Risk Factors Comparison 2024-02-14 to 2023-02-15 Form: 10-K

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

Set forth below are the risks that we believe are material to our investors. This section contains forward- looking statements. You should refer to the explanation of the qualifications and limitations on forward- looking statements beginning on page 4. Risks Related to Real Estate Unfavorable market and economic conditions in the United States and globally and in the specific markets or submarkets where our properties are located could adversely affect occupancy levels, rental rates, rent collections, operating expenses, and the overall market value of our assets, impair our ability to sell, recapitalize or refinance our assets and have an adverse effect on our results of operations, financial condition and our ability to make distributions to our stockholders. Unfavorable market conditions in the areas in which we operate and unfavorable economic conditions in the United States and globally may significantly affect our occupancy levels, rental rates, rent collections, operating expenses, the market value of our assets and our ability to strategically acquire, dispose, recapitalize or refinance our properties on economically favorable terms or at all. Our ability to lease our properties at favorable rates may be adversely affected by increases in supply of office space in our markets and is dependent upon overall economic conditions, which are adversely affected by, among other things, job losses and unemployment levels, recession, stock market volatility, ~~rising~~ **elevated** inflation, ~~rising~~ **elevated** interest rates and uncertainty about the future. Some of our major expenses, including mortgage payments and real estate taxes, generally do not decline when related rents decline. We expect that any declines in our occupancy levels, rental revenues and / or the values of our buildings would cause us to have less cash available to pay our indebtedness, fund necessary capital expenditures and to make distributions to our stockholders, which could negatively affect our financial condition and the market value of our securities. Our business may be affected by the volatility and illiquidity in the financial and credit markets, a general global economic recession and other market or economic challenges experienced by the real estate industry or the U. S. economy as a whole. Our business may also be adversely affected by local economic conditions, as all of our revenues are derived from properties located in New York City and San Francisco. Factors that may affect our occupancy levels, our rental revenues, our net operating income (" NOI "), our funds from operations (" FFO ") and / or the value of our properties include the following, among others: • downturns in global, national, regional and local economic conditions, including as a result of ~~rising~~ **elevated** inflation and interest rates; • declines in the financial condition of our tenants, many of which are financial, legal and other professional firms, which may result in tenant defaults under leases due to bankruptcy, lack of liquidity, operational failures or other reasons; • the inability or unwillingness of our tenants to pay rent increases; • significant job losses in the financial services, professional services and technology and media industries, which may decrease demand for our office space, causing market rental rates and property values to be impacted negatively; • an oversupply of, or a reduced demand for, Class A office space; • changes in market rental rates in our markets; • changes in space utilization by our tenants due to technology, economic conditions and business culture; and • economic conditions that could cause an increase in our operating expenses, such as inflation, increases in property taxes (particularly as a result of increased local, state and national government budget deficits and debt and potentially reduced federal aid to state and local governments), utilities, insurance, compensation of on- site associates and routine maintenance. All of our properties are located in New York City and San Francisco, and adverse economic or regulatory developments in these areas could negatively affect our results of operations, financial condition and ability to make distributions to our stockholders. All of our properties are located in New York City and San Francisco. As a result, our business is dependent on the condition of the economy in those cities, which may expose us to greater economic risks than if we owned a more geographically diverse portfolio. We are susceptible to adverse developments in the New York City and San Francisco economic and regulatory environments (such as business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes, costs of complying with governmental regulations or increased regulation). Such adverse developments could materially reduce the value of our real estate portfolio and our rental revenues, and thus adversely affect our ability to service current debt and to pay dividends to stockholders. We are subject to risks inherent in ownership of real estate. Real estate cash flows and values are affected by a number of factors, including competition from other available properties and our ability to provide adequate property maintenance and insurance and to control operating costs. Real estate cash flows and values are also affected by such factors as government regulations (including the Americans with Disabilities Act of 1990 and similar laws, zoning, usage and tax laws), inflation, interest rate levels, the availability of financing, property tax rates, utility expenses, potential liability under environmental and other laws and changes in environmental and other laws. A significant portion of our revenue is generated from three properties. As of December 31, ~~2022~~ **2023**, approximately ~~62~~ **64** % of our total consolidated revenue was generated from three of our properties – 1633 Broadway, 1301 Avenue of the Americas and One Market Plaza. Our results of operations and cash available for distribution to our stockholders would be adversely affected if any of these properties were materially damaged or destroyed. Additionally, our results of operations and cash available for distribution to our stockholders would be adversely affected if a significant number of our tenants at these properties experienced a downturn in their business, which may weaken their financial condition and result in their failure to make timely rental payments, defaulting under their leases or filing for bankruptcy. We may be unable to renew leases, lease currently vacant space or vacating space on favorable terms or at all as leases expire, which could adversely affect our financial condition, results of operations and cash flow. As of December 31, ~~2022~~ **2023**, the vacancy rate of our portfolio (at our share) was ~~8~~ **12** . ~~7~~ **3** %. During ~~2023~~ **2024** , ~~397~~ **769** , ~~137~~ **746** square feet (at our share), or about ~~4~~ **8** . ~~5~~ **6** % of the square footage of our portfolio (at our share) is scheduled to expire, which represents approximately ~~5~~ **9** . ~~3~~ **9** % of our annualized rents. We cannot guarantee you that the expiring leases will be renewed or that our properties will be re- leased at rental rates equal to or above current rental rates. If the rental rates of our properties decrease, our existing tenants do not renew their leases or we do not re- lease a significant portion of our available and soon- to- be- available space, our financial condition, results of operations, cash flow, market value of common stock and our ability to satisfy our principal and interest obligations and to make distributions to our stockholders would be adversely affected. We are exposed to risks associated with property redevelopment and repositioning that could adversely affect us, including our financial condition and results of operations. In June 2022, 60 Wall Street, a 1. 6 million square foot Class A office building, in which we own a 5. 0 % interest was taken ~~"~~ **“** out- of- service ~~"~~ **”** for redevelopment. To the extent that we continue to engage in redevelopment and repositioning activities with respect to our properties, we will be subject to certain risks, which could adversely affect us, including our financial condition and results of operations. These risks include, without limitation, (i) the availability and pricing of financing on favorable terms or at all; (ii) the availability and timely receipt of zoning and other regulatory approvals; (iii) the potential for the fluctuation of occupancy rates and rents at redeveloped properties, which may result in our investment not being profitable; (iv) start up, repositioning and redevelopment costs may be higher than anticipated; (v) cost overruns and untimely completion of construction (including risks beyond our control, such as weather or labor conditions, or materials shortages); (vi) the potential that we may fail to recover expenses already incurred if we abandon development or redevelopment opportunities after we begin to explore them; (vii) the potential that we may expend funds on and devote management time to projects which we do not complete; (viii) the inability to complete construction and leasing of a property on schedule, resulting in increased debt service ~~expense~~ **expenses** and construction or redevelopment costs; and (ix) the possibility that properties will be leased at below expected rental rates. Additionally, inflationary pricing may have a negative effect on the construction costs necessary to initiate or complete redevelopment projects, including, but not limited to, costs of construction materials, labor, and services from third- party contractors and suppliers. These risks could result in substantial unanticipated delays or expenses and could prevent the initiation or the completion of redevelopment activities, any of which could have an adverse effect on our financial condition, results of operations, cash flow, the market value of our common stock and ability to satisfy our principal and interest obligations and to make distributions to our stockholders. We may be required to make rent or other concessions and / or significant capital expenditures to improve our properties in order to retain and attract tenants, which could adversely affect us, including our financial condition, results of operations and cash flow. Given the current adverse economic conditions and the decreases in demand for office space in the real estate markets where we operate, with respect to our current vacant space and upon expiration of leases at our properties, we may be required to increase tenant improvement allowances or concessions to tenants, accommodate increased requests for renovations, build- to- suit remodeling and other improvements or provide additional services to our tenants, all of which could negatively affect our cash flow. If the necessary capital is unavailable, we may be unable to make these significant capital expenditures. This could result in non- renewals by tenants upon expiration of their leases and our vacant space remaining untenanted, which could adversely affect our financial condition, results of operations, cash flow and market value of our common stock. We depend on significant tenants in our office portfolio, which could cause an adverse effect on us, including our results of operations and cash flow, if any of our significant tenants were adversely affected by a material business downturn or were to become bankrupt or insolvent. Our rental revenue depends on entering into leases with and collecting rents from tenants. While no single tenant accounts for more than 10 % of our rental revenue, our six largest tenants in the aggregate account for approximately ~~27~~ **24** % of our share of rental revenue. General and regional economic conditions may adversely affect our major tenants and potential tenants in our markets. Our major tenants may experience a material business downturn, which could potentially result in a failure to make timely rental payments and / or a default under their leases. In many cases, through tenant improvement allowances and other concessions, we have made substantial upfront investments in the applicable leases that we may not be able to recover. In the event of a tenant default, we may experience delays in enforcing our rights and may also incur substantial costs to protect our investments. The bankruptcy or insolvency of a major tenant or lease guarantor may adversely affect the income produced by our properties and may delay our efforts to collect past due balances under the relevant leases and could ultimately preclude collection of these sums altogether. If a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages that is limited in amount and which may only be paid to the extent that funds are available and in the same percentage as is paid to all other holders of unsecured claims. If any of our significant tenants were to become bankrupt or insolvent, suffer a downturn in their business, default under their leases, fail to renew their leases or renew on terms less favorable to us than their current terms, our results of operations and cash flow could be adversely affected. We **believe we have been impacted and** may **continue to** be adversely affected by trends in the office real estate industry, including telecommuting, flexible work schedules, open workplaces and teleconferences. Telecommuting, flexible work schedules, open workplaces, teleconferencing and video- conferencing are becoming more common, including due to the impact of the COVID- 19 pandemic. These practices enable businesses to reduce their space requirements. There is also an increasing trend among some businesses to utilize shared office spaces and co- working spaces. These practices have eroded the overall demand for office space and, to the extent they continue, could in turn, place additional downward pressure on occupancy, rental rates and property valuations. Real estate investments are relatively illiquid and may limit our flexibility. Equity real estate investments are relatively illiquid, which may tend to limit our ability to react promptly to changes in economic or other market conditions. Our ability to dispose of assets in the future will depend on prevailing economic and market conditions. Our inability to sell our properties on favorable terms or at all could have an adverse effect on our sources of working capital and our ability to satisfy our debt obligations. In addition, real estate can at times be difficult to sell quickly at prices we find acceptable. The Internal Revenue Code of 1986, as amended ~~the~~ (**the** “ Code ”), also imposes restrictions on REITs, which are not applicable to other types of real estate companies, on the disposal of properties. Furthermore, we will be subject to U. S. federal income tax at the highest regular corporate rate, which is currently 21 %, on certain built- in gains recognized in connection with a taxable disposition of any asset we acquire from a C corporation in a transaction in which our basis in such asset is determined by reference to the basis of the asset in the hands of the C corporation for a period of up to five years following the acquisition of such asset, which may make an otherwise attractive disposition opportunity less attractive or even impractical. These potential difficulties in selling real estate in our markets may limit our ability to change or reduce the office buildings in our portfolio promptly in response to changes in economic or other conditions. We are subject to losses that are either uninsurable, not economically insurable or that are in excess of our insurance coverage. Our San Francisco properties are located in the general vicinity of active earthquake faults. Our New York City properties are located in areas that could be subject to windstorm losses. Insurance coverage for earthquakes and windstorms can be costly because of limited industry capacity. As a result, we may experience shortages in desired coverage levels if market conditions are such that insurance is not available or the cost of insurance makes it, in our belief, economically impractical to maintain such coverage. In addition, our properties may be subject to a heightened risk of terrorist attacks. We carry commercial general liability insurance, property insurance and both domestic and foreign terrorism insurance with respect to our properties with limits and on terms we consider commercially reasonable. We cannot assure you, however, that our insurance coverage will be sufficient or that any uninsured loss or liability will not have an adverse effect on our business and our financial condition and results of operations in the event of a catastrophic loss event. See " Business – Insurance. " We carry both domestic and foreign terrorism insurance as an inclusion in our property policies for which our carriers may rely, in part for foreign acts of terrorism, on support from the federal government' s Terrorism Risk Insurance Program Reauthorization Act of 2019 (" TRIPRA "). We are subject to risks from natural disasters such as earthquakes and severe weather. Natural disasters and severe weather such as earthquakes, tornadoes, hurricanes or floods may result in significant damage to our properties. The extent of our casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. When we have geographic concentration of exposures, a single catastrophe (such as an earthquake, especially in the San Francisco Bay Area) or destructive weather event (such as a hurricane, especially in New York City) affecting a region may have a significant negative effect on our financial condition and results of operations. As a result, our operating and financial results may vary significantly from one period to the next. Our financial results may be adversely affected by our exposure to losses arising from natural disasters or severe weather. We also are exposed to risks associated with inclement winter weather, particularly in the Northeast states in which many of our properties are located, including increased need for maintenance and repair of our buildings. Climate change may adversely affect our business. To the extent that climate change occurs, there are multiple scenarios where our business could be impacted. Climate change could lead to, among other effects in our target markets, rising sea levels, extreme weather and natural disasters, increased flooding, and changes in precipitation and temperature. Any of these developments could result in physical damage or a decrease in rent from, and the value of, our properties located in the areas affected by these conditions. We own a number of assets in low- lying areas close to sea level, making those assets, and the economies in which they reside, susceptible to adverse effects from a rise in sea level and any associated increase in episodic storm surges. If sea levels near our target markets were to rise, we may incur material costs to protect our low- lying assets or sustain damage, a decrease in demand for or total loss to those assets. We have performed an analysis using a third- party model to understand the direct impact to our existing properties in a scenario where global warming increases average temperatures worldwide by 1. 5 degrees Celsius (the " 1. 5^0 scenario "), a goal aligned with the Paris Agreement, the United Nations framework convention on climate change. Based on this preliminary analysis, we believe that essentially all of our properties in New York City would remain above sea level, but that several of our properties in San Francisco may not, in the absence of mitigating actions. Given that there is a lag in timing between carbon release into the atmosphere and global warming, which ultimately would result in a potential rise in sea level, reputable models predict that the actual rise in sea level of that magnitude seems unlikely to occur until after the turn of this century, and perhaps much longer depending on various assumptions and mitigating factors that one considers – for example, the rate of melt for known glaciers and the Greenland and West Antarctic Ice Sheets; whether proposals to erect or enhance local sea walls in both New York City and San Francisco or surrounding areas gain additional traction and funding and are ultimately successful, and the potential for new discoveries. Even where a property is not directly impacted by such a projected rise in sea levels, there would likely be significant disruptions to the local economies where our properties are located because other substantial areas of these coastal cities could be below sea level and the transportation systems that are vital to service CBDs could also be adversely impacted, both by the eventual rise in maximum sea level but also by episodic storm surges and other events in the decades prior to that time. The jurisdictions where we operate have made formal public commitments to, and / or have additional legislation pending that will increase commitments to, carbon reduction aligned with the goal to keep global warming in line with the 1. 5^0 scenario or similar scenarios and have begun to take steps to enforce these commitments by regulation on building efficiency and / or mandated purchase of renewable energy. These and similar changes in federal and state legislation and regulation on climate change could result in increased capital expenditures to, among other things, improve the energy efficiency of our existing properties in order to comply with such regulations. Should the impact of climate change be material in nature or occur for lengthy periods of time, our financial condition or results of operations would be adversely affected. Terrorist attacks and / or shooting incidents may adversely affect our ability to generate revenues and the value of our properties. We have significant investments in large metropolitan markets, including New York City and San Francisco that have been or may be in the future the targets of actual or threatened terrorism attacks and / or shooting incidents. As a result, some tenants in these markets may choose to relocate their businesses to other markets or to lower- profile office buildings within these markets that may be perceived to be less likely targets of future terrorist activity. This could result in an overall decrease in the demand for office space in these markets generally or in our properties in particular, which could increase vacancies in our properties or necessitate that we lease our properties on less favorable terms or both. In addition, future terrorist attacks in these markets could directly or indirectly damage our properties, both physically and financially, or cause losses that materially exceed our insurance coverage. As a result of the foregoing, our ability to generate revenues and the value of our properties could decline materially. See also " We are subject to losses that are either uninsurable, not economically insurable or that are in excess of our insurance coverage. ” We may become subject to liability relating to environmental and health and safety matters, which could have an adverse effect on us, including our financial condition and results of operations. Under various federal, state and / or local laws, ordinances and regulations, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or release of hazardous substances, waste, or petroleum products at, on, in, under or from such property, including costs for investigation or remediation, natural resource damages, or third- party liability for personal injury or property damage. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence or release of such materials, and the liability may be joint and several. Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property or from adjacent properties used for commercial, industrial or other purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. We also may be liable for the costs of remediating contamination at off- site disposal or treatment facilities when we arrange for disposal or treatment of hazardous substances at such facilities, without regard to whether we comply with environmental laws in doing so. The presence of contamination or the failure to remediate contamination on our properties may adversely affect our ability to attract and / or retain tenants and our ability to develop or sell or borrow against those properties. In addition to potential liability for cleanup costs, private plaintiffs may bring claims for personal injury, property damage or for similar reasons. Environmental laws also may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which that property may be used or how businesses may be operated on that property. In addition, our properties are subject to various federal, state and local environmental and health and safety laws and regulations. Noncompliance with these environmental and health and safety laws and regulations could subject us or our tenants to liability. These liabilities could affect a tenant’ s ability to make rental payments to us. Moreover, changes in laws could increase the potential costs of compliance with such laws and regulations or increase liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise adversely affect our operations, or those of our tenants, which could in turn have an adverse effect on us. As the owner or operator of real property, we may also incur liability based on various building conditions. For example, buildings and other structures on properties that we currently own or operate or those we acquire or operate in the future contain, may contain, or may have contained Asbestos- Containing Material (“ ACM ”). Environmental and health and safety laws require that ACM be properly managed and maintained and may impose fines or penalties on owners, operators or employers for non- compliance with those requirements. These requirements include special precautions, such as removal, abatement or air monitoring, if ACM would be disturbed during maintenance, renovation or demolition of a building, potentially resulting in substantial costs. In addition, we may be subject to liability for personal injury or property damage sustained as a result of exposure to ACM or releases of ACM into the environment. In addition, our properties may contain or develop harmful mold or suffer from other indoor air quality issues. Indoor air quality issues also can stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants or to increase ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants or others if property damage or personal injury occurs. We cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect our ability to make distributions to our stockholders or that such costs, liabilities, or other remedial measures will not have an adverse effect on our financial condition and results of operations. We may be unable to identify and successfully complete acquisitions and, even if acquisitions are identified and completed, we may fail to successfully operate acquired properties, which could adversely affect us and impede our growth. Our ability to identify and acquire properties on favorable terms and successfully operate or redevelop them may be exposed to significant risks. We expect that other real estate investors, including insurance companies, private equity funds, sovereign wealth funds, pension funds, other REITs and other well- capitalized investors will compete with us to acquire existing properties and to develop new properties. Agreements for the acquisition of properties are subject to customary conditions to closing, including completion of due diligence investigations and other conditions that are not within our control, which may not be satisfied. In this event, we may be unable to complete an acquisition after incurring certain acquisition- related costs. In addition, if mortgage debt is unavailable at reasonable rates, we may be unable to finance the acquisition on favorable terms in the time period we desire, or at all. We may spend more than budgeted to make necessary improvements or renovations to acquired properties and may not be able to obtain adequate insurance coverage for new properties. Further, acquired properties may be located in new markets where we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures. We may also be unable to integrate new acquisitions into our existing operations quickly and efficiently, and as a result, our results of operations and financial condition could be adversely affected. Further, we may incur significant costs and divert management attention in connection with evaluating and negotiating potential acquisitions, including ones that we are subsequently unable to complete. Any delay or failure on our part to identify, negotiate, finance and consummate such acquisitions in a timely manner and on favorable terms, or operate acquired properties to meet our financial expectations, could impede our growth and have an adverse effect on us, including our financial condition, results of operations, cash flow and the market value of our securities. We are subject to risks involved in real estate activity through joint ventures and real estate related funds. We have in the past, are currently and may in the future acquire and own properties in joint ventures and real estate related funds with other persons or entities when we believe circumstances warrant the use of such structures. Joint venture and fund investments involve risks, including: the possibility that our partners might refuse to make capital contributions when due; that we may be responsible to our partners for indemnifiable losses; that our partners might at any time have business or economic goals that are inconsistent with ours; and that our partners may be in a position to take action or withhold consent contrary to our recommendations, instructions or requests. We and our respective joint venture partners may each have the right to trigger a buy- sell, put right or forced sale arrangement, which could cause us to sell our interest, or acquire our partner' s interest, or to sell the underlying asset, at a time when we otherwise would not have initiated such a transaction, without our consent or on unfavorable terms. In some instances, joint venture and fund partners may have competing interests in our markets that could create conflicts of interest. These conflicts may include compliance with the REIT requirements, and our REIT status could be jeopardized if any of our joint ventures or funds does not operate in compliance with the REIT requirements. Further, our joint venture and fund partners may fail to meet their obligations to the joint venture or fund as a result of financial distress or otherwise, and we may be forced to make contributions to maintain the value of the property. We will review the qualifications and previous experience of any co- venturers or partners, although we ~~do not expect to~~ **cannot guarantee that we will** obtain financial information from, or ~~to~~ undertake independent investigations with respect to, prospective co- venturers or partners. To the extent our partners do not meet their obligations to us or our joint ventures or funds or they take action inconsistent with the interests of the joint venture or fund, we may be adversely affected. Our joint venture partners in 712 Fifth Avenue, One Market Plaza, 300 Mission Street and 111 Sutter Street have forced sale rights as a result of which we may be forced to sell these assets to third parties at times or prices that may not be favorable to us. Our partners in the joint ventures that own 712 Fifth Avenue, One Market Plaza, 300 Mission Street and 111 Sutter Street have forced sale rights pursuant to which, after a specified period, each may require us to sell the property to a third party. At any time on or after (i) November 24, 2020, with respect to 712 Fifth Avenue, (ii) March 31, 2021, with respect to One Market Plaza, (iii) August 12, 2024, with respect to 300 Mission Street, and (iv) February 7, 2026, with respect to 111 Sutter Street, our joint venture partners may exercise a forced sale right by delivering a written notice to us designating the sales price and other material terms and conditions upon which our joint venture partner desires to cause a sale of the property. In the case of 712 Fifth Avenue, 300 Mission Street and 111 Sutter Street, upon receipt of such sales notice, we will have the obligation either to attempt to sell the property to a third party for not less than 95. 0 % of the designated sales price or to elect to purchase the interest of our joint venture partner for cash at a price equal to the amount our joint venture partner would have received if the property had been sold for the designated sales price (and the joint venture paid any applicable financing breakage costs, transfer taxes, brokerage fees and marketing costs, prepaid all liquidated liabilities of the joint venture and distributed the balance). In the case of One Market Plaza, upon exercise of forced sale right, we and our joint venture partner have 60 days to negotiate a mutually agreeable transaction regarding the property. If we cannot mutually agree upon a transaction, then we will work together in good faith to market the property in a commercially reasonable manner and neither we nor our joint venture partner will be allowed to bid on the property. If our joint venture partner, after consultation with us and a qualified broker, finds a third- party bid for the property acceptable, then the joint venture will cause the property to be sold. As a result of these forced sale rights, our joint venture partners could require us to sell these properties to third parties at times or prices that may not be favorable to us, which could adversely impact us. Contractual commitments with existing real estate related funds may limit our ability to acquire properties, issue loans or invest in preferred equity directly in the near term. Because of the limited exclusivity requirements of our real estate related funds, whether existing or in formation, we may be required to acquire real estate assets and / or real estate related equity investments, or issue loans, or invest in preferred equity, partially through these funds that we otherwise would have acquired or issued solely through our ~~operating~~ **Operating** ~~partnership~~ **Partnership** , which may prevent our ~~operating~~ **Operating** ~~partnership~~ **Partnership** from acquiring real estate assets and / or real estate related equity investments, or issuing loans, or investing in preferred equity and adversely affect our growth prospects. In connection with certain assets that we co- invest in with our real estate related funds, specifically those where such funds own a majority of the joint venture it is expected that such funds will have the authority, subject to our consent in limited circumstances, to make most of the decisions in connection with such asset. Such authority in connection with a co- investment could subject us to the applicable risks described above. We share control of some of our properties with other investors and may have conflicts of interest with those investors. While we make all operating decisions for certain of our joint ventures and real estate related funds, we are required to make other decisions jointly with other investors who have interests in the relevant property or properties. For example, the approval of certain of the other investors may be required with respect to operating budgets, including leasing decisions and refinancing, encumbering, expanding or selling any of these properties, as well as bankruptcy decisions. We might not have the same interests as the other investors in relation to these decisions or transactions. Accordingly, we might not be able to favorably resolve any of these issues, or we might have to provide financial or other inducements to the other investors to obtain a favorable resolution. In addition, various restrictive provisions and third- party rights provisions, such as consent rights to certain transactions, apply to sales or transfers of interests in our properties owned in joint ventures. Consequently, decisions to buy or sell interests in properties relating to our joint ventures may be subject to the prior consent of other investors. These restrictive provisions and third- party rights may preclude us from achieving full value of these properties because of our inability to obtain the necessary consents to sell or transfer these interests. Risks Related to Our Business and Operations **Any** ~~COVID- 19 or any~~ future pandemic, epidemic or outbreak of infectious disease could have an adverse effect on our performance, financial condition, results of operations and cash flows. **Any** ~~In March 2020, the World Health Organization declared COVID- 19 a global pandemic. The outbreak of COVID- 19 caused severe disruptions in the global economy. These disruptions have adversely impacted businesses and financial markets, including that of New York and San Francisco, the markets in which we operate and where all of our assets are located. COVID- 19 or any~~ future pandemic, epidemic or outbreak of infectious disease may have the effect of heightening many of the risks described herein and our and our tenants' businesses could be adversely impacted ~~by COVID- 19~~ due to, among other factors: • reduced economic activity impacting the businesses, financial condition and liquidity of our tenants, which could cause our tenants to be unable to meet their obligations to us, including their ability to make rental payments, in full, or at all, or to otherwise seek modifications of such obligations, including rent concessions, deferrals or abatements, or to declare bankruptcy; • our inability to renew leases, lease vacant space or re- lease space as leases expire on favorable terms, or at all, which could cause a decline in our receipt of rental payments; • adaptions made by companies in response to " stay- at- home " orders and future limitations on in- person work environments could lead to a sustained shift away from in- person work environments and have an adverse effect on the overall demand for office space across our portfolio; • a general decline in business activity and demand for real estate transactions (including a related decrease in value of the underlying real estate), which could adversely affect our ability or desire to make strategic acquisitions or dispositions; • difficulty accessing debt and equity capital on attractive terms, or at all, and a severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect our and our tenants' ability to access capital necessary to fund business activities and repayment of debt on a timely basis, and may adversely affect our ability to meet liquidity and capital expenditure requirements; and • a complete or partial closure of, or other operational issues at, one or more of our properties resulting from government or tenant action, which could adversely affect our operations and those of our tenants. The ~~full extent of the~~ impact ~~and effects~~ of ~~COVID- 19 on our future financial performance, as a whole, and, specifically, on our tenants and their businesses, are uncertain at this time. The impact of COVID- 19 or~~ any future pandemic, epidemic or outbreak of infectious disease will depend on, among other factors, the duration and spread of the outbreak, related travel advisories and restrictions, the impact of vaccines and the accessibility of liquidity and to the capital markets. **Any** ~~COVID- 19 and any~~ future pandemic, epidemic or outbreak of infectious disease present uncertainty and risk and may have a material adverse effect on our performance, financial condition, results of operations and cash flows. Capital and credit market conditions may adversely affect our access to various sources of capital or financing and / or the cost of capital, which could impact our business activities, dividends, earnings and common stock price, among other things. In periods when the capital and credit markets experience significant volatility, the amounts, sources and cost of capital available to us may be adversely affected. We primarily use third- party financing to fund acquisitions and to refinance indebtedness as it matures. As of December 31, ~~2022~~ **2023** , including debt of our unconsolidated joint ventures, we had $ 5. 6 billion of total debt, of which our share is $ 3. 7 billion, all of which was secured debt, and we have $ 750. 0 million of available borrowing capacity under our unsecured revolving credit facility. If sufficient sources of external financing are not available to us on cost effective terms, we could be forced to limit our acquisition, development and redevelopment activity and / or take other actions to fund our business activities and repayment of debt, such as selling assets, reducing our cash dividend or paying out less than 100 % of our taxable income. The current ~~rising~~ inflation environment has led to **elevated** ~~an increase in~~ interest rates, which has a direct effect on the interest expense of our borrowings. To the extent that we are able and / or choose to access capital at a higher cost than we have experienced in recent years (reflected in higher interest rates for debt financing or a lower stock price for equity financing) our earnings per share and cash flow could be adversely affected. In addition, the price of our common stock may fluctuate significantly and / or decline in a high interest rate or volatile economic environment. If economic conditions deteriorate, the ability of lenders to fulfill their obligations under working capital or other credit facilities that we may have in the future may be adversely impacted. We may from time to time be subject to litigation which could have an adverse effect on our financial condition, results of operations, cash flow and trading price of our common stock. We are a party to various claims and routine litigation arising in the ordinary course of business. Some of these claims or others, to which we may be subject from time to time, may result in defense costs, settlements, fines or judgments against us, some of which are not, or cannot be, covered by insurance. Payment of any such costs, settlements, fines or judgments that are not insured could have an adverse impact on our financial position and results of operations. In addition, certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flow, expose us to increased risks that would be uninsured, and / or adversely impact our ability to attract officers and directors. We may be subject to unknown or contingent liabilities related to properties or businesses that we acquire for which we may have limited or no recourse against the sellers. Assets and entities that we have acquired or may acquire in the future may be subject to unknown or contingent liabilities for which we may have limited or no recourse against the sellers, including, as relevant, assets and entities acquired from our Predecessor as part of the formation transactions that occurred at the time of our initial public offering in 2014 (the ~~"~~ **"** Formation Transactions ~~"~~ **"**). Unknown or contingent liabilities might include liabilities for clean- up or remediation of environmental conditions, claims of customers, vendors or other persons dealing with the acquired entities, tax liabilities and other liabilities whether incurred in the ordinary course of business or otherwise. In the future we may enter into transactions with limited representations and warranties or with representations and warranties that do not survive the closing of the transactions, in which event we would have no or limited recourse against the sellers of such properties. While we usually require the sellers to indemnify us with respect to breaches of representations and warranties that survive, such indemnification is often limited and subject to various materiality thresholds, a significant deductible or an aggregate cap on losses, or a time limit. As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that we may incur with respect to liabilities associated with acquired properties and entities may exceed our expectations, which may adversely affect our business, financial condition and results of operations. Finally, indemnification agreements between us and the sellers typically provide that the sellers will retain certain specified liabilities relating to the assets and entities acquired by us. While the sellers are generally contractually obligated to pay all losses and other expenses relating to such retained liabilities, there can be no guarantee that such arrangements will not require us to incur losses or other expenses as well. Extensive regulation of our investment management businesses affects our activities and creates the potential for significant liabilities and penalties, and increased regulatory focus could result in additional burdens on this business. Our investment management business is subject to extensive regulation, including periodic examinations and investigations, by governmental agencies in the jurisdictions in which we operate or raise capital. These authorities have regulatory powers dealing with many aspects of our investment management business, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular activities.

These regulations are extensive, complex and require substantial management time and attention. In particular, two of our subsidiaries, Paramount Group Real Estate Advisor LLC (~~"~~**“**PGREA ~~"~~**”**) and Paramount Group Real Estate Advisor II, LP (~~"~~ **“**PGREA II ~~"~~**”**), are registered with the SEC as investment advisers under the U. S. Investment Advisers Act of 1940 (the “ Advisers Act ”), and PGREA is currently, and may in the future be, registered in certain jurisdictions as a non- EU alternative investment fund manager of non- EU alternative investment funds under the Alternative Investment Fund Managers Directive, 2011 / 61 / EU, and various local European laws implementing this directive (collectively, the “ AIFMD ”). Such registration results in certain aspects of our investment management business being supervised by the SEC, and subject to regulation or reporting requirements by the regulatory bodies of the countries where our subsidiaries are currently, and may in the future be, registered in pursuant to the AIFMD. Our investment management business is also subject to notification of sales activities for one ~~of our~~ - **or more** ~~managed funds in Germany, and may in the future become subject to notification~~ of ~~sales activities for~~ our ~~other~~ managed funds in Germany or other countries, the Bundesanstalt fuer Finanzdiensleistungsaufsicht, Germany’ s Federal Financial Supervisory Authority (“ BaFin ”), or other foreign regulators. The Advisers Act, in particular, requires registered investment advisers to comply with numerous obligations, including compliance, record- keeping, operating and marketing requirements, disclosure obligations and limitations on certain activities. Investment advisers also owe fiduciary duties to their clients. These regulatory and fiduciary obligations may result in increased costs or administrative burdens or otherwise adversely impact our business, including by preventing us from recommending investment opportunities that otherwise meet the respective investment criteria of us or our funds. Many of these regulators, including U. S. and foreign government agencies, as well as state securities commissions, are also empowered to conduct investigations and administrative proceedings that can result in fines, compensatory payments, suspensions of personnel, changes in policies, procedures or disclosure or other sanctions, including censure, the issuance of cease- and- desist orders, the suspension or expulsion of an investment adviser from registration or memberships or the commencement of a civil or criminal lawsuit against us or our personnel. Moreover, the financial services industry has been the subject of heightened scrutiny, and the SEC has specifically focused on private equity fund managers. In that regard, the SEC’ s list of examination priorities includes, among other things, collection of fees and allocation of expenses, marketing and valuation practices, allocation of investment opportunities, and appropriate management of other conflicts of interest such as related party sales, loans or co- investments, by these fund managers. We may, from time to time, be subject to requests for information or informal or formal investigations by the SEC and other regulatory authorities, and, in the current environment, even historical practices that have been previously examined are being revisited. Even if an investigation or proceeding does not result in a sanction or the sanction imposed against us or our personnel by a regulator is small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and cause us to lose existing clients or fail to gain new investors. We cannot predict the impact future actions by regulators or government bodies, including the U. S. Federal Reserve, will have on real estate debt markets or on our business, and any such actions may negatively impact us. Regulators and U. S. government bodies have a major impact on our business. The U. S. Federal Reserve is a major participant in, and its actions significantly impact, the commercial real estate debt markets. If the U. S. Federal Reserve continues to raise interest rates **or keeps interest rates elevated for a prolonged period** , this could increase the cost of borrowing, which could limit our flexibility. This may result in future acquisitions by us generating lower overall economic returns and increasing the costs associated with refinancing current debt, which could potentially reduce future cash flow available for distribution. We cannot predict or control the impact future actions by regulators or government bodies, such as the U. S. Federal Reserve, will have on our business. Risks Related to Our Organization and Structure The ability of stockholders to control our policies and effect a change of control of our company is limited by certain provisions of our charter and bylaws and by Maryland law. There are provisions in our charter and bylaws that may discourage a third party from making a proposal to acquire us, even if some of our stockholders might consider the proposal to be in their best interests. These provisions include the following: Our charter authorizes our board of directors, without stockholder approval, to amend our charter to increase or decrease the aggregate number of authorized shares of stock, to authorize us to issue additional shares of our common stock or preferred stock and to classify or reclassify unissued shares of our common stock or preferred stock and thereafter to authorize us to issue such classified or reclassified shares of stock. We believe these charter provisions provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional classes or series, as well as the additional authorized shares of our common stock, are available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities are listed or traded. Although our board of directors does not currently intend to do so, it could authorize us to issue a class or series of stock that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or that our common stockholders otherwise believe to be in their best interests. In order to qualify as a REIT, not more than 50 % in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities such as private foundations) at any time during the last half of any taxable year other than our first REIT taxable year. In order to help us qualify as a REIT, our charter generally prohibits any person or entity from actually owning or being deemed to own by virtue of the applicable constructive ownership provisions, (i) more than 6. 50 % (in value or in number of shares, whichever is more restrictive) of the outstanding shares of our common stock or (ii) more than 6. 50 % in value of the aggregate of the outstanding shares of all classes and series of our stock, in each case, excluding any shares of our stock not treated as outstanding for U. S. federal income tax purposes. We refer to these restrictions as the “ ownership limits. ” In connection with the Formation Transactions and the concurrent private placement to certain members of the Otto family and their affiliates, our board of directors granted waivers to the lineal descendants of Professor Dr. h. c. Werner Otto, their spouses and controlled entities to own stock in excess of the ownership limits (which waiver currently allows them to own up to 21. 0 % of our outstanding common stock in the aggregate, which can be automatically increased to an amount greater than 21. 0 % to the extent that their aggregate ownership exceeds such percentage solely as a result of a repurchase by the company of its common stock). The term the " Otto family " refers to the lineal descendants and the surviving former spouse of the late Professor Dr. h. c. Werner Otto. Our charter also contains a " foreign ownership limit. " The foreign ownership limit is intended to help us qualify as a " domestically controlled qualified investment entity. " The foreign ownership limit contained in our charter prohibits persons from directly or indirectly owning shares of our capital stock to the extent such ownership would cause more than 49. 8 % of the value of the shares of our capital stock to be owned, directly or indirectly, by Non- U. S. Persons. For this purpose, a " Non- U. S. Person " is generally defined as a person other than a " United States person, " as defined in Section 7701 (a) (30) of the Code, and it includes a " foreign person " as such term is used in the provision of the Code defining a domestically controlled qualified investment entity, though proposed Treasury Regulations provide for a " look- through " approach with respect to our stock that is held through certain entities. The ownership limits and the foreign ownership limit may prevent or delay a change in control and, as a result, could adversely affect our stockholders' ability to realize a premium for their shares of our common stock. In addition, certain provisions of the Maryland General Corporation Law (" MGCL "), may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then- prevailing market price of such shares, including the Maryland business combination and control share provisions. As permitted by the MGCL, our board of directors adopted a resolution exempting any business combinations between us and any other person or entity from the business combination provisions of the MGCL. Our bylaws provide that this resolution or any other resolution of our board of directors exempting any business combination from the business combination provisions of the MGCL may only be revoked, altered or amended, and our board of directors may only adopt any resolution inconsistent with any such resolution (including an amendment to that bylaw provision), which we refer to as an opt in to the business combination provisions, with the affirmative vote of a majority of the votes cast on the matter by holders of outstanding shares of our common stock. In addition, as permitted by the MGCL, our bylaws contain a provision exempting from the control share acquisition provisions of the MGCL any and all acquisitions by any person of shares of our stock. This bylaw provision may be amended, which we refer to as an opt in to the control share acquisition provisions, only with the affirmative vote of a majority of the votes cast on such an amendment by holders of outstanding shares of our common stock. Title 3, Subtitle 8 of the MGCL permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain takeover defenses, including adopting a classified board or increasing the vote required to remove a director. Such takeover defenses may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us under the circumstances that otherwise could provide our common stockholders with the opportunity to realize a premium over the then current market price. In addition, the provisions of our charter on the removal of directors and the advance notice provisions of our bylaws, among others, could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interest. Each item discussed above may delay, deter or prevent a change in control of our company, even if a proposed transaction is at a premium over the then- current market price for our common stock. Further, these provisions may apply in instances where some stockholders consider a transaction beneficial to them. As a result, our stock price may be negatively affected by these provisions. Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of common units, which may impede business decisions that could benefit our stockholders. Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our ~~operating~~ **Operating** ~~partnership~~ **Partnership** or any of its partners, on the other. Our directors and officers have duties to our company under Maryland law in connection with their management of our company. At the same time, we have duties and obligations to our ~~operating~~ **Operating** ~~partnership~~ **Partnership** and its limited partners under Delaware law as modified by the partnership agreement of our ~~operating~~ **Operating** ~~partnership~~ **Partnership** in connection with the management of our ~~operating~~ **Operating** ~~partnership~~ **Partnership** as the sole general partner. The limited partners of our ~~operating~~ **Operating** ~~partnership~~ **Partnership** expressly acknowledge that the general partner of our ~~operating~~ **Operating** ~~partnership~~ **Partnership** acts for the benefit of our ~~operating~~ **Operating** ~~partnership~~ **Partnership** , the limited partners and our stockholders collectively. When deciding whether to cause our ~~operating~~ **Operating** ~~partnership~~ **Partnership** to take or decline to take any actions, the general partner will be under no obligation to give priority to the separate interests of (i) the limited partners of our ~~operating~~ **Operating** ~~partnership~~ **Partnership** (including, without limitation, the tax interests of our limited partners, except as provided in a separate written agreement) or (ii) our stockholders. Nevertheless, the duties and obligations of the general partner of our ~~operating~~ **Operating** ~~partnership~~ **Partnership** may come into conflict with the duties of our directors and officers to our company and our stockholders. If there are deficiencies in our disclosure controls and procedures or internal control over financial reporting, we may be unable to accurately present our financial statements, which could materially and adversely affect us, including our business, reputation, results of operations, financial condition or liquidity. As a publicly- traded company, we are required to report our financial statements on a consolidated basis. Effective internal controls are necessary for us to accurately report our financial results. Section 404 of the Sarbanes- Oxley Act of 2002 requires us to evaluate and report on our internal control over financial reporting and have our independent registered public accounting firm issue an opinion with respect to the effectiveness of our internal control over financial reporting. There can be no guarantee that our internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Furthermore, as we grow our business, our internal controls will become more complex, and we may require significantly more resources to ensure our internal controls remain effective. Deficiencies, including any material weakness, in our internal control over financial reporting which may occur in the future could result in misstatements of our results of operations that could require a restatement, failing to meet our public company reporting obligations and causing investors to lose confidence in our reported financial information. These events could materially and adversely affect us, including our business, reputation, results of operations, financial condition or liquidity **. We depend on key personnel, including Albert Behler, our Chairman, Chief Executive Officer and President, and the loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business. There is substantial competition for qualified personnel in the real estate industry and the loss of our key personnel could have an adverse effect on us. Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel, particularly Albert Behler, our Chairman, Chief Executive Officer and President, who has extensive market knowledge and relationships and exercises substantial influence over our acquisition, redevelopment, financing, operational and disposition activity. Among the reasons that Albert Behler is important to our success is that he has a national, regional and local industry reputation that attracts business and investment opportunities and assists us in negotiations with financing sources and industry personnel. If we lose his services, our business and investment opportunities and our relationships with such financing sources and industry personnel could diminish. Many of our other senior executives also have extensive experience and strong reputations in the real estate industry, which aid us in identifying or attracting investment opportunities and negotiating with sellers of properties. The loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners and industry participants, which could negatively affect our financial condition, results of operations and cash flow. We face risks associated with security breaches through cyber- attacks, cyber intrusions or otherwise, as well as other significant disruptions of our IT networks and related systems. We face risks associated with security breaches, whether through cyber- attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e- mails, persons inside our organization or persons with access to systems inside our organization, and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber- attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day- to- day operations (including managing our building systems) and, in some cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk. A security breach or other significant disruption involving our IT networks and related systems could: • disrupt the proper functioning of our networks and systems and therefore our operations and / or those of certain of our tenants; • result in misstated financial reports, violations of loan covenants, missed reporting deadlines and / or missed permitting deadlines; • result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT; • result in the loss, theft or misappropriation of our property; • result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of, proprietary, confidential, sensitive or otherwise valuable information of ours or others, 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 purposes and outcomes; • result in our inability to maintain the building systems relied upon by our tenants for the efficient use of their leased space; • 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; • subject us to liability under various U. S. federal and state, and foreign data privacy laws and regulations; or • damage our reputation among our tenants and investors generally. Any or all of the foregoing could have a material adverse effect on our results of operations, financial condition and cash flows. Moreover, cyber attacks perpetrated against our tenants, including unauthorized access to the tenant' s or their customers' confidential information, could impact our tenants' operations and negatively impact our business. Our board of directors may change our policies without stockholder approval. Our policies, including any policies with respect to investments, leverage, financing, growth, debt and capitalization, are determined by our board of directors or those committees or officers to whom our board of directors may delegate such authority. Our board of directors also establishes the amount of any dividends or other distributions that we pay to our stockholders. Our board of directors or the committees or officers to which such decisions are delegated have the ability to amend or revise these and our other policies at any time without stockholder vote. Accordingly, our stockholders are not entitled to approve changes in our policies, and, while not intending to do so, we may adopt policies that may have an adverse effect on our financial condition and results of operations**. Risks Related to Our Indebtedness and Financing We have a substantial amount of indebtedness that may limit our financial and operating activities and may adversely affect our ability to incur additional debt to fund future needs. We have a substantial amount of indebtedness. Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties, fully implement our capital expenditure, acquisition and redevelopment activities, or meet the REIT distribution requirements imposed by the Code. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following: • require us to dedicate a substantial portion of cash flow from operations to the payment of principal, and interest on, indebtedness, thereby reducing the funds available for other purposes; • make it more difficult for us to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs; • force us to dispose of one or more of our properties, possibly on unfavorable terms (including the possible application of the 100 % tax on income from prohibited transactions, discussed below in " We may be subject to a 100 % penalty tax on any prohibited transactions that we enter into, or may be required to forego certain otherwise beneficial opportunities in order to avoid the penalty tax on prohibited transactions " **)** or in violation of certain covenants to which we may be subject; • subject us to increased sensitivity to interest rate increases; • make us more vulnerable to economic downturns, adverse industry conditions or catastrophic external events; • limit our ability to withstand competitive pressures; • limit our ability to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness; • reduce our flexibility in planning for or responding to changing business, industry and economic conditions; and / or • place us at a competitive disadvantage to competitors that have relatively less debt than we have. If any one of these events were to occur, our financial condition, results of operations, cash flow and trading price of our common stock could be adversely affected. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code. We may not have sufficient cash flow to meet the required payments of principal and interest on our debt or to pay distributions on our shares at expected levels. In the future, our cash flow could be insufficient to meet required payments of principal and interest or to pay distributions on our shares at expected levels. In this regard, we note that in order for us to continue to qualify as a REIT, we are required to make annual distributions generally equal to at least 90 % of our taxable income, computed without regard to the dividends paid deduction and excluding net capital gain. In addition, as a REIT, we are subject to U. S. federal income tax to the extent that we distribute less than 100 % of our taxable income (including capital gains) and are subject to a 4 % nondeductible excise tax on the amount by which our distributions in any calendar year are less than a minimum amount specified by the Code. These requirements and considerations may limit the amount of our cash flow available to meet required principal and interest payments. If we are unable to make required payments on indebtedness that is secured by a mortgage on our property, the asset may be transferred to the lender with a consequent loss of income and value to us, including adverse tax consequences related to such a transfer. Our debt agreements include restrictive covenants, requirements to maintain financial ratios and default provisions which could limit our flexibility, our ability to make distributions and require us to repay the indebtedness prior to its maturity. The mortgages on our properties contain customary negative covenants that, among other things, limit our ability, without the prior consent of the lender, to further mortgage the property and to reduce or change insurance coverage. Additionally, our debt agreements contain customary covenants that, among other things, restrict our ability to incur additional indebtedness and, in certain instances, restrict our ability to engage in material asset sales, mergers, consolidations and acquisitions, and restrict our ability to make capital expenditures. These debt agreements, in some cases, also subject us to guarantor and liquidity covenants and our revolving credit facility will, and other future debt may, require us to maintain various financial ratios. Some of our debt agreements contain certain cash flow sweep requirements and mandatory escrows, and our property mortgages generally require certain mandatory prepayments upon disposition of underlying collateral. Early repayment of certain mortgages may be subject to prepayment penalties. Variable rate debt is subject to interest rate risk that could increase our interest expense, increase the cost to refinance and increase the cost of issuing new debt. As of December 31, ~~2022~~ **2023** , $ 360. 0 million of our outstanding consolidated debt was subject to instruments which bear interest at variable rates that have been capped at ~~2~~ **4** . ~~0~~ **5** % through August ~~2023~~ **2024** and $ 500. 0 million of our outstanding consolidated debt which bears interest at variable rate has been swapped to fixed rate through August 2024. Additionally, our $ 750. 0 million unsecured revolving Credit Facility bears interest at ~~115~~ **135** basis points over the secured overnight refinancing rate (" SOFR ") with adjustments based on the terms of advances, plus a facility fee of 20 basis points. We may also borrow additional money at variable interest rates in the future. Unless we make arrangements that hedge against the risk of ~~rising~~ **elevated** interest rates, increases in interest rates would increase our interest expense under these instruments, increase the cost of refinancing these instruments or issuing new debt, and adversely affect cash flow and our ability to service our indebtedness and make distributions to our stockholders, which could adversely affect the market price of our common stock. We may, in a manner consistent with our qualification as a REIT, seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements that involve risk, such as the risk that counterparties may fail to honor their obligations under these arrangements, and that these arrangements may not be effective in reducing our exposure to interest rate changes. Moreover, there can be no assurance that our hedging arrangements will qualify for hedge accounting or that our hedging activities will have the desired beneficial impact on our results of operations. Should we desire to terminate a hedging agreement, there could be significant costs and cash and other collateral requirements involved to fulfill our obligation under the hedging agreement. Failure to hedge effectively against interest rate changes may adversely affect our results of operations ~~. We may be adversely affected by the potential discontinuation of LIBOR. On December 31, 2021, the Financial Conduct Authority (" FCA ") ceased the publication of the one- week and two- month LIBOR rates. The remaining LIBOR rates will continue to be published through June 30, 2023, after which the interest rate for our variable rate debt and derivative instruments, including interest rates for our variable rate debt and derivative instruments of our unconsolidated joint ventures, will be based on an alternative variable rate as specified in the applicable documentation governing such debt or derivative instruments or as otherwise agreed upon. While we expect LIBOR to be available in substantially its current form until at least the end of June 2023, if sufficient banks decline to make submissions to the LIBOR administrator, it is possible that LIBOR may become unavailable prior to that point. Effective December 31, 2021, banks stopped issuing new LIBOR indexed debt. The discontinuation of LIBOR and the related transition to an alternative rate would not affect our ability to borrow or maintain already outstanding borrowings or swaps, however, 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~~ . Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

Incurring mortgage and other secured debt obligations increases our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure of any of our properties that is subject to a nonrecourse mortgage loan 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, which could hinder our ability to meet the distribution requirements applicable to REITs under the Code. Risks Related to Our Common Stock The market price and trading volume of our common stock may be volatile. The trading price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include: • actual or anticipated variations in our quarterly operating results or dividends; • changes in the estimates of our FFO, NOI or income; • publication of research reports about us or the real estate industry; • increases in market interest rates that lead purchasers of our shares to demand a higher yield; • changes in market valuations of similar companies; • adverse market reaction to any additional debt we incur in the future; • additions or departures of key management personnel; • actions by institutional stockholders; • speculation in the press or investment community; • the realization of any of the other risk factors presented in this Form 10- K; • the extent of investor interest in our securities; • the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate- based companies; • our underlying asset value; • investor confidence in the stock and bond markets, generally; • changes in tax laws; • future equity issuances; • failure to meet income estimates; • financial performance of our tenants; • failure to meet and maintain REIT qualifications; and • general market and economic conditions, including the impact of inflation. In the past, securities class- action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management' s attention and resources, which could have an adverse effect on our financial condition, results of operations, cash flow and trading price of our common stock. Increases in 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. The market value of our common stock may decline due to the large number of our shares eligible for future sale. The market value of our common stock could decline as a result of sales of a large number of shares of our common stock in the market or upon exchange of common units, or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell shares of our common stock in the future at a time and at a price that we deem appropriate. As of December 31, ~~2022~~ **2023** , a significant number of our outstanding shares of our common stock are held by our continuing investors and their affiliates who acquired shares through a series of Formation Transactions and concurrent private placements at the time of our initial public offering on November 24, 2014. These shares of common stock are " restricted securities " within the meaning of Rule 144 under the Securities Act and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including the exemptions contained in Rule 144. All of these shares of our common stock are eligible for future sale and certain of such shares held by our continuing investors have registration rights pursuant to registration rights agreements that we have entered into with those investors. In addition, limited partners of our ~~operating~~ **Operating** ~~partnership~~ **Partnership** , other than us, have the right to require our ~~operating~~ **Operating** ~~partnership~~ **Partnership** to redeem part or all of their common units for cash, based upon the value of an equivalent number of shares of our common stock at the time of the election to redeem, or, at our election, shares of our common stock on a one- for- one basis. The related shares of common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock will be available for sale or resale, as the case may be, and such sales or resales, or the perception of such sales or resales, could depress the market price for our common stock. Pursuant to the registration rights agreement we entered into with members of the Otto family and certain affiliated entities receiving shares of our common stock in the Formation Transactions and concurrent private placements, the parties to this agreement have the right to demand that we register the resale and / or facilitate an underwritten offering of their shares; provided that the demand relates to shares having a market value of at least $ 40. 0 million and that such parties may not make more than two such demands in any consecutive 12- month period. In addition, upon the request of one or more such parties owning at least 1. 0 % of our total outstanding common stock, we have agreed to file a shelf registration statement registering the offering and sale of such parties' registrable securities on a delayed or continuous basis, or a resale shelf registration statement, and maintain the effectiveness of the resale shelf registration statement for as long as the securities registered thereunder continue to qualify as registrable securities. In connection with the registration rights agreement we entered into with the continuing investors who received common units in the Formation Transactions, on March 4, 2021, we filed a shelf registration statement with the SEC to register the primary issuance of the shares of our common stock that they may receive in exchange for their common units. We are required to maintain the effectiveness of this shelf registration statement for as long as the securities registered thereunder continue to qualify as registrable securities. Future issuances of debt securities and equity securities may negatively affect the market price of shares of our common stock and, in the case of equity securities, may be dilutive to existing stockholders. In addition, share repurchases under our share repurchase program could also increase the volatility of the price of our common stock and could diminish our cash reserves. Our charter provides that we may issue up to 900, 000, 000 shares of our common stock, $ 0. 01 par value per share, and up to 100, 000, 000 shares of preferred stock, $ 0. 01 par value per share. Moreover, under Maryland law and our charter, our board of directors has the power to increase the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue without stockholder approval. Similarly, the partnership agreement of our ~~operating~~ **Operating** ~~partnership~~

Partnership authorizes us to issue an unlimited number of additional common units, which may be exchangeable for shares of our common stock. In addition, share equivalents are available for future issuance under the Amended and Restated 2014 Equity Incentive Plan. In the future, we may issue debt or equity securities or incur other financial obligations, including stock dividends and shares that may be issued in exchange for common units and equity plan shares / units. Upon liquidation, holders of our debt securities and other loans and preferred stock will receive a distribution of our available assets before common stockholders. We are not required to offer any such additional debt or equity securities to existing stockholders on a preemptive basis. Therefore, additional common stock issuances, directly or through convertible or exchangeable securities (including common units and convertible preferred units), warrants or options, will dilute the holdings of our existing common stockholders and such issuances or the perception of such issuances may reduce the market price of shares of our common stock. Any convertible preferred units would have, and any series or class of our preferred stock would likely have a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to common stockholders. The existence of our share repurchase program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. Additionally, our share repurchase program could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. Although our share repurchase program is intended to enhance long- term stockholder value, there is no assurance that it will do so and short- term stock price fluctuations could reduce the program' s effectiveness. Risks Related to Our Status as a REIT Failure to qualify or to maintain our qualification as a REIT would have significant adverse consequences to the value of our common stock. We elected to be treated as a REIT commencing with our taxable year ended December 31, 2014. The Code generally requires that a REIT distribute at least 90 % of its taxable income (without regard to the dividends paid deduction and excluding net capital gains) to stockholders annually, and a REIT must pay tax at regular corporate rates to the extent that it distributes less than 100 % of its taxable income (including capital gains) in a given year. In addition, a REIT is required to pay a 4 % nondeductible excise tax on the amount, if any, by which the distributions it makes in a calendar year are less than the sum of 85 % of its ordinary income, 95 % of its capital gain net income and 100 % of its undistributed income from prior years. To avoid entity- level U. S. federal income and excise taxes, we anticipate distributing at least 100 % of our taxable income annually. We believe that we have been and are organized, and have operated and will continue to operate, in a manner that will allow us to qualify as a REIT commencing with our taxable year ended December 31, 2014. However, we cannot assure you that we have been and are organized and have operated or will continue to operate as such. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Code as to which there may only be limited judicial and administrative interpretations and involves the determination of facts and circumstances not entirely within our control. We have not requested and do not intend to request a ruling from the Internal Revenue Service (the " IRS ") that we qualify as a REIT. The complexity of the Code provisions and of the applicable Treasury Regulations is greater in the case of a REIT that, like us, acquired certain assets from taxable C corporations in tax- deferred transactions and holds its assets through one or more partnerships. Moreover, in order to qualify as a REIT, we must meet, on an ongoing basis, various tests regarding the nature and diversification of our assets and our income, the ownership of our outstanding stock, the absence of inherited retained earnings from non- REIT periods and the amount of our distributions. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT gross income and quarterly asset requirements also depends upon our ability to manage successfully the composition of our gross income and assets on an ongoing basis. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for U. S. federal income tax purposes or the U. S. federal income tax consequences of such qualification. Accordingly, it is possible that we may not meet the requirements for qualification as a REIT. If, with respect to any taxable year, we fail to maintain our qualification as a REIT, we would not be allowed to deduct distributions to stockholders in computing our taxable income. If we were not entitled to relief under the relevant statutory provisions, we would also be disqualified from treatment as a REIT for the four subsequent taxable years. If we fail to qualify as a REIT, we would be subject to entity- level income tax on our taxable income at regular corporate tax rates. As a result, the amount available for distribution to holders of our common stock would be reduced for the year or years involved, and we would no longer be required to make distributions to our stockholders. In addition, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and adversely affect the value of our common stock. We may owe certain taxes notwithstanding our qualification as a REIT. Even if we qualify as a REIT, we will be subject to certain U. S. federal, state and local taxes on our income and property, on taxable income that we do not distribute to our stockholders, on net income from certain " prohibited transactions, " and on income from certain activities conducted as a result of foreclosure. We may, in certain circumstances, be required to pay an excise or penalty tax (which could be significant in amount) in order to utilize one or more relief provisions under the Code to maintain our qualification as a REIT. In addition, we expect to provide certain services that are not customarily provided by a landlord, hold properties for sale and engage in other activities (such as a portion of our management business) through one or more TRSs, and the income of those ~~subsidiaries~~ **TRSs** will be subject to U. S. federal and state income tax at regular corporate rates. Furthermore, to the extent that we conduct operations outside of the United States, our operations would subject us to applicable non- U. S. taxes, regardless of our status as a REIT for U. S. federal income tax purposes. In the event we acquire assets on a tax- deferred basis from C corporations, we would be subject to U. S. federal income tax, sometimes called the " sting tax, " at the highest regular corporate tax rate, which is currently 21 %, on all or a portion of the gain recognized from a taxable disposition of any such assets occurring within the 5- year period following the acquisition date, to the extent of the asset' s built- in gain based on the fair market value of the asset on the acquisition date in excess of our initial tax basis in the asset. Additionally, depending upon the location of the asset acquired on a tax deferred basis there may be additional " sting tax " imposed on a state and local level. Gain from a sale of such an asset occurring after the 5-year period ends will not be subject to this sting tax. Our Operating Partnership has limited partners that are non- U. S. persons. Such non- U. S. persons are subject to a variety of U. S. withholding taxes. A partnership that fails to remit the full amount of withholding taxes is liable for the amount of the under withholding, as well as interest and potential penalties. Although we believe that we have complied and will comply with the applicable withholding requirements, the determination of the amounts to be withheld is a complex legal determination and depends on provisions of the Code and the applicable Treasury Regulations that have little guidance. Accordingly, we may interpret the applicable law differently from the IRS and the IRS may seek to recover additional withholding taxes from us. Our property taxes could increase due to property tax rate changes or reassessment, which could impact our cash flow. Even if we qualify as a REIT for U. S. federal income tax purposes, we are required to pay state and local property taxes on our properties. The property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. Therefore, the amount of property taxes we pay in the future may increase substantially from what we have paid in the past and such increases may not be covered by tenants pursuant to our lease agreements. If the property taxes we pay increase, our financial condition, results of operations, cash flow, per share trading price of our common stock and our ability to satisfy our principal and interest obligations and to make distributions to our stockholders could be adversely affected. If our ~~operating~~ **Operating** ~~partnership~~ **Partnership** is treated as a corporation for U. S. federal income tax purposes, we will cease to qualify as a REIT. We believe our ~~operating~~ **Operating** ~~partnership~~ **Partnership** qualifies and will continue to qualify as a partnership for U. S. federal income tax purposes. Assuming that it qualifies as a partnership for U. S. federal income tax purposes, our ~~operating~~ **Operating** ~~partnership~~ **Partnership** generally will not be subject to U. S. federal income tax on its income. Instead, its partners, including us, generally are required to pay tax on their respective allocable share of our ~~operating~~ **Operating** ~~partnership~~ **Partnership** ' s income. No assurance can be provided, however, that the IRS will not challenge our ~~operating~~ **Operating** ~~partnership~~ **Partnership** ' s status as a partnership for U. S. federal income tax purposes, or that a court would not sustain such a challenge. For example, our ~~operating~~ **Operating** ~~partnership~~ **Partnership** would be treated as a corporation for U. S. federal income tax purposes if it were deemed to be a " publicly traded partnership " and less than 90 % of its income consisted of " qualified income " under the Code. If the IRS were successful in treating our ~~operating~~ **Operating** ~~partnership~~ **Partnership** as a corporation for U. S. federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, therefore, cease to qualify as a REIT, and our ~~operating~~ **Operating** ~~partnership~~ **Partnership** would become subject to U. S. federal, state and local income tax. The payment by our ~~operating~~ **Operating** ~~partnership~~ **Partnership** of income tax would reduce significantly the amount of cash available to our ~~operating~~ **Operating** ~~partnership~~ **Partnership** to satisfy obligations to make principal and interest payments on its debt and to make distribution to its partners, including us. There are uncertainties relating to our distribution of non- REIT earnings and profits. To qualify as a REIT, we must not have any non- REIT accumulated earnings and profits, as measured for U. S. federal income tax purposes, at the end of any REIT taxable year. Such non- REIT earnings and profits generally would have included any accumulated earnings and profits of the corporations acquired by us (or whose assets we acquired) in the Formation Transactions. We believe that we have operated, and intend to continue to operate, so that we have not had and will not have any earnings and profits accumulated in a non- REIT year at the end of any taxable year. However, the determination of the amounts of any such non- REIT earnings and profits is a complex factual and legal determination, especially in the case of corporations, such as the corporations acquired in the Formation Transactions that have been in operation for many years. In addition, certain aspects of the computational rules are not completely clear. Thus, we cannot guarantee that the IRS will not assert that we had accumulated non- REIT earnings as of the end of a taxable year. If it is subsequently determined that we had any accumulated non- REIT earnings and profits as of the end of any taxable year, we could fail to qualify as a REIT beginning with the applicable taxable year. Pursuant to Treasury Regulations, however, so long as our failure to comply with the prohibition on non- REIT earnings and profits was not due to fraud with intent to evade tax, we could cure such failure by paying an interest charge on 50 % of the amount of accumulated non- REIT earnings and profits and by making a special distribution of accumulated non- REIT earnings and profits. We intend to utilize such cure provisions if ever required to do so. The amount of any such interest charge could be substantial. Dividends payable by REITs generally do not qualify for reduced tax rates applicable to non- corporate taxpayers. The maximum U. S. federal income tax rate for certain qualified dividends payable to U. S. stockholders that are individuals, trusts and estates generally is currently 20 %. Ordinary dividends payable by REITs, however, are generally not eligible for the reduced rates and therefore are taxable as ordinary income when paid to such stockholders. However, current law provides a deduction of 20 % of a non- corporate taxpayer' s ordinary REIT dividends with such deduction scheduled to expire for taxable years beginning after December 31, 2025. Although the reduced U. S. federal income tax rate applicable to dividend income from regular corporate dividends does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates or are otherwise sensitive to these lower rates to perceive investments in REITs to be relatively less attractive than investments in the stock of non- REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock. Complying with the REIT requirements may cause us to forego otherwise attractive opportunities or liquidate certain of our investments. To qualify as a REIT for U. S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. We may be required to make distributions to our stockholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may, for instance, hinder our ability to make certain otherwise attractive investments or undertake other activities that might otherwise be beneficial to us and our stockholders, or may require us to borrow or liquidate investments in unfavorable market conditions and, therefore, may hinder our investment performance. As a REIT, at the end of each calendar quarter, at least 75 % of the value of our assets must consist of cash, cash items, government securities, debt instruments issued by a publicly traded REIT and qualified real estate assets. The REIT asset tests further require that with respect to our assets that are not qualifying assets for purposes of this 75 % asset test and that are not securities issued by a TRS, we generally cannot hold at the close of any calendar quarter (i) securities representing more than 10 % of the outstanding voting securities of any one issuer or more than 10 % of the total value of the outstanding securities of any one issuer or (ii) securities of any one issuer that represent more than 5 % of the value of our total assets. In addition, securities (other than qualified real estate assets) issued by our TRSs cannot represent more than 20 % of the value of our total assets at the close of any calendar quarter. Further, even though debt instruments issued by a publicly traded REIT that are not secured by a mortgage on real property are qualifying assets for purposes of the 75 % asset test, no more than 25 % of the value of our total assets can be represented by such unsecured debt instruments. After meeting these asset test requirements at the close of a calendar quarter, if we fail to comply with these requirements at the end of any subsequent calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain other statutory relief provisions to avoid losing our REIT qualification. As a result, we may be required to liquidate from our portfolio otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders. We may be subject to a 100 % penalty tax on any prohibited transactions that we enter into, or may be required to forego certain otherwise beneficial opportunities in order to avoid the penalty tax on prohibited transactions. If we are found to have held, acquired or developed property primarily for sale to customers in the ordinary course of business, we may be subject to a 100 % " prohibited transactions " tax under U. S. federal tax laws on the gain from disposition of the property unless the disposition qualifies for one or more safe harbor exceptions for properties that have been held by us for at least two years and satisfy certain additional requirements (or the disposition is made through a TRS and, therefore, is subject to corporate U. S. federal income tax). Under existing law, whether property is held primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances. We intend to hold, and, to the extent within our control, to have any joint venture to which our ~~operating~~ **Operating** ~~partnership~~ **Partnership** is a partner hold, properties for investment with a view to long- term appreciation, to engage in the business of acquiring, owning, operating and developing the properties, and to make sales of our properties and other properties acquired subsequent to the date hereof as are consistent with our investment objectives (and to hold investments that do not meet these criteria through a TRS). Based upon our investment objectives, we believe that overall, our properties (other than certain interests we intend to hold through a TRS) should not be considered property held primarily for sale to customers in the ordinary course of business. However, it may not always be practical for us to comply with one of the safe harbors, and, therefore, we may be subject to the 100 % penalty tax on the gain from dispositions of property if we otherwise are deemed to have held the property primarily for sale to customers in the ordinary course of business. The potential application of the prohibited transactions tax could cause us to forego potential dispositions of property or to forego other opportunities that might otherwise be attractive to us, or to hold investments or undertake such dispositions or other opportunities through a TRS, which would generally result in corporate income taxes being incurred. REIT distribution requirements could adversely affect our liquidity and adversely affect our ability to execute our business plan. In order to maintain our qualification as a REIT and to meet the REIT distribution requirements, we may need to modify our business plans. Our cash flow from operations may be insufficient to fund required distributions, for example, as a result of differences in timing between our cash flow, the receipt of income for accounting principles generally accepted in the United States of America (" GAAP ") purposes and the recognition of income for U. S. federal income tax purposes, the effect of non- deductible capital expenditures, the effect of limitations on interest and net operating loss deductibility, the creation of reserves, payment of required debt service or amortization payments, or the need to make additional investments in qualifying real estate assets. The insufficiency of our cash flow to cover our distribution requirements could require us to (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be invested in future acquisitions or capital expenditures or used for the repayment of debt, (iv) pay dividends in the form of " taxable stock dividends " or (v) use cash reserves, in order to comply with the REIT distribution requirements. As a result, compliance with the REIT distribution requirements could adversely affect the market value of our common stock. The inability of our cash flow to cover our distribution requirements could have an adverse impact on our ability to raise short- and long- term debt or sell equity securities. In addition, if we are compelled to liquidate our assets to repay obligations to our lenders or make distributions to our stockholders, we may be subject to a 100 % tax on any resultant gain if we sell assets that are treated as property held primarily for sale to customers in the ordinary course of business, and, in certain circumstances, we may be subject to an entity- level sting tax. Preferred equity and certain debt investments could impact our compliance with REIT income and assets tests. We have indirectly held certain preferred equity investments in entities treated as partnerships for U. S. federal income tax purposes that directly or indirectly owned real property, and we may acquire (directly or indirectly) additional such investments in the future. In such an event, given such treatment as a partnership for U. S. federal income tax purposes, we will generally be treated as owning an interest in the underlying real estate and other assets of the partnership and will be deemed entitled to its proportionate share of the income of the partnership for U. S. federal income tax purposes. As a result, absent sufficient controls to ensure that the underlying real property is operated in compliance with the REIT rules, preferred equity investments may impact our compliance with the REIT income and asset tests. Moreover, the treatment of interest- like preferred returns in a partnership is not clear under the REIT rules and such returns could be treated as non- qualifying income. In addition, in some cases, the proper characterization of debt- like preferred equity investments as unsecured indebtedness or as equity for U. S. federal income tax purposes may be unclear. If the IRS successfully re- characterized a preferred equity investment as unsecured debt for U. S. federal income tax purposes, the investment would be subject to various asset test limitations on unsecured debt and our preferred return would be treated as non- qualifying income for purposes of the 75 % gross income test. Accordingly, such a recharacterization could impact our compliance with the REIT income and asset tests and / or cause us to be subject to substantial penalty taxes to cure the resulting violations. Conversely, we may make investments that we treat as indebtedness for U. S. federal income tax purposes (and the REIT qualification rules) that have certain equity characteristics. If the IRS successfully recharacterized a debt investment in a non- corporate borrower as equity for U. S. federal income tax purposes, we would generally be required to include our share of the gross assets and gross income of the borrower in our REIT asset and income tests as described above. Inclusion of such items could impact our compliance with REIT income and asset tests. Moreover, to the extent a borrower holds its assets as dealer property or inventory, if we are treated as holding equity in such borrower for U. S. federal income tax purposes, our share of gains from sales by the borrower would be subject to the 100 % tax on prohibited transactions (except to the extent earned through a TRS). To the extent an investment we treat as a loan to a corporate borrower is recharacterized as equity for U. S. federal income tax purposes, it could also cause us to fail one or more of the asset tests applicable to REITs. The ability of our board of directors to revoke our REIT qualification without stockholder approval may cause adverse consequences to our stockholders. 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 qualify as a REIT. If we cease to be a REIT, we will not be allowed a deduction for dividends paid to stockholders in computing our taxable income and will be subject to U. S. federal income tax at regular corporate rates and state and local taxes, which may have adverse consequences on our total return to our stockholders. Our ability to provide certain services to our tenants may be limited by the REIT rules, or may have to be provided through a TRS. As a REIT, we generally cannot provide services to our tenants other than those that are customarily provided by landlords, nor can we derive income from a third party that provides such services. If we forego providing such services to our tenants, we may be at a disadvantage to competitors who are not subject to the same restrictions. However, we can provide such non- customary services to tenants or share in the revenue from such services if we do so through a TRS, though income earned through the TRS will be subject to corporate income taxes. Although our use of TRSs may partially mitigate the impact of meeting certain requirements necessary to maintain our qualification as a REIT, there are limits on our ability to own and enter into transactions with TRSs, and a failure to comply with the limits would jeopardize our REIT qualification and may result in the application of a 100 % excise tax. A REIT may own up to 100 % of the stock of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT. For a TRS election with respect to a subsidiary to be valid, both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. However, a corporation of which a TRS directly or indirectly owns more than 35 % of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20 % of the value of a REIT' s assets may consist of securities of one or more TRSs. Rules also impose a 100 % excise tax on certain transactions between a TRS and its parent REIT that are treated as not being conducted on an arm' s-length basis. Any company treated as our TRS under the Code for U. S. federal income tax purposes and any other TRSs that we form will pay U. S. federal, state and local income tax on their taxable income, and their after- tax net income will be available for distribution to us but is not required to be distributed to us unless necessary to maintain our REIT qualification. Although we will monitor the aggregate value of the securities of such TRSs and intend to conduct our affairs so that such securities will represent less than 20 % of the value of our total assets, there can be no assurance that we will be able to comply with the TRS limitation in all market conditions. The partnership audit rules may alter who bears the liability in the event any subsidiary partnership (such as our ~~operating~~ **Operating** ~~partnership~~ **Partnership**) is audited and an adjustment is assessed. In the case of an audit of a partnership, the partnership itself may be liable for a hypothetical increase in partner- level taxes (including interest and penalties) resulting from an adjustment of partnership tax items on audit, regardless of changes in the composition of the partners (or their relative ownership) between the year under audit and the year of the adjustment. Thus, for example, an audit assessment attributable to former partners of the ~~operating~~ **Operating** ~~partnership~~ **Partnership** could be shifted to the partners in the year of adjustment. The partnership audit rules also include, among other procedures, an elective alternative method under which the additional taxes resulting from the adjustment are assessed from the affected partners (often referred to as a " push- out election "), subject to a higher rate of interest than otherwise would apply. When a push- out election causes a partner that is itself a partnership to be assessed with its share of such additional taxes from the adjustment, such partnership may cause such additional taxes to be pushed out to its own partners. In addition, Treasury Regulations provide that a partnership may be able to request a modification of an adjustment that is based on deficiency dividends distributed by a partner that is a REIT. Many questions remain as to how the partnership audit rules will apply, and it is not clear at this time what effect these rules will have on us. However, it is possible that these changes could increase the **U. S.** federal income tax, interest, and / or penalties otherwise borne by us in the event of a **U. S.** federal income tax audit of a subsidiary partnership (such as our ~~operating~~ **Operating** ~~partnership~~ **Partnership**). Tax legislation or regulatory action could adversely affect us or our investors. The rules dealing with U. S. federal, state and local income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U. S. Treasury Department. Changes to tax laws (which changes may have retroactive application) could adversely affect our stockholders or us. In recent years, many such changes have been made, including a number of provisions of the Code that affect the taxation of REITs and their stockholders, and changes are likely to continue to occur in the future. We cannot predict whether, when, in what form, or with what effective dates, tax laws, regulations and rulings may be enacted, promulgated or decided, or technical corrections made, which could result in an increase in our, or our stockholders', tax liability or require changes in the manner in which we operate in order to minimize increases in our tax liability. A shortfall in tax revenues for states and municipalities in which we operate may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional taxes on our assets or income and / or be subject to additional restrictions. These increased tax costs could, among other things, adversely affect our financial condition, the results of operations and the amount of cash available for the payment of dividends. Stockholders are urged to consult with their tax advisors with respect to the impact that legislation may have on their investment and the status of legislative, regulatory or administrative developments and proposals and their potential effect on their investment in our shares. ~~General Risk Factors We depend on key personnel, including Albert Behler, our Chairman, Chief~~

~~Executive Officer and President, and the loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business. There is substantial competition for qualified personnel in the real estate industry and the loss of our key personnel could have an adverse effect on us. Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel, particularly Albert Behler, our Chairman, Chief Executive Officer and President, who has extensive market knowledge and relationships and exercises substantial influence over our acquisition, redevelopment, financing, operational and disposition activity. Among the reasons that Albert Behler is important to our success is that he has a national, regional and local industry reputation that attracts business and investment opportunities and assists us in negotiations with financing sources and industry personnel. If we lose his services, our business and investment opportunities and our relationships with such financing sources and industry personnel could diminish. Many of our other senior executives also have extensive experience and strong reputations in the real estate industry, which aid us in identifying or attracting investment opportunities and negotiating with sellers of properties. The loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners and industry participants, which could negatively affect our financial condition, results of operations and cash flow. We face risks associated with security breaches through cyber- attacks, cyber intrusions or otherwise, as well as other significant disruptions of our IT networks and related systems. We face risks associated with security breaches, whether through cyber- attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization, and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber- attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day- to- day operations (including managing our building systems) and, in some cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well-protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk. A security breach or other significant disruption involving our IT networks and related systems could: • disrupt the proper functioning of our networks and systems and therefore our operations and / or those of certain of our tenants; • result in misstated financial reports, violations of loan covenants, missed reporting deadlines and / or missed permitting deadlines; • result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT; • result in the loss, theft or misappropriation of our property; • result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of, proprietary, confidential, sensitive or otherwise valuable information of ours or others, 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 purposes and outcomes; • result in our inability to maintain the building systems relied upon by our tenants for the efficient use of their leased space; • 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; • subject us to liability under various U. S. federal and state, and foreign data privacy laws and regulations; or • damage our reputation among our tenants and investors generally. Any or all of the foregoing could have a material adverse effect on our results of operations, financial condition and cash flows. Our board of directors may change our policies without stockholder approval. Our policies, including any policies with respect to investments, leverage, financing, growth, debt and capitalization, are determined by our board of directors or those committees or officers to whom our board of directors may delegate such authority. Our board of directors also establishes the amount of any dividends or other distributions that we pay to our stockholders. Our board of directors or the committees or officers to which such decisions are delegated have the ability to amend or revise these and our other policies at any time without stockholder vote. Accordingly, our stockholders are not entitled to approve changes in our policies, and, while not intending to do so, we may adopt policies that may have an adverse effect on our financial condition and results of operations.~~