company and its subsidiaries. • Our authorized but unissued shares of common and preferred stock may prevent a change in our control. • Rights to recover on claims against our directors are limited. • Our bylaws could limit stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees and could discourage lawsuits against us and our directors, officers and employees. DETAILED DISCUSSION OF RISK FACTORS We are dependent on a concentration of our investments in a single asset class, making our results of operations more vulnerable to a downturn in the sector. As of December 31, ~~2022~~ **2023** , substantially all of our investments are concentrated in the multifamily apartment sector. As a result, we are subject to risks inherent in investments in a single type of property. A downturn or slowdown in the demand for multifamily housing may have more pronounced effects on our results of operations or on the value of our assets than if we had diversified our investments into more than one asset class. Our operations are concentrated in the Southeast region of the United States; we are subject to general economic conditions in the regions in which we operate. Our portfolio of properties consists primarily of multifamily communities geographically concentrated in the Southeastern United States, including Atlanta, GA, Dallas, TX, Denver, CO, Columbus, OH, Indianapolis, IN, Raleigh- Durham, NC, Oklahoma City, OK, Nashville, TN, Houston, TX, and Tampa, FL. Our performance could be adversely affected by economic conditions in, and other factors relating to, these geographic areas, including supply and demand for multifamily communities in these areas, zoning and other regulatory conditions and competition from other communities and alternative forms of housing. In particular our performance is disproportionately influenced by job growth and unemployment. To the extent the economic conditions, job growth and unemployment in any of these markets deteriorate or any of these areas experiences natural disasters, the value of our portfolio, our results of operations and our ability to make payments on our debt and to make distributions could be adversely affected. Adverse economic conditions may reduce or eliminate our returns and profitability and, as a result, our ability to make distributions to our stockholders. Our operating results may be materially and adversely affected by market and economic challenges, which may reduce or eliminate our returns and profitability and, as a result, our ability to make distributions to our stockholders. These market and economic challenges include, principally, the following: • adverse conditions in the real estate industry could harm our business and financial condition by reducing the value of our existing assets, limiting our access to debt and equity capital and otherwise negatively impacting our operations; • any future downturn in the U. S. economy and the related reduction in spending, reduced home prices and high unemployment may result in resident defaults under leases, vacancies at our multifamily communities and concessions or reduced rental rates under new leases due to reduced demand; • the rate of household formation or population growth in our markets or a continued or exacerbated economic slow- down experienced by the local economies where our properties are located or by the real estate industry generally may result in changes in supply of, or demand for, multifamily units in our markets; and • the failure of the real estate market to attract the same level of capital investment in the future that it attracts at the time of our purchases, or a reduction in the number of companies seeking to acquire properties, may result in the value of our investments not appreciating or decreasing significantly below the amount we pay for these investments. The length and severity of any economic slow- down or downturn cannot be predicted. Our results of operations, financial condition and ability to make distributions to our stockholders could be negatively affected to the extent that an economic slow- down or downturn is prolonged or severe. We depend on residents for revenue, and vacancies, resident defaults or lease terminations may cause a material decline in our operating results. The success of our investments depends upon the occupancy levels, rental revenue and operating expenses of our multifamily communities. Our revenues may be adversely affected by the general or local economic climate, local real estate considerations (such as oversupply of or reduced demand for multifamily units), the perception by prospective residents of the safety, convenience and attractiveness of the areas in which our multifamily communities are located (including the quality of local schools and other amenities) and increased operating costs (including real estate taxes and utilities). Occupancy rates and rents at a community, including multifamily communities that are newly constructed or renovated and in the lease- up phase, may fail to meet our original expectations for a number of reasons, including changes in market and economic conditions beyond our control and the development by competitors of competing communities, and we may be unable to complete lease- up of a community on schedule, resulting in increased construction and financing costs and a decrease or delay in expected rental revenues. Vacancy rates may increase in the future and we may be unable to lease vacant units or renew expiring leases on attractive terms, or at all, and we may be required to offer reduced rental rates or other concessions to residents. Our revenues may be lower as a result of lower occupancy rates, increased turnover, reduced rental rates, increased economic concessions and potential increases in uncollectible rent. In addition, we will continue to incur expenses, including maintenance costs, insurance costs and property taxes, even though a property maintains a high vacancy rate, and our financial performance will suffer if our revenues decrease or our costs increase. The underlying value of our properties and our ability to make distributions to our stockholders will depend upon our ability to lease our available multifamily units and the ability of our residents to generate enough income to pay their rents in a timely manner. Our residents' inability to pay rents may be impacted by employment and other constraints on their personal finances, including debts, purchases and other factors. Upon a resident default, we will attempt to remove the resident from the premises and re- lease the unit as promptly as possible. Our ability and the time required to evict a resident, however, will depend on applicable law. Substantially all of the leases for our properties are short- term leases (generally, one year or less in duration). As a result, our rental income and our cash flow are impacted by declines in market conditions more quickly than if our leases were for longer terms. **.We may experience a decline in the fair value of our assets and be forced to recognize impairment charges,which** could materially and adversely impact our financial condition,liquidity and results of operations and the market price of our common stock. ~~During the year ended December 31,2023,we recognized an aggregate of $ 66.5 million in impairment charges.~~ A ~~further~~ decline in the fair value of our assets may require us to recognize an impairment against such assets under generally accepted accounting principles as in effect in the United States (" GAAP "),if we were to determine that,with respect to any assets in unrealized loss positions,we do not have the ability and intent to hold such assets to maturity or for a period of time sufficient to allow for recovery to the amortized cost of such assets.If such a determination were to be made,we would recognize unrealized losses through earnings and write down the amortized cost of such assets to a new cost basis,based on the fair value of such assets on the date they are considered to be impaired.Such impairment charges reflect non- cash losses at the time of recognition; ~~and~~ subsequent disposition or sale of such assets could further affect our future losses or gains,as they are based on the difference between the sale price received and adjusted amortized cost of such assets at the time of sale.If we are required to recognize asset impairment charges in the future,these charges could materially and adversely affect our financial condition,liquidity,results of operations and the per share trading price of **our common stock** The **international** military ~~conflict~~ **conflicts** between Russia and Ukraine **and in the Middle East** could negatively impact our business, increase costs, and increase the likelihood of a cyber- attack. The military ~~conflict~~ **conflicts** between Russia and Ukraine **and in the Middle East** may increase the likelihood of material disruptions to our business and may negatively impact our financial condition and results of operations. Potential impacts of ~~the~~ **these** military ~~conflict~~ **conflicts** ~~between Russia and Ukraine~~ include the following: • an increase in oil and gas prices are likely to contribute to inflation, which may make it more challenging for residents to meet their ongoing rental payment obligations and which may result in higher construction costs; • an increase in the likelihood of supply chain disruptions, making it harder for us to find favorable pricing and reliable sources for the materials we need for our value add initiative and putting upward pressure on our costs; and • an increase in cybersecurity risks generally as Russia and **Iran and** Russia **- or Iran** - aligned cyber threat groups and cyber- crime groups ~~reach~~ **react** to the U. S.' s response to and involvement in **these conflicts** ~~Russia' s invasion of Ukraine~~. Short- term resident leases expose us to the effects of declining market rent, which could adversely impact our ability to make cash distributions to our stockholders. We expect that most of our resident leases will be for a term of one year or less. Because these leases generally permit the residents to leave at the end of the lease term without any penalty, our rental revenues may be impacted by declines in market rents more quickly than if our leases were for longer terms. Substantial inflationary pressures could have a negative effect on our rental rates and **have had and could continue to have a negative effect on our** property operating expenses. The general risk of inflation is that interest on our debt, general and administrative expenses and other expenses, including our costs of personnel, capital improvements and expenditures, increase at a rate faster than increases in our residential rental rates, which would adversely affect our financial condition or results of operations. **For the year ended December 31, 2023, our property operating expenses increased $ 12. 1 million, which was primarily due to a $ 11. 5 million increase in same- store property operating expenses, primarily due to inflationary pressures resulting in higher contract services, insurance expenses, and repairs and maintenance during the year ended December 31, 2023.** Monetary policy actions by the U. S. Federal Reserve could adversely impact our financial condition and our ability to make distributions to our stockholders. During ~~2022~~ **2023**, the U. S. Federal Reserve ~~rapidly~~ increased the target range for the federal funds rate **by a total of 100 basis points** in response to ~~rising~~ **sticky** inflation. As of December 31, ~~2022~~ **2023**, the federal funds rate was set at a range from ~~4~~ **5**. 25 % to ~~4~~ **5**. 50 % and **this range** was subsequently **maintained** ~~raised by 25 basis points~~ at the U. S. Federal Reserve' s ~~February~~ **January** ~~2023~~ **2024** meeting. **In considering any adjustments** ~~It is also expected the U. S. Federal Reserve will continue~~ to ~~increase~~ the target range for the federal funds rate **,** ~~in 2023 in response to inflation. Should~~ the U. S. Federal Reserve ~~continue~~ **has indicated that it will carefully assess incoming economic data, the evolving outlook for inflation, and the balance of risks. The U. S. Federal Reserve has indicated that it does not expect it will be appropriate** to **reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 % and is committed to returning inflation to its 2 % objective. Should the U. S. Federal Reserve** raise the federal funds rate in the future, ~~this~~ **it** will likely result in an increase in market interest rates, which ~~may~~ **will** increase our interest expense under our variable- rate borrowings and the costs of refinancing existing indebtedness or obtaining new debt. In addition, increases in market interest rates may result in a decrease in the value of our real estate and a decrease in the market price of our common stock. Increases in market interest rates may also adversely affect the securities markets generally, which could reduce the market price of our common stock without regard to our operating performance. Any such unfavorable changes to our borrowing costs and stock price could significantly impact our ability to raise new debt and equity capital going forward. We face competition from third parties, including other multifamily properties, which may limit our profitability and the return on any investment in our securities. The multifamily industry is highly competitive. This competition may limit our ability to increase revenue and could reduce occupancy levels and revenues at our multifamily properties. We compete with many other entities engaged in real estate investment activities, including individuals, corporations, bank and insurance company investment accounts, other REITs, real estate limited partnerships, and other entities engaged in real estate investment activities. Many of these entities have significant financial and other resources, including operating experience, allowing them to compete effectively with us. Competitors with substantially greater financial resources than us may be able to accept more risk than we can effectively manage. In addition, those competitors that are not REITs may be at an advantage to the extent they can use working capital to finance projects, while we (and our competitors that are REITs) will be required by the annual distribution provisions under the Code to distribute significant amounts of cash from operations to our stockholders. Competition may also result in overbuilding of multifamily properties, causing an increase in the number of multifamily units available which could potentially decrease our occupancy and multifamily rental rates. We may also be required to expend substantial sums to attract new residents. The resale value of the property could be diminished because the market value of a particular property will depend principally upon the net revenues generated by the property. In addition, increases in operating costs due to inflation may not be offset by increased multifamily rental rates. Further, costs associated with real estate investment, such as real estate taxes and maintenance costs, generally are not reduced when circumstances cause a reduction in income from the investment. These events would cause a significant decrease in revenues and the trading price of our common stock, and could cause us to reduce the amount of distributions to our stockholders. Our investment strategy may limit an increase in the diversification of our investments. Our ability to diversify our portfolio may be limited both as to the number of investments owned and the geographic regions in which our investments are located. While we will seek to diversify our portfolio by geographic location, we expect to continue to focus on markets with high potential for attractive returns located in the United States and, accordingly, our actual investments may continue to result in concentrations in a limited number of geographic regions. As a result, there is an increased likelihood that the performance of any single property, or the economic performance of a particular region in which our properties are located, could materially affect our operating results. We may fail to consummate one or more property acquisitions or dispositions that we anticipate, whether as part of our capital recycling strategy or otherwise, and this failure could have a material adverse impact on our financial results. We may disclose anticipated property acquisitions or dispositions, including prior to our entry into a letter of intent or definitive agreement for such acquisition or disposition and prior to our completion of due diligence or satisfaction of closing conditions. Acquisitions and dispositions are inherently subject to a number of factors and conditions, some of which are outside of our control, and there can be no assurance that we will be able to consummate acquisitions or dispositions that we anticipate. If we fail to consummate a disposition that we anticipated, we will not have the use of the proceeds from the disposition and may not be able to carry out our intended plans for use of such proceeds and may be required to obtain alternative sources of funds on less favorable terms. If we fail to consummate a targeted acquisition and have issued additional securities to fund such acquisition, then we will have issued securities without realizing a corresponding increase in earnings and cash flow from the targeted acquisition. In addition, we may have broad authority to use the net proceeds of an offering of securities for other purposes, including the repayment of indebtedness, the acquisition of other properties or for other investments, which may not be initially accretive to our results of operations. As a result, failure to consummate one or more anticipated acquisitions or dispositions could have a material adverse impact on our financial condition, results of operations and the market price of our common stock. We may suffer from delays in locating suitable investments or, because of our public company status, may be unable to acquire otherwise suitable investments, which could adversely affect our growth prospects and results of operations. Our ability to achieve our investment objectives and to make distributions to our stockholders depends upon our ability to locate, obtain financing for and consummate the acquisition of multifamily properties that meet our investment criteria. The current market for multifamily properties that meet our investment criteria is highly competitive. We cannot be sure that we will be successful in obtaining suitable investments on financially attractive terms or at all. Additionally, as a public company, we are subject to the ongoing reporting requirements under the Securities Exchange Act of 1934, as amended, (the " Exchange Act "). Pursuant to the Exchange Act, we may be required to file with the SEC financial statements for the properties we acquire. To the extent any required financial statements are not available or cannot be obtained, we may not be able to acquire the property. As a result, we may be unable to acquire certain properties that otherwise would be suitable investments. If we are unable to invest the proceeds of any offering of our securities in real properties in a timely manner, we may invest the proceeds in short- term, investment- grade investments which typically will yield significantly less than what we expect our investments will yield. As a result, delays we encounter in identifying and consummating potential acquisitions may adversely affect our growth prospects, results of operations and our ability to make distributions to our stockholders. If we fail to maintain an effective system of integrated internal controls, we may not be able to accurately report our financial results and may be required to incur additional costs and divert management resources. We depend on our ability to produce accurate and timely financial statements in order to run our business. If we fail to do so, our business could be negatively affected and our independent registered public accounting firm may be unable to attest to the accuracy of our financial statements. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of a registrant' s financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity' s financial statements will not be prevented or detected and corrected, on a timely basis by the company' s internal controls. Although we continuously monitor the design, implementation and operating effectiveness of our internal controls over financial reporting and disclosure controls and procedures, there can be no assurance that significant deficiencies or material weaknesses will not occur in the future. If we fail to maintain effective internal controls and disclosure controls in the future, it could result in a material misstatement of our financial statements that may not be prevented or detected on a timely basis, which could cause investors, analysts and others to lose confidence in our reported financial information. Our inability to remedy any additional deficiencies or material weaknesses that may be identified in the future could, among other things, cause us to fail to file timely our periodic reports with the SEC (which may have a material adverse effect on our ability to access the capital markets); prevent us from providing reliable and accurate financial information and forecasts or from avoiding or detecting fraud; or require us to incur additional costs or divert management resources to achieve compliance. Because we are organized and qualified as a REIT, we are generally not subject to federal income taxes on taxable income that we distribute to our stockholders, but we are subject to certain state and local taxes. From time to time, changes in state and local tax laws or regulations are enacted, which may result in an increase in our tax liability. A shortfall in tax revenues for states and local jurisdictions in which we own multifamily communities may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional state and local taxes. These increased tax costs could adversely affect our financial condition and the amount of cash available for distribution to our stockholders. In the normal course of business, we or our affiliates (including entities through which we own real estate) may also become subject to federal, state or local tax audits. If we (or such entities) become subject to federal, state or local tax audits, the ultimate result of such audits could have an adverse effect on our financial condition. If we are not able to cost- effectively maximize the life of our properties, we may incur greater than anticipated capital expenditure costs, which may adversely affect our ability to make distributions to our stockholders. As of December 31, ~~2022~~ **2023** , the average age of our multifamily communities was approximately 18 years. While the majority of our properties are newly- constructed or have undergone substantial renovations since they were constructed, older properties may carry certain risks including unanticipated repair costs, increased maintenance costs as older properties continue to age, and cost overruns due to the need for special materials and / or fixtures specific to older properties. Although we take a proactive approach to property preservation, utilizing a preventative maintenance plan, and selective improvements that mitigate the cost impact of maintaining exterior building features and aging building components, if we are not able to cost- effectively maximize the life of our properties, we may incur greater than anticipated capital expenditure costs which may adversely affect our ability to make distributions to our stockholders. The potential disruptions in the supply of materials or products or the inability of contractors to perform on a timely basis, or at all, could cause delays in completing ongoing or future value add and other capital improvements at our multifamily communities and development projects. Our growth will depend upon future acquisitions of multifamily communities, and we may be unable to complete acquisitions on advantageous terms or acquisitions may not perform as we expect. Our growth will depend upon future acquisitions of multifamily communities, which entails various risks, including risks that our investments may not perform as we expect. Further, we will face competition for attractive investment opportunities from other real estate investors, including local real estate investors and developers, as well as other multifamily REITs, income- oriented non- traded REITs, and private real estate fund managers, and these competitors may have greater financial resources than us and a greater ability to borrow funds to acquire properties. This competition may increase as investments in real estate become increasingly attractive relative to other forms of investment. As a result of competition, we may be unable to acquire additional properties as we desire or the purchase price may be significantly elevated. In addition, our acquisition activities pose the following risks to our ongoing operations: • we may not achieve the increased occupancy, cost savings and operational efficiencies projected at the time of acquiring a property; • management may incur significant costs and expend significant resources evaluating and negotiating potential acquisitions, including those that we subsequently are unable to complete; • we may acquire properties that are not initially accretive to our results upon acquisition, and we may not successfully manage and operate those properties to meet our expectations; • we may acquire properties outside of our existing markets where we are less familiar with local economic and market conditions; • some properties may be worth less or may generate less revenue than, or simply not perform as well as, we believed at the time of the acquisition; • we may be unable to assume mortgage indebtedness with respect to properties we seek to acquire or obtain financing for acquisitions on favorable terms or at all; • we may forfeit earnest money deposits with respect to acquisitions we are unable to complete due to lack of financing, failure to satisfy closing conditions or certain other reasons; • we may spend more than budgeted to make necessary improvements or renovations to acquired properties; and • we may acquire properties without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean- up of environmental contamination, claims by residents, vendors or other persons against the former owners of the properties, and claims for indemnification by general partners, trustees, officers, and others indemnified by the former owners of the properties. Our investment in property development or redevelopment may be more costly or difficult to complete than we anticipate, and development and construction risks could adversely affect our profitability. We may develop or redevelop properties where market conditions warrant such investment. Development and redevelopment activities may be more costly or difficult to complete than we anticipate, and once made, investments in these activities may not produce results in accordance with our expectations. Risks associated with development, redevelopment and associated construction activities include: • unavailability of favorable financing sources in the debt and equity markets; • construction cost overruns, including on account of rising interest rates, diminished availability of materials and labor, and increases in the costs of materials and labor; • construction and lease- up delays, including on account of delays in obtaining materials, and failure to achieve target occupancy levels and rental rates, resulting in increased debt service and lower than projected returns on our investment; • complications in obtaining, or inability to obtain, necessary zoning, land- use, building occupancy and other governmental or quasi- governmental permits and authorizations, which could result in increased costs or the delay or abandonment of opportunities and impairment charges; • unexpected environmental remediation costs; • potential disputes with, and negligent performance by, construction contractors, architects, engineers and other service providers with which we may contract as part of a development or redevelopment project, which would expose us to unexpected costs, delays and potential liabilities; and • occupancy rates, rents and concessions at a newly developed community may fluctuate depending on a number of factors, including market and economic conditions, preventing us from meeting our expected return on our investment and our overall profitability goals. Our growth depends on securing external sources of capital that are outside of our control, which may affect our ability to take advantage of strategic opportunities, satisfy debt obligations and make distributions to our stockholders. In order to maintain our qualification as a REIT, we are generally required under the Code to distribute annually at least 90 % of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100 % of our net taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we may rely on third- party sources to fund our capital needs. We may not be able to obtain financing on favorable terms or at all. Any additional debt we incur may increase our leverage or impose additional and more stringent restrictions on our operations than we currently have. If we issue additional equity securities to finance developments and acquisitions instead of incurring debt, the interests of our existing stockholders could be diluted. Our access to third- party sources of capital depends, in part, on: • general market conditions; • the market' s perception of our growth potential; • our current debt levels; • our current and expected future earnings; • our cash flow and cash distributions; and • the market price per share of our common stock If we cannot obtain capital from third- party sources, we may not be able to acquire properties when strategic opportunities exist, meet the capital and operating needs of our existing properties or satisfy our debt service obligations. Further, in order to meet the REIT distribution requirements and maintain our REIT status and to avoid the payment of income and excise taxes, we may need to borrow funds on a short- term basis even if the then- prevailing market conditions are not favorable for these borrowings. These short- term borrowing needs could result from differences in timing between the actual receipt of cash and inclusion of income for U. S. federal income tax purposes or the effect of non- deductible capital expenditures, the creation of reserves, certain restrictions on distributions under loan documents or required debt or amortization payments. To the extent that capital is not available to acquire properties, profits may not be realized or their realization may be delayed, which could result in an earnings stream that is less predictable than some of our competitors and result in us not meeting our projected earnings and distributable cash flow levels in a particular reporting period. Failure to meet our projected earnings and distributable cash flow levels in a particular reporting period could have an adverse effect on our financial condition and on the market price of our common stock. We may be subject to contingent or unknown uninsurable liabilities related to properties or businesses that we have acquired or may acquire for which we may have limited or no recourse against the sellers. The properties or businesses that we have acquired, including through the **acquisition of Steadfast Apartment REIT, Inc. and Steadfast Apartment REIT Operating Partnership, L. P. on December 16, 2021 (the"** STAR Merger **")** , or may acquire, may be subject to unknown or contingent liabilities for which we have limited or no recourse against the sellers. Unknown or contingent liabilities might include liabilities related to, among other things, the cleanup or remediation of undisclosed environmental conditions, liens or clouds on title, hidden defects in the physical condition of the property, non- compliance with zoning laws, building codes, or other legal requirements, many of which may not be known to us at the time of acquisition, liabilities under the Employee Retirement Income Security Act of 1974, as amended (" ERISA "), claims of residents, vendors or other persons dealing with the entities prior to the acquisition of such property, tax liabilities, and accrued but unpaid liabilities whether incurred in the ordinary course of business or otherwise. If any claim was asserted against us relating to those properties or entities, or if any adverse condition existed with respect to the properties or entities, we might have to pay substantial sums to settle or cure it, which could adversely affect our cash flow and operating results. While we will attempt to obtain appropriate representations and undertakings from the sellers of the properties or entities we acquire, many liabilities, including tax liabilities, may not be identified within the applicable contractual indemnification period, in which case we may have no recourse against any of the owners from whom we acquired such properties for these liabilities, or the sellers may not have the resources to satisfy their indemnification obligations if a liability arises. The existence of such liabilities could significantly adversely affect the value of the property subject to such liability. Representations and warranties made by us in connection with sales of our properties may subject us to liability that could result in losses and could harm our operating results and, therefore distributions we make to our stockholders. When we sell a property, we may be required to make representations and warranties regarding the property and other customary items. In the event of a breach of such representations or warranties, the purchaser of the property may have claims for damages against us, rights to indemnification from us or otherwise have remedies against us. In any such case, we may incur liabilities that could result in losses and could harm our operating results and, therefore distributions we make to our stockholders. We rely on information technology systems in our operations, and any breach or security failure of those systems could materially adversely affect our business, results of operations, financial condition and reputation. Our information technology networks and related systems are essential to our ability to conduct our day to day operations. In addition, our business requires us to collect and hold personally identifiable information of our residents and prospective residents, and our employees and their dependents, in connection with our leasing and property management activities. As a result, we face risks associated with security breaches, whether through cyber- attacks or cyber intrusions over the internet, malware, computer viruses, attachments to emails, persons who access our systems from inside or outside our organization and other significant disruptions of our information technology networks and related systems. We undertake various actions to maintain the security and integrity of our information technology networks and related systems and have implemented various measures to manage the risk of a security breach or disruption. We also maintain cyber liability insurance to provide some coverage for certain risks arising out data and network breaches. However, we cannot be sure that our security efforts and measures will be effective or that our cyber liability insurance coverage will be sufficient in the event of a cyber incident. Furthermore, certain components of our information technology network are dependent upon third- party service providers and we share personally identifiable information with many of these service providers so they can assist us with certain aspects of our business. Our third- party service providers are primarily responsible for the security of their own information technology environments and in certain instances, we rely significantly on third- party service providers to supply and store our sensitive data in a secure manner. All of these third- parties face risks relating to cybersecurity similar to ours which could disrupt their businesses or result in the disclosure of personally identifiable information that has been shared with them, and therefore adversely impact us. While we provide guidance and specific requirements in some cases, we do not directly control any of such parties' information technology security operations, or the amount of investment they place in guarding against cybersecurity threats. Accordingly, we are subject to any flaws in or breaches to their information technology systems or those which they operate for us. A security breach or other significant disruption involving our information technology networks and related systems or those of our vendors could: disrupt our operations; result in the unauthorized access to, and the destruction, loss, theft, misappropriation or release of, proprietary, personally identifiable, confidential, sensitive or otherwise valuable information including resident information and lease data, which others could use to compete against us or which could expose us to damage claims by third parties for disruptive, destructive or otherwise harmful outcomes; require significant management attention and resources to remedy any damages that result; subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or damage our business relationships or reputation generally. Any or all of the foregoing could materially and adversely affect our business and the value of our stock. In addition, the collection and use of personally identifiable information is governed by federal and state laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may be difficult due to the uncertainty surrounding the interpretation of such laws. Such laws may also increase our operating costs and adversely impact our ability to market our properties and services. Noncompliance with such laws could result in the imposition of fines, awards of damages to private litigants, payment of attorneys' fees and other costs to plaintiffs, and substantial litigation costs. Fannie Mae and Freddie Mac are a major source of financing for the multifamily residential real estate sector. Many multifamily companies depend heavily on Fannie Mae and Freddie Mac to finance growth by purchasing or guarantying multifamily loans and to refinance outstanding indebtedness as it matures. If new U. S. government regulations (i) heighten Fannie Mae' s and Freddie Mac' s underwriting standards, (ii) adversely affect interest rates and (iii) continue to reduce the amount of capital they can make available to the multifamily sector, it could reduce or remove entirely a vital resource for multifamily financing. Any potential reduction in loans, guarantees and credit- enhancement arrangements from Fannie Mae and Freddie Mac could jeopardize the effectiveness of the multifamily sector' s available financing and decrease the amount of available liquidity and credit that could be used to acquire and diversify our portfolio of multifamily assets, as well as dispose of our multifamily assets upon our liquidation, and our ability to refinance our existing mortgage obligations as they come due and obtain additional long- term financing for the acquisition of additional multifamily communities on favorable terms or at all. In addition, the members of the current presidential administration have announced that restructuring and privatizing Fannie Mae and Freddie Mac is a priority of the current administration, and there is uncertainty regarding the impact of this action on us and buyers of our properties. We have relationships with and, from time to time, we execute transactions with or receive services from many counterparties, such as general contractors engaged in connection with our redevelopment activities. As a result, bankruptcies or defaults by these counterparties could result in services not being provided, projects not being completed on time, or on budget, or at all, or volatility in the financial markets and economic weakness could affect the counterparties' ability to complete transactions with us as intended, both of which could result in disruptions to our operations that may materially adversely affect our business and results of operations. Severe or inclement weather and climate change could result in losses to us. Certain of our properties are located in areas that may experience catastrophic weather and other natural events from time to time, including fires, snow or ice storms, windstorms or hurricanes, earthquakes, flooding, prolonged periods of extreme temperatures or other severe weather. To the extent that extreme weather or natural events become more common or severe in areas where our communities are located, as a result of changes in the climate or otherwise, we could experience a significant increase in insurance premiums and deductibles, or a decrease in the availability of coverage, which may adversely affect our financial condition or results of operations. These adverse weather and natural events could cause damage or losses that may be greater than insured levels. In the event of a loss in excess of insured limits, we could lose our capital invested in the affected property, as well as anticipated future revenue related to the property. We could also continue to be obligated to repay any mortgage indebtedness related to the property. In the event extreme weather conditions such as prolonged changes in precipitation and temperature become more common or severe in areas where our communities are located, we may experience a decrease in demand for our communities located in these areas or affected by these conditions, which may lead to a decline in the value of these communities. We may also see an increase in costs resulting from increased maintenance related to water damage, wind and hail, or the removal of snow and ice, or we may be required to increase capital expenditures on resiliency measures designed to lessen the impact of severe weather. In addition, changes in federal, state, and local legislation and regulation based on concerns about climate change **and increasing climate- related disclosures, including the rules proposed by the SEC,** could result in increased capital expenditures to improve the energy efficiency of our existing properties without a corresponding increase in revenues **or may increase compliance and data collection costs if, and when, such laws and regulations become effective** . We are subject to a variety of risks arising from ESG matters. ESG matters include climate risk, hiring practices, the diversity of our work force, and racial and social justice issues involving our personnel, customers and third parties with whom we otherwise do business and our internal governance practices. Risks arising from ESG matters may adversely affect, among other things, our reputation and the market price of our securities. Investors **may** ~~have begun to~~ consider the steps taken and resources allocated by **multifamily** ~~multi- family~~ owners and operators and other commercial organizations to address ESG matters when making investment and operational decisions. Certain investors are beginning to incorporate the business risks of climate change and the adequacy of companies' responses to the risks posed by climate change and other ESG matters into their investment theses. These shifts in investing priorities may result in adverse effects on the market price of our securities to the extent that investors determine that we have not made sufficient progress on ESG matters. In 2022 we published our inaugural Sustainability Report. A risk exists that we fail to meet announced goals and targets stated in such report **or in future reports** . In addition, there is a risk that ~~the~~ **such** ~~report~~ **reports** ~~contains~~ - **contain** inaccurate or incomplete data, and / or that we have inadequate internal controls related to the disclosure of ESG data. If we disclose inaccurate or incomplete data, or we fail to maintain effective internal controls over our ESG data, it could result in a material misstatement of our financial statements that may not be prevented or detected on a timely basis, which could cause investors, analysts and others to lose confidence in our reported financial information. Our inability to remedy any additional deficiencies or material weaknesses that may be identified in the future could, among other things, cause us to fail to file timely our periodic reports with the SEC (which may have a material adverse effect on our ability to access the ~~capital markets); prevent us from providing reliable and accurate financial information and forecasts or from avoiding or detecting fraud; or require us to incur additional costs or divert management resources to achieve compliance~~ COVID- 19, or a future, similar global pandemic, could have a material adverse effect on our business, results of operations, cash flows and financial condition. COVID- 19 **or other infectious disease outbreaks** could negatively impact our businesses in a number of ways. Various federal, state and local authorities have issued measures imposing restrictions on our ability to enforce tenants' contractual rental obligations or more burdensome eviction processes to combat rising evictions resulting from financial hardships caused by the COVID- 19 pandemic. These measures make more onerous our ability to enforce tenants' contractual rental obligations through evictions. The potential negative impact **of COVID- 19 and any future outbreaks or pandemics of infectious diseases** on the health of our personnel, particularly if a significant number of them are impacted, could result in a deterioration in our ability to ensure business continuity during a disruption. The COVID- 19 **pandemic** ~~virus has also~~ caused, and could continue to cause, severe economic, market and other disruptions worldwide ~~. We cannot assure you that conditions will not deteriorate as a result of the pandemic~~ . In addition, the deterioration of global economic conditions as a result of **COVID- 19 or** ~~the~~ **other** ~~pandemic~~ **infectious disease outbreaks** may ultimately decrease the demand for multifamily communities within the markets in which we operate and may adversely impact occupancy levels and rental rates across our portfolio. The extent of the **effect of a future outbreak of** COVID- 19 ~~virus' s effect~~ **or other**

infectious disease on our operational and financial performance will depend on future developments ~~including the new strains~~ of the ~~virus~~ **infectious disease** and the spread and intensity of any such ~~new strains~~ **infectious disease** , all of which are uncertain and difficult to predict. We face numerous risks associated with the real estate industry that could adversely affect our results of operations through decreased revenues or increased costs. As a real estate company, we are subject to various changes in real estate conditions and any negative trends in such real estate conditions may adversely affect our results of operations through decreased revenues or increased costs. These conditions include: • changes in national, regional and local economic conditions, which may be negatively impacted by concerns about inflation, deflation, government deficits, high unemployment rates, decreased consumer confidence and liquidity concerns, particularly in markets in which we have a high concentration of properties; • fluctuations in interest rates, which could adversely affect our ability to obtain financing on favorable terms or at all, or could reduce our ability to deploy capital in investments that are accretive to our stockholders; • the inability of our residents to pay rent timely, or at all; • the existence and quality of the competition, such as the attractiveness of our properties as compared to our competitors' properties based on considerations such as convenience of location, rental rates, amenities and safety record; • increased operating costs, including increased real property taxes, maintenance, insurance, utilities and labor costs; • weather conditions that may increase or decrease energy costs and other weather- related expenses; • civil unrest, acts of God, including earthquakes, floods, hurricanes and other natural disasters, which may result in uninsured losses, acts of war or terrorism, or other natural or human causes beyond our control, which may disrupt or interrupt our operations; • oversupply of multifamily housing or a reduction in demand for real estate in the markets in which our properties are located; • a favorable interest rate environment that may result in a significant number of potential residents of our multifamily communities deciding to purchase homes instead of renting; • changes in, or increased costs of compliance with, laws and / or governmental regulations, including those governing usage, zoning, the environment and taxes; and • rent control or stabilization laws, or other laws regulating rental housing, which could prevent us from raising rents to offset increases in operating costs. Economic conditions may adversely affect the residential real estate market and our income. A residential property' s income and value may be adversely affected by international, national and regional economic conditions. The ~~COVID- 19 pandemic, the~~ military ~~conflict~~ **conflicts** between Russia and Ukraine ~~,~~ **and in the Middle East** have disrupted financial markets and significantly impacted worldwide economic activity resulting in a global economic recession. If such conditions ~~do not improve~~ **continue to have a negative impact** or if new economic or capital markets problems arise, the value of our portfolio may decline significantly. A deterioration in economic conditions may also have an adverse effect on our operations if they result in our residents or prospective residents being unable to afford the rents we need to charge to be profitable. In addition, local real estate conditions such as an oversupply of properties or a reduction in demand for properties, availability of " for sale " properties and competition from other similar properties, our ability to provide adequate maintenance, insurance and management services, increased operating costs (including real estate taxes), the attractiveness and location of the property and changes in market rental rates, may adversely affect a property' s income and value. A rise in energy costs could result in higher operating costs, which may affect our results from operations. In addition, local conditions in the markets in which we own or intend to own properties may significantly affect occupancy or rental rates at such properties. Layoffs, plant closings, relocations of significant local employers and other events reducing local employment rates and the local economy; an oversupply of, or a lack of demand for, apartments; a decline in household formation; the inability or unwillingness of residents to pay rent increases; and rent control, rent stabilization and other housing laws, all could prevent us from raising or maintaining rents, and could cause us to reduce rents. The illiquidity of real estate investments could make it difficult for us to respond to changing economic, financial, and investment conditions or changes in the operating performance of our properties, which could reduce our cash flows and adversely affect results of operations. Real estate investments are relatively illiquid and may become even more illiquid during periods of economic downturn. As a result, we will have a limited ability to vary our portfolio in response to changes in economic, financial and investment conditions or changes in the operating performance of our properties. We may not be able to sell a property or properties quickly or on favorable terms in response to changes in the economy or other conditions when it otherwise may be prudent to do so. This inability to respond quickly to changes in the performance of our properties as a result of an economic or market downturn could adversely affect our results of operations if we cannot sell an unprofitable property. We will also have a limited ability to sell assets in order to fund working capital, repay debt and similar capital needs. Our financial condition could be adversely affected if we were, for example, unable to sell one or more of our properties in order to meet our debt obligations upon maturity. We cannot predict whether we will be able to sell any property for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. We also may be required to expend funds to correct defects or to make improvements before a property can be sold, and we cannot assure you that we will have funds available to correct those defects or to make those improvements. Our inability to dispose of assets at opportune times or on favorable terms could adversely affect our cash flows and results of operations. Moreover, the Code imposes restrictions on a REIT' s ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of properties that otherwise would be in our best interests. Therefore, we may not be able to vary our portfolio promptly in response to economic or other conditions or on favorable terms, which may adversely affect our cash flows, our ability to make distributions to our stockholders and the market price of our common stock. Properties we purchase may not appreciate or may decrease in value. The residential real estate market may experience substantial influxes of capital from investors. A substantial flow of capital, combined with significant competition for real estate, may result in inflated purchase prices for such assets. To the extent we purchase real estate in such an environment, we are subject to the risk that, if the real estate market subsequently ceases to attract the same level of capital investment, or if the number of investors seeking to acquire such assets decreases, our returns will be lower and the value of our assets may not appreciate or may decrease significantly below the amount we paid for such assets. In addition, if interest rates applicable to financing apartment properties rise, that may negatively affect the values of our properties in any period when capitalization rates for our properties, an important valuation metric, do not make corresponding adjustments. Our properties may be subject to increases in tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance, administrative and other expenses. Real estate taxes, utilities costs and insurance premiums, in particular, are subject to significant increases and fluctuations, which can be widely outside of our control. A number of our markets had tax reassessments in ~~2022~~ **2023** and we expect this to continue in future years. If our costs continue to rise, without being offset by a corresponding increase in rental rates, our results of operations could be negatively impacted, and our ability to pay our dividends and distributions and senior debt could be affected. We may be unable to secure funds for property improvements, which could reduce cash distributions to our stockholders. When residents do not renew their leases or otherwise vacate, we may be required to expend funds for capital improvements to the vacated apartment units in order to attract replacement residents. In addition, we may require substantial funds to renovate an apartment property in order to sell, upgrade or reposition it in the market. If our reserves are insufficient to fund these improvements, we may have to obtain financing. We cannot assure you that sufficient financing will be available or, if available, will be available on economically feasible terms or on terms acceptable to us. Moreover, some reserves required by lenders may be designated for specific uses and may not be available for capital improvements to other properties. The profitability of our acquisitions is uncertain. We intend to acquire properties selectively. Acquisition of properties entails risks that investments will fail to perform in accordance with expectations. In undertaking acquisitions, we will incur certain risks, including the expenditure of funds on, and the devotion of management' s time to, transactions that may not come to fruition. Additional risks inherent in acquisitions include risks that the properties will not achieve anticipated occupancy levels and that estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. Acquiring or attempting to acquire multiple properties in a single transaction may adversely affect our operations. We have and may in the future acquire multiple properties in a single transaction. Such portfolio acquisitions are more complex and expensive than single- property acquisitions, and the risk that a multiple- property acquisition does not close may be greater than in a single- property acquisition. Portfolio acquisitions may also result in us owning investments in geographically dispersed markets ~~,~~ **and** placing additional demands on our ability to manage the properties in the portfolio. In addition, a seller may require that a group of properties be purchased as a package even though we may not want to purchase one or more properties in the portfolio. In these situations, if we are unable to identify another person or entity to acquire the unwanted properties, we may be required to operate, or attempt to dispose of, these properties. To acquire multiple properties in a single transaction, we may be required to accumulate a large amount of cash. We expect the returns that we can earn on such cash to be less than the ultimate returns on real property, and therefore, accumulating such cash could reduce the funds available for distributions. Any of the foregoing events may have an adverse effect on our operations. If we decide to sell any of our properties, we intend to use commercially reasonable efforts to sell them for cash. However, in some instances, we may sell our properties by providing financing to purchasers. If we provide financing to purchasers, we will bear the risk of default by the purchaser which would reduce the value of our assets, impair our ability to make distributions to our stockholders and reduce the price of our common stock. Our revenue and net income may vary significantly from one period to another due to investments in value- add properties and portfolio acquisitions, which could increase the variability of our cash distributions. We may make investments in properties that have existing cash flow which are in various phases of development, redevelopment or repositioning and where we believe that, through capital expenditures, we can achieve enhanced returns (which we refer to as value- add properties), which may cause our revenues and net income to fluctuate significantly from one period to another. Projects do not produce revenue while in development or redevelopment. We have identified a number of properties in our portfolio as value- add properties and intend to make capital expenditures on such properties. During any period when the number of our projects in development or redevelopment or those with significant capital requirements increases without a corresponding increase in stable revenue- producing properties, our revenues and net income will likely decrease, and we could have losses. Moreover, value- add properties subject us to the risks of higher than expected construction costs, failure to complete projects on a timely basis, failure of the properties to perform at expected levels upon completion of development or redevelopment, and increased borrowings necessary to fund higher than expected construction or other costs related to the project. There can be no assurance that our value- add properties will be developed or repositioned in accordance with the anticipated timing or at the anticipated cost, or that we will achieve the results we expect from these value- add properties. Failure to achieve anticipated results could materially and adversely affect our financial condition and results of operations and ability to make distributions to stockholders. We have acquired and are developing, and may continue to acquire or develop, properties through joint ventures, and any investment that we may make in joint ventures could be adversely affected by our lack of sole decision- making authority regarding major decisions, our reliance on our joint venture partners' financial condition and ability to perform their obligations, any disputes that may arise between us and our joint venture partners and our exposure to potential losses from the actions of our joint ventures. We have entered into, and may continue to enter into, joint ventures with third parties to acquire or develop properties. We may also purchase properties in partnerships, co- tenancies or other co- ownership arrangements. Such investments may involve risks not otherwise present when we acquire or develop properties without third parties, including the following: • a co- venturer or partner may have certain approval rights over major decisions, including as to forms, amounts and timing of equity and debt financing, operating and capital budgets, and timing of sales and liquidations, which may prevent us from taking actions that we believe are in the best interest of our stockholders but are opposed by our co- venturers or partners; • a co- venturer or partner may at any time have economic or business interests or goals which are or become inconsistent with our business interests or goals, including inconsistent goals relating to the sale of properties held in the joint venture or the timing of termination or liquidation of the joint venture; • a co- venturer or partner might experience financial distress, become insolvent or bankrupt or fail to fund its share of required capital contributions, which may delay construction or development of a property or increase our financial commitment to the joint venture; • we may incur liabilities as a result of an action taken by our co-venturer or partner; • a co- venturer or partner may be in a position to take actions contrary to our instructions, requests, objectives or policies, including our policy with respect to qualifying and maintaining our qualification as a REIT; • agreements governing joint ventures, limited liability companies and partnerships often contain restrictions on the transfer of a member' s or partner' s interest or " buy- sell " or other provisions that may result in a purchase or sale of the interest at a disadvantageous time or on disadvantageous terms; • disputes between us and our co- venturer or partner may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business and result in subjecting the properties owned by the joint venture to additional risk; and • under certain joint venture arrangements, neither venture partner may have the power to control the venture, and an impasse could be reached which may result in a delay of key decisions and such delay may have a negative effect on the joint venture. Any of these risks could materially and adversely affect our ability to generate and recognize attractive returns on joint venture investments, which could have a material adverse effect on our results of operations, financial condition and distributions to our stockholders. We **have and** plan to incur mortgage indebtedness and other borrowings and are not limited in the amount or percentage of indebtedness that we may incur, which may increase our business risks. We **have and** intend to acquire properties subject to existing financing or by borrowing new funds. In addition, we **have and** intend to incur additional mortgage debt by obtaining loans secured by some, or all, of our real properties **in order** to obtain funds to acquire additional real properties and / or make capital improvements to properties. We may also borrow funds, if necessary, to satisfy the requirement that we generally distribute to stockholders as dividends at least 90 % of our annual REIT taxable income (computed without regard to dividends paid and excluding net capital gain), or otherwise as is necessary or advisable to assure that we maintain our qualification as a REIT for U. S. federal income tax purposes. Our Articles of Restatement, which we refer to as our Charter, and our bylaws do not limit the amount or percentage of indebtedness that we may incur. We are subject to risks normally associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest. There can be no assurance that we will be able to refinance any maturing indebtedness, that such refinancing would be on terms as favorable as the terms of the maturing indebtedness or that we will be able to otherwise obtain funds by selling assets or raising equity to make required payments on maturing indebtedness. In particular, loans obtained to fund property acquisitions may be secured by mortgages or deeds in trust on such properties. If we are unable to make our debt service payments as required, a lender could foreclose on the property or properties securing its debt. In addition, for U. S. federal income tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds. We may, in some circumstances, give a guaranty on behalf of an entity that owns one or more of our properties. In these cases, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages contain cross- collateralization or cross- default provisions, there is a risk that we could lose part or all of our investment in multiple properties. Each of these events could in turn cause the value of our common stock and distributions payable to stockholders to be reduced. Any mortgage debt which we place on properties may prohibit prepayment and / or impose a prepayment penalty upon the sale of a mortgaged property. If a lender invokes these prohibitions or penalties upon the sale of a property or prepayment of a mortgage on a property, the cost to us to sell the property could increase substantially. This could decrease the proceeds from a sale or refinancing or make the sale or refinancing impractical, which may lead to a reduction in our income, reduce our cash flows and adversely impact our ability to make distributions to stockholders. We may also finance our property acquisitions using interest- only mortgage indebtedness. During the interest- only period, the amount of each scheduled payment will be less than that of a traditional amortizing mortgage loan. The principal balance of the mortgage loan will not be reduced (except in the case of prepayments) because there are no scheduled monthly payments of principal during this period. After the interest- only period, we will be required either to make scheduled payments of amortized principal and interest or to make a lump- sum or " balloon " payment at maturity. These required principal or balloon payments will increase the amount of our scheduled payments and may increase our risk of default under the related mortgage loan. If the mortgage loan has an adjustable interest rate, the amount of our scheduled payments also may increase at a time of rising interest rates. Increased payments and substantial principal or balloon maturity payments will reduce the funds available for distribution to our stockholders because cash otherwise available for distribution will be required to pay principal and interest associated with these mortgage loans. Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders. In providing financing to us, a lender may impose restrictions on us that would affect our ability to incur additional debt, make certain investments, reduce liquidity below certain levels, make distributions to our stockholders and otherwise affect our distribution and operating policies. Our unsecured credit facility and unsecured term loans include restrictions and requirements relating to the incurrence of debt, permitted investments, maximum level of distributions, maintenance of insurance, mergers and sales of assets and transactions with affiliates. We expect that any other loan agreements we enter into will contain similar covenants and may also impose other restrictions and limitations. Any such covenants, restrictions or limitations may limit our ability to make distributions to you and could make it difficult for us to satisfy the requirements necessary to maintain our qualification as a REIT for U. S. federal income tax purposes. Lenders may be able to recover against our other properties under our mortgage loans. In financing our property acquisitions, we may seek to obtain secured nonrecourse loans. However, only recourse financing may be available, in which event, in addition to the property securing the loan, the lender would have the ability to look to our other assets for satisfaction of the debt if the proceeds from the sale or other disposition of the property securing the loan are insufficient to fully repay it. Also, in order to facilitate the sale of a property, we may allow the buyer to purchase the property subject to an existing loan whereby we remain responsible for certain liabilities associated with the debt. If we are required to make payments under any " bad boy " carve- out guaranties that we may provide in connection with certain mortgages and related loans, our business and financial results could be materially adversely affected. In obtaining certain nonrecourse loans, we may provide standard carve- out guaranties. These guaranties are only applicable if and when the borrower directly, or indirectly through agreement with an affiliate, joint venture partner or other third party, voluntarily files a bankruptcy or similar liquidation or reorganization action or takes other actions that are fraudulent or improper (commonly referred to as " bad boy " guaranties). Although we believe that " bad boy " carve- out guaranties are not guaranties of payment in the event of foreclosure or other actions of the foreclosing lender that are beyond the borrower' s control, some lenders in the real estate industry have recently sought to make claims for payment under such guaranties. In the event such a claim were made against us under a " bad boy " carve- out guaranty following foreclosure on mortgages or related loan, and such claim were successful, our business and financial results could be materially adversely affected. Our variable rate indebtedness subjects us to interest rate risk, and interest rate hedges that we may obtain may be costly and ineffective. As of December 31, ~~2022~~ **2023** , $ ~~815~~ **835** . ~~5~~ **1** million of our $ 2, ~~586~~ **515** . ~~4~~ **7** million of total outstanding consolidated indebtedness bore interest at variable rates. If interest rates were to increase, our debt service obligations on the variable rate consolidated indebtedness would increase even though the amount borrowed would remain the same, and our net income and cash flows would correspondingly decrease. In order to partially mitigate our exposure to increases in interest rates, we have entered into interest rate swaps and collars on $ ~~550~~ **750** . 0 million of our variable rate debt, which involve the exchange of variable for fixed rate interest payments. Taking into account our current interest rate swap and collar agreements, a 100- basis point increase in interest rates would result in a $ ~~2~~ **0** . ~~7~~ **9** million increase in annual interest expense. See Item 7. " Management' s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Interest Rate Risk and Sensitivity. " To the extent that we use derivative financial instruments to hedge our exposure to variable rate consolidated indebtedness, we may be exposed to credit, basis and legal enforceability risks. Derivative financial instruments may include interest rate swap contracts, interest rate cap or floor contracts, futures or forward contracts, options or repurchase agreements. In this context, credit risk is the failure of the counterparty to perform under the terms of the derivative contract. If the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. Basis risk occurs when the index upon which the contract is based is more or less variable than the index upon which the hedged asset or liability is based, thereby making the hedge less effective. Finally, legal enforceability risks encompass general contractual risks, including the risk that the counterparty will breach the terms of, or fail to perform its obligations under, the derivative contract. Moreover, hedging strategies involve transaction and other costs. If we are unable to manage these risks and costs effectively, our results of operations, financial condition and ability to make distributions may be adversely affected. Some of our outstanding mortgage indebtedness contains, and we may in the future acquire or finance properties with, lock- out provisions, which may prohibit us from selling a property, or may require us to maintain specified debt levels for a period of years on some properties. A lock- out provision is a provision that prohibits the prepayment of a loan during a specified period of time. Lock- out provisions may include terms that provide strong financial disincentives for borrowers to prepay their outstanding loan balance and exist in order to protect the yield expectations of lenders. Some of our outstanding mortgage indebtedness is, and we expect that many of our properties will be, subject to lock- out provisions. Lock- out provisions could materially restrict us from selling or otherwise disposing of or refinancing properties when we may desire to do so. Lock- out provisions may prohibit us from reducing the outstanding indebtedness with respect to any properties, refinancing such indebtedness on a non- recourse basis at maturity, or increasing the amount of indebtedness with respect to such properties. Lock- out provisions could impair our ability to take other actions during the lock- out period that could be in the best interests of our stockholders and, therefore, may have an adverse impact on the value of our shares relative to the value that would result if the lock- out provisions did not exist. In particular, lock- out provisions could preclude us from participating in major transactions that could result in a disposition of our assets or a change in control even though that disposition or change in control might be in the best interests of our stockholders. Complying with REIT requirements may limit our ability to hedge risk effectively. The REIT provisions of the Code may limit our ability to hedge the risks inherent to our operations. Any income or gain derived by us from transactions that hedge certain risks, such as the risk of changes in interest rates, will not be treated as gross income for purposes of either the 75 % or the 95 % Gross Income Test, as defined in Exhibit 99. 1 " Material U. S. Federal Income Tax Considerations " of this report, provided specific requirements are met. Such requirements include that the hedging transaction be properly identified within prescribed time periods and that the transaction either (i) hedges risks associated with indebtedness issued by us that is incurred to acquire or carry real estate assets or (ii) manages the risks of currency fluctuations with respect to income or gain that qualifies under the 75 % or 95 % Gross Income Test (or assets that generate such income). To the extent that we do not properly identify such transactions as hedges, hedge with other types of financial instruments, or hedge other types of indebtedness, the income from those transactions will not be treated as qualifying income for purposes of the 75 % and 95 % Gross Income Tests. As a result of these rules, we may have to limit the use of hedging techniques that might otherwise be advantageous, which could result in greater risks associated with interest rate or other changes than we would otherwise incur. There is refinancing risk associated with our debt. We expect that we will incur additional indebtedness in the future. Certain of our outstanding debt contains, and we may in the future acquire or finance properties with debt containing, limited or no principal amortization, which would require that the principal be repaid at the maturity of the loan in a so- called " balloon payment. " As of December 31, ~~2022~~ **2023** , the financing arrangements of our outstanding indebtedness could require us to make lump- sum or " balloon " payments of approximately $ 2, ~~454~~ **401** . 6 million at maturity dates that range from 2024 to 2030. At the maturity of these loans, assuming we do not have sufficient funds to repay the debt, we will need to refinance the debt. If the credit environment is constrained at the time of our debt maturities, we would have a very difficult time refinancing debt. In addition, for certain loans, we locked in our fixed- rate debt at a point in time when we were able to obtain favorable interest rate, principal payments and other terms. When we refinance our debt, prevailing interest rates and other factors may result in us paying a greater amount of debt service, which will adversely affect our cash flow and our ability to make distributions to our stockholders. If we are unable to refinance our debt on acceptable terms, we may be forced to choose from a number of unfavorable options, including agreeing to otherwise unfavorable financing terms on one or more of our unencumbered assets, selling one or more properties at disadvantageous terms, including unattractive prices, or defaulting on the mortgage and permitting the lender to foreclose. Any one of these options could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our stockholders. High mortgage rates and / or unavailability of mortgage debt may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our net income and the amount of cash distributions we can make. If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we may be unable to refinance the properties when the loans become due, or to refinance on favorable terms. If interest rates are higher when we refinance our properties, our income could be reduced. If any of these events occur, our cash flow could be reduced. This, in turn, could reduce cash available for distribution to our security holders and may hinder our ability to raise more capital by issuing more stock or by borrowing more money. Some of our mortgage loans may have " due on sale " provisions, which may impact the manner in which we acquire, sell and / or finance our properties. In purchasing properties subject to financing, we may obtain financing with " due- on- sale " and / or " due- on- encumbrance " clauses. Due- on- sale clauses in mortgages allow a mortgage lender to demand full repayment of the mortgage loan if the borrower sells the mortgaged property. Similarly, due- on- encumbrance clauses allow a mortgage lender to demand full repayment if the borrower uses the real estate securing the mortgage loan as security for another loan. In such event, we may be required to sell our properties on an all- cash basis, to acquire new financing in connection with the sale, or to provide seller financing which may make it more difficult to sell the property or reduce the selling price. ~~LIBOR has been the subject of regulatory guidance and proposals for reform. The Financial Conduct Authority (" FCA ") that regulates LIBOR intends to stop compelling banks to submit rates for the calculation of LIBOR at some point in the future. As a result, a committee formed by the Federal Reserve Board and the Federal Reserve Bank of New York identified the Secured Overnight Financing Rate (" SOFR ") as its preferred alternative to LIBOR in financial contracts. We are not able to predict at this time when LIBOR will cease to be available or when there will be sufficient liquidity in the SOFR markets.~~ The credit agreement governing our unsecured revolving credit facility and unsecured term loans (the " Unsecured Credit Agreement ") ~~provides~~ **provided** that on July 1, 2023 or ~~potentially~~ earlier, the benchmark for our ~~LIBOR based debt will be determined using SOFR, unless SOFR is unavailable. In connection with the transition to an alternate benchmark rate, our lenders retain the right to make certain changes to our LIBOR based debt including changes affecting technical, administrative or operational matters necessary for the implementation of the alternate rate of interest. Uncertainty as to the extent and manner of future changes in the alternate rate of interest or changes related to the implementation of such alternate rate of interest may result in interest rates and / or payments that are higher than, lower than or that do not otherwise correlate over time with the interest rates and / or payments that would have been made on our obligations if LIBOR rate was available in its current form. Further, the same costs and risks that may lead to the unavailability of U. S. dollar LIBOR may make one or more of the alternative methods impossible or impracticable to determine. Any of these proposals or consequences could have a material adverse effect on our financing costs, and consequently, on our financial condition, operating results and cash flows. On July 25, 2022, we restructured our Revolving Credit Facility to provide for interest to be based on the secured overnight financing rate (" SOFR ") rather than the~~ London Interbank Offer Rate (~~"~~ **"** LIBOR ~~"~~ **"**) **based debt would be determined using the Secured Overnight Financing Rate (" SOFR"), unless SOFR was unavailable. On July 25, 2022, we restructured our Revolving Credit Facility to provide for interest to be based on SOFR rather than LIBOR** . As of December 31, ~~2022~~ **2023** , we had $ ~~766~~ **834** . ~~0~~ **5** million of such unsecured debt and interest rate swaps and collars with an aggregate notional value of $ ~~550~~ **750** . 0 million outstanding that were indexed to SOFR. In addition, we had $ ~~334~~ **265** . ~~0~~ **5** million of available liquidity under our Revolving Credit Facility that would be indexed to SOFR upon borrowing. The publication of SOFR began in April 2018, and, therefore, it has a limited history. In addition, the future performance of SOFR cannot be predicted based on the limited historical performance. Future levels of SOFR may bear little or no relation to the historical actual or historical indicative SOFR data. Prior observed patterns, if any, in the behavior of market variables and their relation to SOFR, such as correlations, may change in the future. While some pre- publication historical data has been released by the Federal Reserve Bank of New York (" FRBNY "), production of such historical indicative SOFR data inherently involves assumptions, estimates and approximations. No future performance of SOFR may be inferred from any of the historical actual or historical indicative SOFR data. Hypothetical or historical performance data are not indicative of, and have no bearing on, the potential performance of SOFR. Since the initial publication of SOFR, daily changes in the rate have, on occasion, been more volatile than daily changes in other benchmark or market rates, such as USD LIBOR, during corresponding periods. In addition, although changes in term SOFR and compounded SOFR generally are not expected to be as volatile as changes in SOFR on a daily basis, the return on, value of and market for the SOFR notes may fluctuate more than floating rate debt securities with interest rates based on less volatile rates. We are subject to significant regulations, which could adversely affect our results of operations through increased costs and / or an inability to pursue business opportunities. Local zoning and land use laws, environmental statutes and other governmental requirements may restrict or increase the costs of our development, expansion, renovation and reconstruction activities and thus may prevent or delay us from taking advantage of business opportunities. Failure to comply with these requirements could result in the imposition of fines, awards to private litigants of damages against us, substantial litigation costs and substantial costs of remediation or compliance. In addition, we cannot predict what requirements may be enacted in the future or that such requirements will not increase our costs of regulatory compliance or prohibit us from pursuing business opportunities that could be profitable to us, which could adversely affect our results of operations. The costs of compliance with environmental laws and regulations may adversely affect our net income and the cash available for any distributions. All real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Examples of federal laws include: the National Environmental Policy Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, the Federal Water Pollution Control Act, the Federal Clean Air Act, the Toxic Substances Control Act, the Emergency Planning and Community Right to Know Act and the Hazard Communication Act. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials, and the remediation of contamination associated with disposals. Some of these laws and regulations may impose joint and several liability on residents, owners or operators for the costs of investigation or remediation of contaminated properties, regardless of fault or the legality of the original disposal. Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the cost of removal or remediation of hazardous or toxic substances on, under or in such property. The costs of removal or remediation could be substantial. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of the hazardous or toxic substances. In addition, the presence of these substances, or the failure to properly remediate these substances, may adversely affect our ability to sell or rent the property or to use the property as collateral for future borrowing. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures. Environmental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles govern the presence, maintenance, removal and disposal of certain building materials, including asbestos and lead- based paint. Such hazardous substances could be released into the air and third parties may seek recovery from owners or operators of real properties for personal injury or property damage associated with exposure to released hazardous substances. In addition, if any property in our portfolio is not properly connected to a water or sewer system, or if the integrity of such systems is breached, microbial matter or other contamination can develop. If this were to occur, we could incur significant remedial costs and we may also be subject to private damage claims and awards, which could be material. If we become subject to claims in this regard, it could materially and adversely affect us. Property values may also be affected by the proximity of such properties to electric transmission lines. Electric transmission lines are one of many sources of electro- magnetic fields (“ EMFs ”), to which people may be exposed. Research completed regarding potential health concerns associated with exposure to EMFs has produced inconclusive results. Notwithstanding the lack of conclusive scientific evidence, some states now regulate the strength of electric and magnetic fields emanating from electric transmission lines and other states have required transmission facilities to measure for levels of EMFs. On occasion, lawsuits have been filed (primarily against electric utilities) that allege personal injuries from exposure to transmission lines and EMFs, as well as from fear of adverse health effects due to such exposure. This fear of adverse health effects from transmission lines may be considered both when property values are determined to obtain financing and in condemnation proceedings. We may not, in certain circumstances, search for electric transmission lines near our properties, but are aware of the potential exposure to damage claims by persons exposed to EMFs. The cost of defending against such claims of liability, of compliance with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could materially adversely affect our business, assets or results of operations and, consequently, amounts available for distribution to our stockholders. We cannot provide any assurance properties which we acquire will not have any material environmental conditions, liabilities or compliance concerns. Accordingly, we have no way of determining at this time the magnitude of any potential liability to which we may be subject arising out of environmental conditions or violations with respect to the properties we own. Costs associated with addressing indoor air quality issues, moisture infiltration and resulting mold remediation may be costly. As a general matter, concern about indoor exposure to mold or other air contaminants has been increasing as such exposure has been alleged to have a variety of adverse effects on health. As a result, there have been a number of lawsuits in our industry against owners and managers of multifamily communities relating to indoor air quality, moisture infiltration and resulting mold. Some of our properties may contain microbial matter such as mold and mildew. The terms of our property and general liability policies generally exclude certain mold- related claims. Should an uninsured loss arise against us, we would be required to use our funds to resolve the issue, including litigation costs. We can offer no assurance that liabilities resulting from indoor air quality, moisture infiltration and the presence of or exposure to mold will not have a future impact on our business, results of operations and financial condition. Our costs associated with and the risk of failing to comply with the Americans with Disabilities Act may affect our net income. We generally expect that our properties will be subject to the Americans with Disabilities Act of 1990, as amended (the “ Disabilities Act ”). Under the Disabilities Act, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. The Disabilities Act has separate compliance requirements for “ public accommodations ” and “ commercial facilities ” that generally require that buildings and services be made accessible and available to people with disabilities. The Disabilities Act does not, however, consider residential properties, such as multifamily properties, to be public accommodations or commercial facilities, except to the extent portions of such facilities, such as a leasing office, are open to the public. The Disabilities Act’ s requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties or, in some cases, an award of damages. We will attempt to acquire properties that comply with the Disabilities Act or place the burden on the seller or a third party to ensure compliance with such laws. However, we cannot assure you that we will be able to acquire properties or allocate responsibilities in this manner. If we cannot, costs in complying with these laws may adversely affect our results of operations, financial condition and ability to make distributions to our stockholders. We must comply with the Fair Housing Amendments Act of 1988 (the “ FHAA ”), and failure to comply could result in substantial costs. We must comply with the FHAA, which requires that apartment properties first occupied after March 13, 1991 be accessible to handicapped residents and visitors. As with the Disabilities Act, compliance with the FHAA could require removal of structural barriers to handicapped access in a community, including the interiors of apartment units covered under the FHAA. ~~Recently there~~ **There** has been heightened scrutiny of apartment housing properties for compliance with the requirements of the FHAA and the Disabilities Act and an increasing number of substantial enforcement actions and private lawsuits have been brought against apartment communities to ensure compliance with these requirements. Noncompliance with the FHAA could result in the imposition of fines, awards of damages to private litigants, payment of attorneys' fees and other costs to plaintiffs, substantial litigation costs and substantial costs of remediation. The adoption of, or changes to, rent control, rent stabilization, eviction, tenants' rights and similar laws and regulations in our markets could have an adverse effect on our results of operations and property values. Various state and local governments have enacted and may continue to enact rent control, rent stabilization, or limitations, and similar laws and regulations that could limit our ability to raise rents or charge certain fees, including laws or court orders, either of which could have a retroactive effect. We have seen a recent increase in governments enacting or considering, or being urged to consider, such laws and regulations. Federal, state and local governments or courts also have made, and may make in the future, changes to laws related to allowable fees and rents, eviction, resident screening and other tenants' rights laws and regulations (including changes in response to the COVID- 19 pandemic and other changes that apply retroactively) that could adversely impact our results of operations and the value of our properties. Laws and regulations regarding rent control, rent stabilization, eviction, resident screening, tenants' rights, and similar matters, as well as any lawsuits against us arising from such laws and regulations, may limit our ability to charge market rents, limit our ability to increase rents, evict delinquent tenants or change fees, or recover increases in our operating expenses, which could have an adverse effect on our results of operations and the value of our properties. Legislative, regulatory or administrative changes could be enacted or promulgated at any time, either prospectively or with retroactive effect, and may adversely affect us and / or our stockholders. We cannot predict if or when any new federal income tax law, regulation or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective or whether any such law, regulation or interpretation may take effect retroactively. We and our shareholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative interpretation. We urge you to consult with your own tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in shares of our common stock. Dividends paid by REITs do not qualify for the reduced tax rates provided under current law. Dividends paid by REITs are generally not eligible for the **20** ~~reduced 15~~ % maximum tax rate ~~for~~ **that applies to qualified** ~~dividends~~ - **dividend** ~~paid to~~ **income of** individuals ~~(20 % for those with taxable income above certain thresholds that are adjusted annually under current law)~~ . The more favorable rates applicable to **qualified** ~~regular corporate dividends~~ - **dividend income** could cause stockholders who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stock of non- REIT corporations that pay dividends to which more favorable rates apply, which could reduce the value of the stocks of REITs. However, under the Tax Cuts and Jobs Act (the " TCJA "), ~~regular~~ **for taxable years beginning prior to January 1, 2026, ordinary income** dividends from REITs are treated as income from a pass- through entity and are eligible for a 20 % deduction. As a result, **until the end of 2025,** our ~~regular~~ **ordinary income** dividends will be taxed at 80 % of an individual' s marginal tax rate. The current maximum rate for individuals is 37 %, resulting in a maximum tax rate of 29. 6 % on our dividends **after application of the 20 % deduction** . Dividends from REITs as well as regular corporate dividends will also be subject to a 3. 8 % Medicare surtax for taxpayers with modified adjusted gross income above $ 200, 000 (if single) or $ 250, 000 (if married and filing jointly). We may decide to borrow funds to satisfy our REIT minimum distribution requirements, which could adversely affect our overall financial performance. We may decide to borrow funds in order to meet the REIT minimum distribution requirements even if our management believes that the then prevailing market conditions generally are not favorable for such borrowings or that such borrowings would not be advisable in the absence of such tax considerations. If we borrow money to meet the REIT minimum distribution requirements or for other working capital needs, our expenses will increase, our net income will be reduced by the amount of interest we pay on the money we borrow and we will be obligated to repay the money we borrow from future earnings or by selling assets, any or all of which may decrease future distributions to stockholders. If we fail to maintain our qualification as a REIT, we will be subject to tax on our income, and the amount of distributions we make to our stockholders will be less. We intend to maintain our qualification as a REIT under the Code. A REIT generally is not taxed at the corporate level on income and gains that it distributes to its stockholders on a timely basis. We do not intend to request a ruling from the Internal Revenue Service (the " IRS "), as to our REIT status. Qualification as a REIT involves the application of highly technical and complex rules for which there are only limited judicial or administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to continue to qualify as a REIT. In addition, new legislation, regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to qualification as a REIT or the U. S. federal income tax consequences of such qualification, including changes with retroactive effect. If we fail to qualify as a REIT in any taxable year: • we would not be allowed to deduct our distributions to our stockholders when computing our taxable income; • we would be subject to U. S. federal income tax (including any applicable alternative minimum tax in tax years beginning before January 1, 2018) on our taxable income at regular corporate rates; • **for tax years beginning after December 31, 2022, we would possibly also be subject to certain taxes enacted by the Inflation Reduction Act of 2022 that are applicable to non- REIT corporations such as the nondeductible one percent excise tax on certain stock repurchases; •** we generally would be disqualified from being taxed as a REIT for the four taxable years following the year during which qualification was lost, unless entitled to relief under certain statutory provisions; • we would have less cash to make distributions to our stockholders; and • we might be required to borrow additional funds or sell some of our assets in order to pay corporate tax obligations we may incur as a result of our disqualification. Although our organization and current and proposed method of operation is intended to enable us to maintain our qualification to be taxed as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause our board of directors to revoke our REIT election. Even if we maintain our qualification to be taxed as a REIT, we expect to incur some taxes, such as state and local taxes, taxes imposed on certain subsidiaries and potential U. S. federal excise taxes. We encourage you to read Exhibit 99. 1- " Material U. S. Federal Income Tax Considerations " to this report for further discussion of the tax issues related to an investment in us. Our Charter provides that our Board of Directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to maintain our qualification as a REIT. If we cease to maintain our qualification as a REIT, we would become subject to U. S. federal income tax on our taxable income without the benefit of the dividends paid deduction and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on the total return to our stockholders. To maintain our qualification as a REIT, we must meet annual distribution requirements, which may result in our distributing amounts that may otherwise be used for our operations. To obtain the favorable tax treatment accorded to REITs, we generally are required each year to distribute to our stockholders at least 90 % of our REIT taxable income (excluding net capital gain), determined without regard to the deduction for distributions paid. We are subject to U. S. federal income tax on our undistributed taxable income and net capital gain and to a 4 % nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (i) 85 % of our ordinary income, (ii) 95 % of our capital gain net income and (iii) 100 % of our undistributed income from prior years. These requirements could cause us to distribute amounts that otherwise would be spent on investments in real estate assets, and it is possible that we might be required to borrow funds, possibly at unfavorable rates, or sell assets to fund these distributions. Although we intend to make distributions sufficient to meet the annual distribution requirements and to avoid U. S. federal income and excise taxes on our earnings, it is possible that we might not always be able to do so. Complying with REIT requirements may cause us to forgo otherwise attractive opportunities. To maintain our qualification as a REIT, we must continually satisfy various tests regarding sources of income, nature and diversification of assets, amounts distributed to stockholders and the ownership of shares of our capital stock. In order to satisfy these tests, we may be required to forgo investments that might otherwise be made. We may be required to make distributions to stockholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Accordingly, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits and adversely affect the trading price of our common stock. In particular, at least 75 % of our total assets at the end of each calendar quarter must consist of real estate assets, government securities, and cash or cash items. For this purpose, " real estate assets " generally include interests in real property, such as land, buildings, leasehold interests in real property, stock of other entities that qualify as REITs, interests in mortgage loans secured by real property, investments in stock or debt instruments during the one- year period following the receipt of new capital and regular or residual interests in a real estate mortgage investment conduit. In addition, the amount of securities of a single issuer that we hold, other than securities qualifying under the 75 % asset test and certain other securities, must generally not exceed either 5 % of the value of our gross assets or 10 % of the vote or value of such issuer' s outstanding securities. A REIT' s net income from prohibited transactions is subject to a 100 % penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held in inventory or primarily for sale to customers in the ordinary course of business. It may be possible to reduce the impact of the prohibited transaction tax and the holding of assets not qualifying as real estate assets for purposes of the REIT asset tests by conducting certain activities, or holding non- qualifying REIT assets through a taxable REIT subsidiary (a " TRS "), subject to certain limitations as described below. To the extent that we engage in such activities through a TRS, the income associated with such activities will be subject to full U. S. federal corporate income tax. Our ability to dispose of property is restricted to a substantial extent as a result of our REIT status. Under applicable provisions of the Code regarding prohibited transactions by REITs, we will be subject to a 100 % tax on any gain recognized on the sale or other disposition of any property (other than foreclosure property) that we own, directly or through any subsidiary entity, including IROP, but excluding a TRS, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of trade or business. Whether property is inventory or otherwise held primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances surrounding each property. No assurance can be given that any particular property we own, directly or through any subsidiary entity, including IROP, but excluding a " TRS ", will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business **. The use of TRSs would increase our overall tax liability** . Some of our assets may need to be owned or sold, or some of our operations may need to be conducted by TRSs. We do not currently have significant operations through a TRS but may in the future. A TRS will be subject to U. S. federal and state income tax on its taxable income. The after- tax net income of a TRS would be available for distribution to us. Further, we will incur a 100 % excise tax on transactions with a TRS that are not conducted on an arm' s- length basis. For example, to the extent that the rent paid by a TRS exceeds an arm' s- length rental amount, such amount is potentially subject to the excise tax. We intend that all transactions between us and any TRS we form will be conducted on an arm' s- length basis, and, therefore, any amounts paid **to us** by any TRS we form to us will not be subject to the excise tax. However, no assurance can be given that no excise tax would arise from such transactions. We intend to maintain the status of IROP as a partnership or disregarded entity for U. S. federal income tax purposes. However, if the IRS were to successfully challenge the status of IROP as a partnership or disregarded entity for such purposes, it would be taxable as a corporation. In such event, this would reduce the amount of distributions that IROP could make to us. This would also result in our losing REIT status, and becoming subject to a corporate level tax on our own income. This would substantially reduce our cash available to pay distributions and the yield on any investment in our securities. In addition, if any of the partnerships or limited liability companies through which IROP owns its properties, in whole or in part, loses its characterization as a partnership for U. S. federal income tax purposes, it would be subject to taxation as a corporation, thereby reducing distributions to IROP. Such a recharacterization of an underlying property owner could also threaten our ability to maintain REIT status. Neither ordinary nor capital gain distributions with respect to our common stock nor gain from the sale of stock should generally constitute UBTI to a tax- exempt investor. However, there are certain exceptions to this rule, including: • under certain circumstances, part of the income and gain recognized by certain qualified employee pension trusts with respect to our stock may be treated as UBTI if our stock is predominately held by qualified employee pension trusts, such that we are a " pension- held " REIT (which we do not expect to be the case); • part of the income and gain recognized by a tax- exempt investor with respect to our stock would constitute UBTI if such investor incurs debt in order to acquire our common stock; and • part or all of the income or gain recognized with respect to our stock held by social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans which are exempt from U. S. federal income taxation under Sections 501 (c) (7), (9), (17) or (20) of the Code may be treated as UBTI. We encourage you to consult your own tax advisor to determine the tax consequences applicable to you if you are a tax- exempt investor. In general, foreign investors will be subject to regular U. S. federal income tax with respect to their investment in our stock if the income derived therefrom is " effectively connected " with the foreign investor' s conduct of a trade or business in the United States. A distribution to a foreign investor that is not attributable to gain realized by us from the sale or exchange of a " U. S. real property interest " within the meaning of the Foreign Investment in Real Property Tax Act of 1980, as amended, " FIRPTA " will be treated as an ordinary income distribution to the extent that it is made out of current or accumulated earnings and profits (as determined for U. S. federal income tax purposes). Generally, any ordinary income distribution will be subject to a U. S. withholding tax equal to 30 % of the gross amount of the distribution, unless this tax is reduced by the provisions of an applicable treaty. Foreign investors may be subject to FIRPTA tax upon the sale of their shares of our stock. A foreign investor disposing of a U. S. real property interest, including shares of stock of a U. S. corporation whose assets consist principally of U. S. real property interests, is generally subject to FIRPTA tax on the gain recognized on the disposition. Such FIRPTA tax does not apply, however, to the disposition of stock in a REIT if the REIT is " domestically controlled. " A REIT is " domestically controlled " if less than 50 % of the REIT' s stock, by value, has been owned directly or indirectly by persons who are not U. S. persons during a continuous five-year period ending on the date of disposition or, if shorter, during the entire period of the REIT' s existence. While we intend to qualify as " domestically controlled, " we cannot assure you that we will. If we were to fail to so qualify, gain realized by foreign investors on a sale of shares of our stock would be subject to FIRPTA tax, unless the shares of our stock were traded on an established securities market and the foreign investor did not at any time during a specified testing period directly or indirectly own more than 10 % of the value of our outstanding common stock. Foreign investors may be subject to FIRPTA tax upon a capital gain dividend. A foreign investor may be subject to FIRPTA tax upon the payment of any capital gain dividend by us if such dividend is attributable to gain from sales or exchanges of U. S. real property interests, unless the shares of our stock were traded on an established securities market and the foreign investor did not at any time during a specified testing period directly or indirectly own more than 10 % of the value of our outstanding common stock. We encourage you to consult your own tax advisor to determine the tax consequences applicable to you if you are a foreign investor. We may make distributions that are paid in cash and stock at the election of each stockholder and may distribute other forms of taxable stock dividends. Taxable stockholders receiving such distributions will be required to include the full amount of the distributions as ordinary income to the extent of our current and accumulated earnings and profits for U. S. federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such distributions in excess of the cash received. If a stockholder sells the stock that it receives in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, in the case of certain non- U. S. stockholders, we may be required to withhold federal income tax with respect to taxable dividends, including taxable dividends that are paid in stock. In addition, if a significant number of our stockholders decide to sell their shares in order to pay taxes owed with respect to taxable stock dividends, it may put downward pressure on the trading price of our stock. Our stockholders may be restricted from acquiring or transferring certain amounts of our common stock. Certain provisions of the Code and the stock ownership limits in our Charter may inhibit market activity in our capital stock and restrict our business combination opportunities. In order to maintain our qualification as a REIT, five or fewer individuals, as defined in the Code, may not own, beneficially or constructively, more than 50 % in value of our issued and outstanding stock at any time during the last half of a taxable year. Attribution rules in the Code determine if any individual or entity beneficially or constructively owns our capital stock under this requirement. Additionally, at least 100 persons must beneficially own our capital stock during at least 335 days of a taxable year. To help ensure that we meet these tests, our Charter restricts the acquisition and ownership of shares of our stock. Our Charter, with certain exceptions, authorizes our Board of Directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our Board of Directors, our Charter prohibits any person from beneficially or constructively owning more than 9. 8 % in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or capital stock. Our Board of Directors may not grant an exemption from these restrictions to any proposed transferee whose ownership in excess of ownership limits would result in our failing to maintain our qualification as a REIT. These restrictions on transferability and ownership will not apply, however, if our Board of Directors determines that it is no longer in our best interest to continue to maintain our qualification as a REIT. The Maryland General Corporation Law prohibits certain business combinations, which may make it more difficult for us to be acquired. Under the Maryland General Corporation Law, " business combinations " between a Maryland corporation and an " interested stockholder " or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder became an interested stockholder. These business combinations include a merger, consolidation, share exchange, or in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as (i) any person who beneficially owns 10 % or more of the voting power of the then outstanding voting stock of the corporation; or (ii) an affiliate or associate of the corporation who, at any time within the two- year period prior to the date in question, was the beneficial owner of 10 % or more of the voting power of the then outstanding stock of the corporation. A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board. After the expiration of the five- year period described above, any business combination between the Maryland corporation and an interested stockholder must generally be recommended by the board of directors of the corporation and approved by the affirmative vote of at least: • 80 % of the votes entitled to be cast by holders of the then outstanding shares of voting stock of the corporation; and • two- thirds of the votes entitled to be cast by holders of voting stock of the corporation, other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected, or held by an affiliate or associate of the interested stockholder. These super-majority vote requirements do not apply if the corporation' s common stockholders receive a minimum price, as defined under the Maryland General Corporation Law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares. The Maryland General Corporation Law also permits various exemptions from these provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our board of directors has by resolution exempted business combinations between us and any other person from these provisions of the Maryland General Corporation Law, provided that the business combination is first approved by our board of directors and, consequently, the five year prohibition and the supermajority vote requirements will not apply to such business combinations. As a result, any person approved by our board of directors will be able to enter into business combinations with us that may not be in the best interests of our stockholders without compliance by us with the supermajority vote requirements and other provisions of the statute. This resolution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed, or our board of directors does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer. Our board of directors determines our major policies, including those regarding our investment objectives and strategies, financing, growth, debt capitalization, REIT qualification and distributions. Our board of directors may amend or revise these and other policies without a vote of the stockholders. Under our Charter, and bylaws and the Maryland General Corporation Law, our stockholders generally have a right to vote only on the following matters: • the election or removal of directors; • certain mergers, consolidations, statutory share exchanges and transfers of assets; • our dissolution; • adoption, amendment, alteration or repeal of provisions in our bylaws; • the amendment of our charter, except that our board of directors may amend our charter without stockholder approval to: • change our name; • change the name or other designation or the par value of any class or series of stock and the aggregate par value of our stock; • increase or decrease the aggregate number of our authorized shares; • increase or decrease the number of our shares of any class or series of stock that we have the authority to issue; and • effect certain reverse stock splits. All other matters are subject to the discretion of our board of directors. Our Charter authorizes us to issue additional authorized but unissued shares of common or preferred stock. In addition, our board of directors may, without stockholder approval, amend our Charter from time to time to increase or decrease the aggregate number of shares of our stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued shares of common or preferred stock into other classes or series of stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board of directors may establish a series of common or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders. Because of our holding company structure, we depend on our operating partnership, IROP, and its subsidiaries for cash flow; however, we will be structurally subordinated in right of payment to the obligations of IROP and its subsidiaries. We are a holding company with no business operations of our own. Our only significant asset is and will be the partnership interests in IROP. We conduct, and intend to continue to conduct, all of our business operations through IROP. Accordingly, our only source of cash to pay our obligations is distributions from IROP and its subsidiaries of their net earnings and cash flows. We cannot assure you that IROP or its subsidiaries will be able to, or be permitted to, make distributions to us that will enable us to make distributions to our stockholders from cash flows from operations. Each of IROP' s subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from such entities. In addition, because we are a holding company, your claims as stockholders will be structurally subordinated to all existing and future liabilities and obligations of IROP and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of IROP and its subsidiaries will be able to satisfy your claims as stockholders only after all of our and IROP' s and its subsidiaries' liabilities and obligations have been paid in full. Our rights and the rights of our stockholders to recover on claims against our directors are limited, which could reduce your and our recovery against them if they negligently cause us to incur losses. The Maryland General Corporation Law provides that a director has no liability in such capacity if he **or she** performs his **or her** duties in good faith, in a manner he **or she** reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our directors and officers will not be liable to us or our stockholders for monetary damages unless the director or officer actually received an improper benefit or profit in money, property or services, or is adjudged to be liable to us or our stockholders based on a finding that his or her action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. We will indemnify and advance expenses to our directors and officers to the maximum extent permitted by the Maryland General Corporation Law and we are permitted to purchase and maintain insurance or provide similar protection on behalf of any directors, officers, employees and agents, against any liability asserted which was incurred in any such capacity with us or arising out of such status. Our bylaws designate the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders and provide that claims relating to causes of action under the Securities Act may only be brought in federal district courts, which could limit stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees and could discourage lawsuits against us and our directors, officers and employees. Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, will be the sole and exclusive forum for (a) any Internal Corporate Claim, as such term is defined in Section 1- 101 (p) of the Maryland General Corporation Law, or any successor provision thereof, (b) any derivative action or proceeding brought on our behalf, (c) any action asserting a claim of breach of any duty owed by any of our directors or officers or other employees to us or to our stockholders, (d) any action asserting a claim against us or any of our directors or officers or other employees arising pursuant to any provision of the Maryland General Corporation Law or our charter or bylaws, or (e) any other action asserting a claim against us or any of our directors or officers or other employees that is governed by the internal affairs doctrine. General Risk Factors If we are unable to retain or obtain key personnel, our ability to implement our investment strategies could be hindered, which could reduce our ability to make distributions and adversely affect the trading price of our common stock. Our success depends to a significant degree upon the contributions of certain of our officers and our other personnel. If any of our key personnel were to terminate their employment with us, our operating results could suffer. Further, we do not have and do not intend to maintain key person life insurance that would provide us with proceeds in the event of death or disability of any of our key personnel. Moreover, we believe our future success depends upon our ability to hire and retain experienced managerial, operational and marketing personnel. Competition for such personnel is intense, and we cannot assure you that we will be successful in attracting and retaining such personnel or that we will not need to incur additional expense to attract and retain such personnel. If we lose or are unable to obtain the services of key personnel, our ability to implement our investment strategies could be delayed or hindered, and the trading price of our common stock may be adversely affected. We may suffer losses that are not covered by insurance. If we suffer losses that are not covered by insurance or that are in excess of our insurance coverage, we could lose invested capital and anticipated profits. We maintain comprehensive insurance for our properties, including casualty, liability, accidental death or injury to persons, fire, extended coverage, terrorism, earthquakes, hurricanes and rental loss customarily obtained for similar properties in amounts which our ~~advisor~~ **advisors** ~~determines~~ - **determine** are sufficient to cover reasonably foreseeable losses, and with policy specifications and insured limits that we believe are adequate and appropriate under the circumstances. Material losses may occur in excess of insurance proceeds with respect to any property, and there are types of losses, generally of a catastrophic nature, such as losses due to wars, pollution, environmental matters (such as snow or ice storms, windstorms, tornadoes, hurricanes, earthquakes, flooding or other severe weather) and mold, which are either uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co- payments. Moreover, we cannot predict whether all of the coverage that we currently maintain will be available to us in the future, or what the future costs or limitations on any coverage that is available to us will be. We rely on third party insurance providers for our property, general liability and worker' s compensation insurance. While there has yet to be any non- performance by these major insurance providers, should any of them experience liquidity issues or other financial distress, it could negatively impact us. In addition, we annually assess our insurance needs based on the cost of coverage and other factors. We may choose to self- insure a greater portion of these risks in the future or may choose to have higher deductibles or lesser policy terms . We may experience a decline in...... share trading price of our common stock . Changes in U. S. accounting standards may materially and adversely affect our reported results of operations. Accounting for public companies in the United States is in accordance with GAAP, which is established by the Financial Accounting Standards Board (the " FASB "), an independent body whose standards are recognized by the SEC as authoritative for publicly held companies. Uncertainties posed by various initiatives of accounting standard- setting by the FASB and the SEC, which create and interpret applicable accounting standards for U. S. companies, may change the financial accounting and reporting standards or their interpretation and application of these standards that govern the preparation of our financial statements. These changes could have a material impact on our reported financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in potentially material restatements of prior period financial statements. Our use of social media presents risks. Our use of social media could cause us to suffer brand damage or unintended information disclosure. Negative posts or communications about us on a social networking website could damage our reputation. Further, employees or others may disclose non- public information regarding us or our business or otherwise make negative comments regarding us on social networking or other websites, which could adversely affect our business and results of operations. As social media evolves we will be presented with new risks and challenges. Lawsuits or other legal proceedings could result in substantial costs. We are subject to various lawsuits and other legal proceedings and claims that arise in the ordinary course of our business operations. The defense or settlement of any lawsuit or claim may adversely affect our business, financial condition, or results of operations or result in increased insurance premiums. The percentage of ownership of any of our common stockholders may be diluted if we issue new shares of common stock. Stockholders have no rights to buy additional shares of stock if we issue new shares of stock. We may issue common stock, convertible debt or preferred stock pursuant to a public offering or a private placement, to sellers of properties we directly or indirectly acquire instead of, or in addition to, cash consideration. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Any of our common stockholders who do not participate in any future stock issuances will experience dilution in the percentage of the issued and outstanding stock they own. Sales of our common stock, or the perception that such sales will occur, may have adverse effects on our share price. We cannot predict the effect, if any, of future sales of common stock, or the availability of shares for future sales, on the market price of our common stock. Sales of substantial amounts of common stock, including shares of common stock issuable upon the exchange of units of our operating partnership, IROP, that we may issue from time to time, the sale of shares of common stock held by our current stockholders and the sale of any shares we may issue under our long- term incentive plan, or the perception that these sales could occur, may adversely affect prevailing market prices for our common stock. An increase in market interest rates may have an adverse effect on the market price of our common stock. One of the factors that investors may consider in deciding whether to buy or sell our common stock is our distribution yield, which is our distribution rate as a percentage of our share price, relative to market interest rates. If market interest rates increase, prospective investors may desire a higher distribution yield on our common stock or may seek securities paying higher dividends or interest. The market price of our common stock likely will be based primarily on the earnings that we derive from rental income with respect to our properties and our related distributions to stockholders, and not from the underlying appraised value of the properties themselves. As a result, interest rate fluctuations and capital market conditions are likely to affect the market price of our common stock, and such effects could be significant. For example, if interest rates rise without an increase in our distribution rate, the market price of our common stock could decrease because potential investors may require a higher distribution yield on our common stock as market rates on interest-bearing securities, such as bonds, rise. Some of our distributions may include a return of capital for U. S. federal income tax purposes. Some of our distributions may include a return of capital. To the extent that we decide to make distributions in excess of our current and accumulated earnings and profits, such distributions would generally be considered a return of capital for U. S. federal income tax purposes to the extent of the holder' s adjusted tax basis in its shares, and thereafter as gain on a sale or exchange of such shares. Future issuances of debt securities, which would rank senior to our common stock upon liquidation, or future issuances of preferred equity securities, may adversely affect the trading price of our common stock. In the future, we may issue debt or equity securities or incur other borrowings. Upon our liquidation, holders of our debt securities, other loans and preferred stock will receive a distribution of our available assets before common stockholders. Any preferred stock, if issued, likely will also have a preference on periodic distribution payments, which could eliminate or otherwise limit our ability to make distributions to common stockholders. Common stockholders bear the risk that our future issuances of debt or equity securities or our incurrence of other borrowings may negatively affect the trading price of our common stock. The market prices for our common stock may be volatile. The prices at which our common stock may sell in the public market may be volatile. Fluctuations in the market prices of our common stock may not be correlated in a predictable way to our performance or operating results. The prices at which our common stock trade may fluctuate as a result of factors that are beyond our control or unrelated to our performance or operating results. We have not established a minimum dividend payment level and we cannot assure you of our ability to pay dividends in the future or the amount of any dividends. Our board of directors will determine the amount and timing of distributions. In making this determination, our directors will consider all relevant factors, including REIT minimum distribution requirements, the amount of core funds from operation, restrictions under Maryland law, capital expenditures and reserve requirements and general operational requirements. We cannot assure you that we will be able to make distributions in the future or in amounts similar to our past distributions. We may need to fund distributions through borrowings, returning capital or selling assets, which may be available only at commercially unattractive terms, if at all. Any of the foregoing could adversely affect the market price of our common stock.