Risk Factors Comparison 2024-03-14 to 2023-03-13 Form: 10-K

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

We are subject to risks inherent in the ownership of real estate. We own and manage multifamily apartment complexes and commercial properties that are subject to varying degrees of risk generally incident to the ownership of real estate. Our financial condition, the value of our properties and our ability to make distributions to our shareholders will be dependent upon our ability to operate our properties in a manner sufficient to generate income in excess of operating expenses and debt service charges, which may be affected by the following risks, some of which are discussed in more detail below: ● changes in the economic climate in the markets in which we own and manage properties, including interest rates, the overall level of economic activity, the availability of consumer credit and mortgage financing, unemployment rates and other factors; ● a lessening of demand for the multifamily and commercial units that we own; ● competition from other available multifamily residential and commercial units and changes in market rental rates; ● development by competitors of competing multi- family communities; ● increases in property and liability insurance costs; ● changes in real estate taxes and other operating expenses (e. g., cleaning, utilities, repair and maintenance costs, insurance and administrative costs, security, landscaping, pest control, staffing, snow removal and other general costs); ● changes in laws and regulations affecting properties (including tax, environmental, zoning and building codes, and housing laws and regulations); ● weather and other conditions that might adversely affect operating expenses; ● expenditures that cannot be anticipated, such as utility rate and usage increases, unanticipated repairs and real estate tax valuation reassessments or mileage rate increases; ● our inability to control operating expenses or achieve increases in revenues; ● the results of litigation filed or to be filed against us; ● risks related to our joint ventures; ● risks of personal injury claims and property damage related to mold claims because of diminished insurance coverage; ● catastrophic property damage losses that are not covered by our insurance; ● risks associated with property acquisitions such as environmental liabilities, among others; ● changes in market conditions that may limit or prevent us from acquiring or selling properties; **and** ● the perception of tenants and prospective tenants as to the attractiveness, convenience and safety of our properties or the neighborhoods in which they are located ~~; andWe~~ **. We** are dependent on rental income from our multifamily apartment complexes and commercial properties. If we are unable to attract and retain tenants or if our tenants are unable to pay their rental obligations, our financial condition and funds available for distribution to our shareholders will be adversely affected. Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer. Although we employ a number of measures to prevent, detect and mitigate cybersecurity attacks, our business is at risk from and may be impacted by such attacks as there is no guarantee such efforts will be successful in preventing a cyber- attack. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks, and there can be no assurance that our actions, security measures, and controls designed to prevent, detect, or respond to intrusion; to limit access to data; to prevent loss, destruction, alteration, or exfiltration of business information; or to limit the negative impact from such attacks can provide absolute security against a cybersecurity incident. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, disruption to our operations, increased cybersecurity insurance premiums and damage our reputation, which could adversely affect our business. Our **Audit Committee is responsible for overseeing our cybersecurity and data privacy risks. Our cybersecurity program is led by the Hamilton Company' s Chief Financial Officer, who, along with the Hamilton Company' s Director of Information Technology, provide regular updates each quarter to the Audit Committee regarding this program, including information about the cybersecurity threat landscape, investments in infrastructure and opportunities to protect and enhance the Company' s systems and security of products and operations. In addition, the Board of Directors of the General Partner (the " Board " or " Board of Directors ") receives periodic briefings from management regarding cybersecurity activities and initiatives. Our** multifamily apartment complexes and commercial properties are subject to competition. Our properties and joint venture investments are located in developed areas that include other properties. The properties also compete with other rental alternatives, such as condominiums, single and multifamily rental homes, owner occupied single and multifamily homes, and commercial properties in attracting tenants. This competition may affect our ability to attract and retain residents and to increase or maintain rental rates. The properties we own are concentrated in Eastern Massachusetts and Southern New Hampshire. Our performance, therefore, is linked to economic conditions and the market for available rental housing and commercial ~~8space~~ - **space** in these states. A decline in the market for apartment housing and / or commercial properties may adversely affect our financial condition, results of operations and ability to make distributions to our shareholders. Our insurance may not be adequate to cover certain risks. There are certain types of risks, generally of a catastrophic nature, such as earthquakes, floods, windstorms, act of war and terrorist attacks that may be uninsurable, or are not economically insurable, or are not fully covered by insurance. Moreover, certain risks, such as mold and environmental exposures, generally are not covered by our insurance. Should an uninsured loss or a loss in excess of insured limits occur, we could lose our equity in the affected property as well as the anticipated future cash flow from that property. Any such loss could have a material adverse effect on our business, financial condition and results of operations. Debt financing could adversely affect our performance. The vast majority of our assets are encumbered by project specific, non- recourse, non- cross- collateralized mortgage debt. There is a risk that these properties will not have sufficient cash flow from operations for payments of required principal and interest. We may not be able to refinance these loans at an amount equal to the loan balance and the terms of any refinancing may not be as favorable as the terms of existing indebtedness. If we are unable to make required payments on indebtedness that is secured by a mortgage, the Partnership will either invest additional money in the property or the property securing the mortgage may be foreclosed with a consequent loss of income and value to us. ~~We~~ **9We** ~~may be adversely affected by the potential discontinuation of LIBOR. In July 2017, the Financial Conduct Authority (the " FCA ") announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee which identified the Secured Overnight Financing Rate (" SOFR ") as its preferred alternative to USD- LIBOR. We are not able to predict when LIBOR will cease to be published or precisely how SOFR will be calculated and published. Any changes adopted by the FCA or other governing bodies in the method used for determining LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR. If that were to occur, our interest payments could change. In addition, uncertainty about the extent and manner of future changes may result in interest rates and / or payments that are higher or lower than if LIBOR were to remain available in its current form. We have contracts that are indexed to LIBOR and are monitoring and evaluating the related risks, which include interest amounts on our variable rate debt, our unconsolidated joint ventures' variable rate debt and the swap rate for our unconsolidated joint ventures' interest rate swaps. In the event that LIBOR is discontinued, the interest rates will be based on an alternative variable rate specified in the applicable documentation governing such debt or swaps or as otherwise agreed upon. Such an event would not affect our ability to borrow or maintain already outstanding borrowings or swaps, but the alternative variable rate could be higher and more volatile than LIBOR prior to its discontinuance. Certain risks arise in connection with transitioning contracts to an alternative variable rate, including any resulting value transfer that may occur. The value of loans, securities, or derivative instruments tied to LIBOR could also be impacted if LIBOR is limited or discontinued. For some instruments, the method of transitioning to an alternative rate may be challenging, as they may require substantial negotiation with each respective counterparty. If a contract is not transitioned to an alternative variable rate and LIBOR is discontinued, the impact is likely to vary by contract. If LIBOR is discontinued or if the method of calculating LIBOR changes from its current form, interest rates on our current or future indebtedness may be adversely affected. While we expect LIBOR to be available in substantially its current form until June 30, 2023, it is possible that LIBOR will become unavailable prior to that point. This could result, for example, if sufficient banks decline to make submissions to the LIBOR administrator. In that case, the risks associated with the transition to an alternative variable rate will be accelerated and magnified. We~~ are obligated to comply with financial covenants in our indebtedness that could restrict our range of operating activities. The mortgages on our properties contain customary negative covenants, including limitations on our ability, without prior consent of the lender and other items. Failure to comply with these covenants could cause a default under the agreements and, in certain circumstances; our lenders may be entitled to accelerate our debt obligations. ~~9Defaults~~ **Defaults** under our debt agreements could materially and adversely affect our financial condition and results of operations. Real estate investments are generally illiquid, and we may not be able to sell our properties when it is economically or strategically advantageous to do so. Real estate investments generally cannot be sold quickly, and our ability to sell properties may be affected by market conditions. We may not be able to diversify or vary our portfolio promptly in accordance with our strategies or in response to economic or other conditions. Our access to public debt markets is limited. Substantially all of our debt financings are secured by mortgages on our properties because of our limited access to public debt markets. Litigation may result in unfavorable outcomes. Like many real estate operators, we may be involved in lawsuits involving premises liability claims, housing discrimination claims and alleged violations of landlord- tenant laws, which may give rise to class action litigation or governmental investigations. Any material litigation not covered by insurance, such as a class action, could result in substantial costs being incurred. Our financial results may be adversely impacted if we are unable to sell properties and employ the proceeds in accordance with our strategic plan. Our ability to pay down debt, reduce our interest costs, repurchase Depositary Receipts and acquire properties is dependent upon our ability to sell the properties we have selected for disposition at the prices and within the deadlines we have established for each respective property. The costs of complying with laws and regulations could adversely affect our cash flow and ability to make distributions to our shareholders. Our properties must comply with Title III of the Americans with Disabilities Act (the " ADA ") to the extent that they are " public accommodations " or " commercial facilities " as defined in the ADA. The ADA does not consider apartment complexes to be public accommodations or commercial facilities, except for portions of such properties that are open to the public. In addition, the Fair Housing Amendments Act of 1988 (the " FHAA ") requires apartment complexes first occupied after March 13, 1990, to be accessible to the handicapped. Other laws also require apartment communities to be handicap accessible. Noncompliance with these laws could result in the imposition of fines or an award of damages to private litigants. We may be subject to lawsuits alleging violations of handicap design laws in connection with certain of our developments. If compliance with these laws involves substantial expenditures or must be made on an accelerated basis, our ability to make distributions to our shareholders could be adversely affected. Under various federal, state and local laws, an owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on, under or in the property. This liability may be imposed without regard to whether the owner or operator knew of, or was responsible for, the presence of the substances. Other laws impose on owners and operators certain requirements regarding conditions and activities that may affect human health or the environment. Failure to comply with applicable requirements could complicate our ability to lease or sell an affected property and could subject us to monetary penalties, costs required to achieve compliance and potential liability to third parties. We are not aware of any material noncompliance, liability or claim relating to hazardous or toxic substances or other environmental matters in connection with any of our properties. Nonetheless, it is possible that material environmental contamination or conditions exist, or could arise in the future, in the apartment communities or on the land upon which they are located. We are subject to the risks associated with investments through joint ventures. Seven of our properties are owned by joint ventures in which we do not have a direct controlling interest. We may enter into joint ventures, including joint ventures that we do not control, in the future. Any joint venture investment involves risks such as the possibility that the co- venturer may seek relief under federal or state insolvency laws or have economic or business interests or goals that are inconsistent with our business interests or goals. While the bankruptcy or insolvency of our co- venturer generally should not disrupt the operations of the joint venture, we could be forced to purchase the co- venturer' s interest in the joint venture or the interest could be sold to a third party. We also may guarantee the ~~indebtedness~~ **10indebtedness** of our joint ventures. If we do not have control over a joint venture, the value of our investment may be affected adversely by a third party that may have different goals and capabilities than ours. ~~10We~~ **We** are subject to risks associated with development, acquisition and expansion of multifamily apartment complexes and commercial properties. Development projects and acquisitions and expansions of apartment complexes are subject to a number of risks, including: ● availability of acceptable financing; ● competition with other entities for investment opportunities; ● failure by our properties to achieve anticipated operating results; ● construction costs of a property exceeding original estimates; ● delays in construction; and ● expenditure of funds on, and the devotion of management time to, transactions that may not come to fruition. We are subject to control by our directors and officers. The directors and executive officers of the General Partner and members of their families and related entities owned approximately ~~34~~ **38** % of our ~~depositary~~ **Depositary** ~~receipts~~ **Receipts** as of December 31, ~~2022~~ **2023** . Additionally, management decisions rest with our General Partner without limited partner approval. Competition for skilled personnel could increase our labor costs. We and our management company compete with various other companies in attracting and retaining qualified and skilled personnel who are responsible for the day- to- day operations of our properties. Competitive pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. We may not be able to offset such added costs by increasing the rates we charge our tenants. If there is an increase in these costs or if we fail to attract and retain qualified and skilled personnel, our business and operating results could be harmed. We depend on our key personnel. Our success depends to a significant degree upon the continued contribution of key members of the management company, who may be difficult to replace. The loss of services of these executives could have a material adverse effect on us. There can be no assurance that the services of such personnel will continue to be available to us. We do not hold key- man life insurance on any of our key personnel. Changes in market conditions could adversely affect the market price of our Depositary Receipts. As with other publicly traded equity securities, the value of our ~~depositary~~ **Depositary** ~~receipts~~ **Receipts** depends on various market conditions, which may change from time to time. Among the market conditions that may affect the value of our ~~depositary~~ **Depositary** ~~receipts~~ **Receipts** are the following: ● the extent of investor interest in us; ● the general reputation of real estate companies and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate companies; ● our financial performance; and ● general stock and bond market conditions. The market value of our ~~depositary~~ **Depositary Receipts** is based primarily upon the market' s perception of our growth potential and our current and potential future earnings and cash distributions. Consequently, our ~~depositary~~ **Depositary** ~~receipts~~ **Receipts** may trade at prices that are higher or lower than our net asset value per ~~depositary~~ **Depositary** ~~receipt~~ **Receipt** . ~~We~~ **11We** face possible risks associated with the physical effects of climate change. We cannot predict with certainty whether climate change is occurring and, if so at what rate. However, the physical effects of climate change could have a material effect on our properties, operations, and business. To the extent climate change causes changes in ~~11weather~~ -- **weather** patterns, our markets could experience increases in storm intensity and rising sea levels. Over time, these conditions could result in declining demand for our buildings or the inability of us to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy and increasing the cost of snow removal at our properties. Proposed federal legislation to address climate change could increase utility and other costs of operating our properties which, if not offset by rising rental income, would reduce our net income. There can be no assurance that climate change will not have a material adverse effect on our properties, operations or business. Risk of changes in the tax law applicable to real estate partnerships. Since the Internal Revenue Service, the United States Treasury Department and Congress frequently review federal income legislation, we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any such legislative action may prospectively or retroactively modify our tax treatment and therefore, may adversely affect taxation to us, and / or our partners. If the IRS makes audit adjustments to our income tax returns ~~for tax years beginning after December 31, 2019, it may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us, in which case our cash available for distribution to our unitholders might be reduced. Pursuant to the Bipartisan Budget Act of 2015, for tax years beginning after December 31, 2017, if the IRS makes audit adjustments to our income tax returns~~ , it may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustments directly from the Partnership. If, as a result of any such audit adjustment, we are required to make payments of taxes, penalties and interest, our cash available for distribution to our partners might be substantially reduced ~~. These rules are not applicable to us for tax years beginning on or prior to December 31, 2017~~ . Some of our costs, such as operating and general and administrative expenses, interest expense, and real estate acquisition and construction costs, are subject to inflation. A portion of our operating expenses is sensitive to inflation. These include expenses for property- related contracted services such as janitorial and engineering services, utilities, repairs and maintenance, and insurance. Property taxes are also impacted by inflationary changes as taxes are regularly reassessed based on changes in the fair value of our properties. Additionally, inflationary pricing may have a negative effect on real estate acquisitions and the construction costs necessary to complete our renovation, development and redevelopment projects, including, but not limited to, costs of construction materials, labor, and services from third- party contractors and suppliers. Our commercial leases have fixed rent increases which may not increase in line with inflation, thus causing our net operating income to decrease. As a result, our financial condition, results of operations, and cash flows, as well as our ability to pay dividends, could be adversely affected over time. Revenue associated with residential properties may be limited in the future if current rent restriction proposals are adopted by the City of Boston. On February 13, 2023, Boston Mayor Michelle Wu submitted a home rule petition to the Boston City Council that would allow the City to limit how much landlords can increase rent on returning tenants each year to the lower of 10 % or the Consumer Price Index for the Boston metropolitan area plus six percentage points. The petition, as currently stated, would apply to any properties with six or more units **. The** ~~, and in order to be enacted, the~~ petition needs to be approved by both local and state policymakers **in order to be enacted** . The Boston City Council approved the submission of the petition to the state legislature on March 8, 2023. If such petition were to be passed by state legislatures, our financial condition, results of operations, and cash flows, as well as our ability to pay dividends, could be adversely affected over time. Recent City of Boston regulations impose new energy performance standards and fines that may increase utilities and administrative costs in order to comply with disclosure and energy reduction requirements. The City of Boston has implemented a Building Emissions Reduction and Disclosure Ordinance that sets specific requirements for large buildings to reduce energy use with the goal of targeting zero emissions for large buildings by 2050. The ordinance restricts emissions standards to certain units that begin phasing in during 2025 with such limits decreasing over time according to specific thresholds based upon building use type. Non- compliance with either disclosure requirements or emission limits may result in the imposition of penalties for such time as non- compliance remains in effect. As a result, our financial condition, results of operations, and cash flows, as well as our ability to pay dividends, could be adversely affected over time. 12