

Risk Factors Comparison 2024-03-21 to 2023-03-23 Form: 10-K

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

An investment in our securities involves various risks. All investors should carefully consider the following risk factors in conjunction with the other information in this report before trading our securities. **FACTORS AFFECTING OUR ASSETS** ~~The future outbreak of~~ **THE INDUSTRY** **Our operating performance is subject to risks associated with the real estate industry. Real estate investments are subject to various risks, fluctuations and cycles in value and demand, any many highly infectious of which are beyond our contagious diseases control. These events include, but are not limited to:** • adverse changes in international, national ~~or the reemergence of COVID—19 and the timing and effectiveness of vaccine use~~ local economic conditions; • inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights ~~or below-~~ market renewal options; • adverse changes in financial conditions of actual or potential investors, buyers, sellers or tenants; • inability to collect rent from tenants; • competition from ~~other effective medicines~~ real estate investors, including other real estate operating companies, publicly- traded REITs and institutional investment funds; • reduced tenant demand for office space and residential units from matters such as: (i) trends in space utilization, (ii) changes in the relative popularity of our properties, (iii) the type of space we lease, (iv) purchasing versus leasing, (v) increasing crime or homelessness in our submarkets or (vi) economic recessions; • increases in the supply of office space and residential units; • fluctuations in interest rates and the availability of credit, which ~~could materially and adversely affect our business ability to obtain financing on favorable terms or at all;~~ • increases in operating costs, including: (i) insurance costs, (ii) labor costs, (iii) energy prices, (iv) property taxes, and (v) costs of compliance with laws, regulations and governmental policies; • utility disruptions; • changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, governmental fiscal policies and the ADA; • difficulty in operating properties effectively; • acquiring undesirable properties; and • inability to dispose of properties at appropriate times or at favorable prices. We may not be able to compete successfully with other entities that operate in our industry. We experience a great deal of competition in attracting tenants for the properties and in locating land to develop and properties to acquire. In our effort to lease properties, we compete for tenants with a broad spectrum of other landlords in each of the markets. These competitors include, among others, publicly- held REITs, privately- held entities, individual property owners and tenants who wish to sublease their space. Some of these competitors may be able to offer prospective tenants more attractive financial terms than we ~~condition and results of operations. Our operating results depend, in large --~~ **are able** part, on revenues derived from leasing space in our residential multifamily communities to ~~offer residential tenants and the ability of tenants to generate sufficient income to pay their rents in a timely manner.~~ **Real estate investments** ~~The market and economic challenges created by the recent COVID—19 pandemic and measures implemented to prevent its spread have and may continue to adversely affect our returns and profitability. As a result, we could experience volatility with respect to the market value of our properties and common stock. In some cases, we may be legally required or otherwise agree--~~ **are illiquid,** to restructure tenants' rent obligations and ~~we may not be able~~ **to sell properties if and when it is appropriate** to do so in terms favorable to us as those currently in place. **Real** ~~Further, various city, county and state estate generally cannot be sold quickly. We~~ laws restricting rent increases in times of emergency may come into effect ~~not be able to dispose of properties promptly in connection with~~ **response to economic or the other pandemic conditions. In addition,** provisions of the Internal Revenue Code and numerous state, local, federal and industry- initiated efforts have and may **limit** ~~continue to affect our ability to sell properties (without collect rent or enforce remedies for the failure to pay rent, including-- incurring --, among significant tax costs) in some situations when it may be others otherwise economically advantageous to do so,~~ limitations thereby adversely affecting returns to stockholders and adversely impacting ~~or our prohibitions on evicting tenants unwilling or unable to pay rent and prohibitions on the ability to meet our~~ collect unpaid rent during certain time frames. Some residents' views about their obligations. **Our business** to pay rent, even when financially capable of meeting the rent obligation, have shifted away from viewing rent as a primary and necessary financial obligation, and this shift may **be impacted** ~~continue or worsen as a result of the eviction moratoriums and the various laws affecting our abilities to collect rent. Additionally, market fluctuations as a result of any~~ **health emergency like the** pandemic may affect our ability to obtain necessary funds for our operations from current lenders or new borrowings. We may be unable to obtain financing for the acquisition of investments or refinancing for existing assets on satisfactory terms, or at all. Market fluctuations and construction delays, along with increased prices, experienced by our vendors may also negatively impact their-- **the coronavirus** ability to provide services to us. The global impact of **Considerable uncertainty still surrounds** the recent ~~COVID—Covid- 19 pandemic continues to evolve and,~~ **including its conclusion,** the availability of and effectiveness of vaccines, the potential short- term and long term effects, including but not limited to shifts in consumer housing demand based on geography, affordability, housing type (e. g., multi- family vs. single family) and unit type (e. g., office studio vs. multi- bedroom), mainly resulting from the paradigm shift of work culture, the decentralization of corporate headquarters and the success of " work from home " models. Moreover, local, state and national measures taken to limit the spread of the recent pandemic have already resulted in significant economic impacts and mortality rates, the duration and scope of which cannot currently be predicted. The extent to which ~~of its effect on our operational and financial performance--~~ **condition or operating results** will be effected in the future by any future pandemic will largely depend on ~~future demand and~~ developments, which are highly uncertain and cannot be **accurately** predicted. **We face risks associated**

with confidence and have been the target of security breaches through cyber attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology (IT) networks and related systems. The phenomenon of cyber- attacks in general, and cyber- attacks against databases in particular, have become a risk to all companies. We are exposed to cyber- attacks, which may, depending on their success and strength, damage the privacy of the information stored in the databases as well as cause equipment failures, loss, discovery, use, corruption, destruction or appropriation of information, content and valuable technical information. In recent years, cyber- attacks against companies have increased in frequency, scope and potential damage. Malicious damage (such as the introduction of viruses and cyber- attacks) or a large- scale malfunction may adversely affect the group' s business and results, including damage the duration, scope and severity of the pandemic, the actions taken to contain or mitigate its impact, the timing of distribution and effectiveness of vaccines and the willingness and ability of the public to get vaccinated in a timely manner, and the direct and indirect economic effects of the pandemic and related containment measures, among others. Also, to the extent any of these risks and uncertainties adversely impact us in the ways described above or otherwise, they-- the group' s reputation, and may also have the effect of heightening many of the other-- the group' s financial condition risks set forth in this Report.

FACTORS AFFECTING OUR ASSETS Adverse events concerning our existing tenants or negative market conditions affecting our existing tenants could have an adverse impact on our ability to attract new tenants, release space, collect rent or renew leases, and thus could adversely affect cash flow from operations and inhibit growth. **Our Cash-cash** flow from operations depends in part on the ability to lease space to tenants on economically favorable terms. We could be adversely affected by various facts and events over which we have limited or no control, such as: • lack of demand for space in areas where the properties are located; • inability to retain existing tenants and attract new tenants; • oversupply of or reduced demand for space and changes in market rental rates; • defaults by tenants or failure to pay rent on a timely basis; • the need to periodically renovate and repair marketable space; • physical damage to properties; • economic or physical decline of the areas where properties are located; and • potential risk of functional obsolescence of properties over time. **At any time, any tenant may experience a downturn in its business that may weaken its financial condition. As a result, a tenant may delay lease commencement, fail to make rental payments when due, decline to extend a lease upon its expiration, become insolvent or declare bankruptcy. Any tenant bankruptcy or insolvency, leasing delay or failure to make rental payments when due could result in the termination of the tenant' s lease and material losses to us.** If tenants do not renew their leases as they expire, we may not be able to rent the space. Furthermore, leases that are renewed, and some new leases for space that is re- let, may have terms that are less economically favorable than expiring lease terms, or may require us to incur significant costs, such as renovations, tenant improvements or lease transaction costs. Any of these events could adversely affect cash flow from operations and our ability to make distributions to shareholders and service indebtedness. A significant portion of the costs of owning property, such as real estate taxes, insurance, and debt service payments, are not necessarily reduced when circumstances cause a decrease in rental income from the properties. **Our reliance on third- party management companies s to operate certain of our properties may harm our business.** We may not be able rely on third party property managers to compete successfully manage the daily operations of our properties. These management companies are directly responsible for the day- to- day operation of our properties with limited supervision by us, and they often have potentially significant decision- making authority with respect to those properties. Thus, the success of our business may depend in large part on the ability of our third- party property managers to manage the day- to- day operations, and any adversity experienced by our property managers could adversely impact the operation and profitability of our properties. These third parties may fail to manage our properties effectively or in accordance with other-- their entities that agreements with us, may be negligent in their performance and may engage in criminal or fraudulent activity. If any of these events occur, we could incur losses or face liabilities from the loss or injury to our property or to persons at our properties. In addition, disputes may arise between us and these third- party managers and operators, and we may incur significant expenses to resolve those disputes or terminate the relevant agreement with these third parties and locate and engage competent and cost- effective service providers to operate in our industry. We experience a great deal of competition in attracting tenants for the properties and in locating land- and to develop and manage the relevant properties to acquire. In our effort to lease properties, we compete for tenants which in turn could adversely affect us, including damage to our relationships with such franchisers a broad spectrum of other landlords in each of the markets. These competitors include, among others, publicly- held REITs, privately- held entities, individual property owners and tenants who wish to sublease their space. Some of these competitors may be able to offer prospective tenants more attractive financial terms than we are able to offer. If the availability of land or high quality properties in our- or we may markets diminishes, operating results could be adversely affected in breach of our management agreement. We may experience increased operating costs which could adversely affect our financial results and the value of our properties. Our properties are subject to increases in operating expenses such as insurance, cleaning, electricity, heating, ventilation and air conditioning, administrative costs and other costs associated with security, landscaping, repairs, and maintenance of the properties. While some current tenants are obligated by their leases to reimburse us for a portion of these costs, there is no assurance that these tenants will make such payments or agree to pay these costs upon renewal or new tenants will agree to pay these costs. If operating expenses increase in our markets, we may not be able to increase rents or reimbursements in all of these markets to offset the increased expenses, without at the same time decreasing occupancy rates. If this occurs, our ability to make distributions to shareholders and service indebtedness could be adversely affected. Our ability to achieve growth in operating income depends in part on its ability to develop additional properties or acquire and redevelop or renovate existing properties. We intend to continue to develop properties where warranted by market conditions. We have a number of ongoing development and land projects being readied for commencement. Additionally, general construction and development activities include the following risks: • construction and leasing of a property may not be completed on schedule, which could result in increased expenses and construction costs, and would result

in reduced profitability for that property; • construction costs may exceed original estimates due to increases in interest rates and increased cost of materials, labor or other costs, possibly making the property less profitable because of inability to increase rents to compensate for the increase in construction costs; • some developments may fail to achieve expectations, possibly making them less profitable; • we may be unable to obtain, or face delays in obtaining, required zoning, land-use, building, occupancy, and other governmental permits and authorizations, which could result in increased costs and could require us to abandon our activities entirely with respect to a project; • we may abandon development opportunities after the initial exploration, which may result in failure to recover costs already incurred. If we determine to alter or discontinue its development efforts, future costs of the investment may be expensed as incurred rather than capitalized and we may determine the investment is impaired resulting in a loss; • we may expend funds on and devote management's time to projects which will not be completed; and • occupancy rates and rents at newly-completed properties may fluctuate depending on various factors including market and economic conditions, and may result in lower than projected rental rates and reduced income from operations. We face risks associated with property acquisitions. We have acquired individual properties and various portfolios of properties in the past and intend to continue to do so. Acquisition activities are subject to the following risks: • when we are able to locate a desired property, competition from other real estate investors may significantly increase the seller's offering price; • acquired properties may fail to perform as expected; • the actual costs of repositioning or redeveloping acquired properties may be higher than original estimates; • acquired properties may be located in new markets where we face risks associated with an incomplete knowledge or understanding of the local market, a limited number of established business relationships in the area and a relative unfamiliarity with local governmental and permitting procedures; and • we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into existing operations, and results of operations and financial condition could be adversely affected. We may acquire properties subject to liabilities and without any recourse, or with limited recourse, with respect to unknown liabilities. However, if an unknown liability was later asserted against the acquired properties, we might be required to pay substantial sums to settle it, which could adversely affect cash flow. Many of our properties are concentrated in our primary markets and we may suffer economic harm as a result of adverse conditions in those markets. Our properties are located principally in specific geographic areas in the **Southern southwestern, southeastern, and mid-western** United States. Our overall performance is largely dependent on economic conditions in **those this regions- region**. Failure by us, to adequately manage the risks associated with any acquisitions could have a material adverse effect on the financial condition or results of operations and adversely affect our business, financial condition, results of operations and cash flows. We are leveraged and may not be able to meet our debt service obligations. We had total indebtedness, including bonds and notes payable, at December 31, **2022-2023** of approximately \$ **313-179.71** million. Substantially all of our **multifamily** real estate **has** assets have been pledged to secure debt. These borrowings increase the risk of loss because they represent a prior claim on assets and most require fixed payments regardless of profitability. Our leveraged position makes us vulnerable to declines in the general economy and may limit our ability to pursue other business opportunities in the future. **We may A significant portion of our debt is insured with HUD As of December 31, 2023, we had \$ 128.9 million in mortgage notes payable insured by the U. S. Department of Housing and Urban Development (" HUD"), which represented 72 % of our total indebtedness. HUD insured loans allow Lenders to extend loans at a relatively low interest rate for terms of up to 40 years for properties under new construction, or up to 35 years for acquisition or refinancing of existing properties. In return for lower interest rates and favorable terms, HUD loans involve extensive regulatory compliance. While we hope to continue utilizing HUD insured loans in the future, should we not be able to access financial markets such loans, or should HUD cease to permit us to access or assume HUD insured debt, we would likely incur significantly increased interest costs and shorter term conventional loans (assuming we are able to obtain conventional loans) and possibly need to utilize funds** capital on a timely basis, or on acceptable terms. We rely on proceeds from **disposal of investments** property dispositions and third party capital sources for **or** a portion of our capital needs, including capital for acquisitions and development. The public debt and equity markets are also among the sources upon which we rely. There is no guarantee that we will be able to access these markets or any other source of capital. The ability to access the public debt and equity markets depends on a variety of factors, including: • general economic conditions affecting these markets; • our own financial structure and performance; • the market's opinion of real estate companies in general; and • the market's opinion of real estate companies that own similar properties. We may suffer adverse effects as a result of terms and covenants relating to our indebtedness. Required payments on our indebtedness generally are not reduced if the economic performance of the portfolio declines. If the economic performance declines, net income, cash flow from operations and cash available for distribution to stockholders may be reduced. If payments on debt cannot be made, we could sustain a loss or suffer judgments, or in the case of mortgages, suffer foreclosures by mortgagees. Further, some obligations contain cross-default and/or cross-acceleration provisions, which means that a default on one obligation may constitute a default on other obligations. We anticipate only a small portion of the principal of our debt will be repaid prior to maturity. Therefore, we are likely to refinance **finance** a portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or the terms of any refinancing will not be as favorable as the terms of the maturing debt. If principal balances due at maturity cannot be refinanced, extended, or repaid with proceeds from other sources, such as the proceeds of sales of assets or new equity capital, cash flow may not be sufficient to repay all maturing debt in years when significant "balloon" payments come due. Our credit facilities **activities** and unsecured debt contain customary restrictions, requirements and other limitations on the ability to incur indebtedness, including total debt to asset ratios, secured debt to total asset ratios, debt service coverage ratios, and minimum ratios of unencumbered assets to unsecured debt. Our continued ability to borrow is subject to compliance with financial and other covenants. In addition, failure to comply with such covenants could cause a default under credit facilities, and we may then be required to repay such debt with capital from other sources. Under those circumstances, other sources of capital may not be available, or be available only on terms that are detrimental to us. Our degree of leverage could limit our

ability to obtain additional financing or affect the market price of our common stock. The degree of leverage could affect our ability to obtain additional financing for working capital, capital expenditures, acquisitions, development or other general corporate purposes. The degree of leverage could also make us more vulnerable to a downturn in business or the general economy. An increase in interest rates would increase interest costs on variable rate debt and could adversely impact the ability to refinance existing debt. We currently have, and may incur more, indebtedness that bears interest at variable rates. Accordingly, if interest rates increase, so will the interest costs, which could adversely affect cash flow and the ability to pay principal and interest on our debt and the ability to make distributions to shareholders. Further, rising interest rates could limit our ability to refinance existing debt when it matures. Unbudgeted capital expenditures or cost overruns could adversely affect business operations and cash flow. If capital expenditures for ongoing or planned development projects or renovations exceed expectations, the additional cost of these expenditures could have an adverse effect on business operations and cash flow. In addition, we might not have access to funds on a timely basis to pay for the unexpected expenditures. **Properties** Construction costs are funded in large part through construction financing, which we may need guarantee. Our obligation to be pay interest on this financing continues until the rental project is completed, leased up and permanent financing is obtained, or the project is sold, or the construction loan is otherwise paid. Unexpected delays in completion of one or more ongoing projects could also have a significant adverse impact on business operations and cash flow. We may need to sell properties from time to time for cash flow purposes. Because of the lack of liquidity of real estate investments generally, our ability to respond to changing circumstances may be limited. Real estate investments generally cannot be sold quickly. In the event that we must sell assets to generate cash flow, we cannot predict whether there will be a market for those assets in the time period desired, or whether we will be able to sell the assets at a price that will allow us to fully recoup its investment. We may not be able to realize the full potential value of the assets and may incur costs related to the early extinguishment of the debt secured by such assets. We engage in intend to devote resources to the development and of new projects. We plan to continue developing new projects as opportunities arise in the future. Development redevelopment and construction activities entail a number with respect to certain of our properties. To the extent that we do so, we are subject to certain risks, including but not limited to the following: • We we may abandon a project after spending time and money determining its feasibility; • construction costs may materially exceed original estimates; • the revenue from a new project may not be enough to make it profitable or generate a positive cash flow; • we may not be able to obtain financing on favorable terms for development of a property, if at all; • we may not complete construction and lease-ups a development or redevelopment project on schedule, resulting in increased development or carrying costs; and • we may not be able to obtain, or may be delayed in obtaining, necessary governmental permits. **FACTORS AFFECTING THE INDUSTRY** The overall business is subject to all of the risks associated with the real estate industry. We are subject to all risks incident to investment in real estate, many of which relate to the general lack of liquidity of real estate investments, including, but not limited to: • our or real estate assets are concentrated primarily in the southwest and any deterioration in the general economic conditions of this region could have an adverse effect; • changes in interest rates may make the ability to satisfy overall debt service requirements more burdensome; • lack of availability of financing may render the purchase, sale or refinancing of a property more difficult or unattractive; • changes in real estate and zoning laws; • increases in real estate taxes and insurance costs; • federal or local regulations or rent controls; • acts of terrorism; and • hurricanes, tornadoes, floods, earthquakes and other similar natural disasters. Our performance and value are subject to risks associated with within budgeted amounts our real estate assets and with the real estate industry. Our economic performance and the value of our real estate assets, and consequently the value of our securities, are subject to the risk that if our properties do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow will be adversely affected. The following factors, among others, may adversely affect the income generated by our properties: • downturns in the national, regional and local economic conditions (particularly increases in unemployment); • competition from other office, apartment and commercial buildings; • local real estate market conditions, such as oversupply or reduction in demand for office, apartments or other commercial space; • changes in interest rates and availability of financing; • vacancies, changes in market rental rates and the need to periodically repair, renovate and re-let space; • increased operating costs, including insurance expense, utilities, real estate taxes, state and local taxes and heightened security costs; • civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses; • significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property; • declines in the financial condition of our tenants and our ability to collect rents from our tenants; and • decreases in the underlying value of our real estate. Adverse economic and geopolitical conditions and dislocations in the credit markets could have a material adverse effect on our results of operations, and financial condition. Our business may be affected by market and economic challenges experienced by the U. S. economy or real estate industry as a whole or by the local economic conditions in the markets in which our properties are located, including the current dislocations in the credit markets and general global economic recession. These current conditions, or similar conditions existing in the future, may adversely affect our results of operations, and financial condition as a result of the following risks beyond our control, such as weather, labor among other potential consequences: • the financial condition conditions of our tenants, permitting issues, material shortages and price increases); • We may be unable to adversely affected which may result in tenant defaults under leases lease the developed due to bankruptcy, lack of liquidity, operational failures or for or redeveloped properties at budgeted other reasons; • significant job losses within our tenants may occur, which may decrease demand for our office space, causing market rental rates and or lease up the property within budgeted time frames values to be negatively impacted; • our ability to borrow We may devote time and expend funds on terms development or redevelopment of properties that we may not complete; • We may encounter delays or refusals in obtaining all necessary zoning, and land use, and other required entitlements, and building, occupancy and other required governmental permits and authorizations, and our costs to

comply with the conditions **imposed** that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from our acquisition and development activities and increase our future interest expense; • reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans; and • one or more lenders could refuse to fund their financing commitment to us or could fail and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all. Real estate investments are illiquid, and we may not be able to sell properties if and when it is appropriate to do so. Real estate generally cannot be sold quickly. We may not be able to dispose of properties promptly in response to economic or other conditions. In addition, provisions of the Internal Revenue Code may limit our ability to sell properties (without incurring significant tax costs) in some situations when it may be otherwise economically advantageous to do so, thereby adversely affecting returns to stockholders and adversely impacting our ability to meet our obligations. General real estate investment risks may adversely affect property income and values. Real estate investments are subject to a variety of risks. If the communities and other real estate investments do not generate sufficient income to meet operating expenses, including debt service and expenditures, cash flow, and the ability to make distributions, the operating income will be adversely affected. Income from the communities may be further adversely affected by, among other things, the following factors: • changes in the general or local economic climate, including layoffs, plant closings, industry slowdowns, relocations of significant local employers, and other events negatively impacting local employment rates and wages and the local economy; • local economic conditions in which the communities are located, such as oversupply of housing or a reduction in demand for rental housing; • adverse economic or market conditions due to recent COVID—19 pandemic lead to a temporary or permanent move by tenants and / or prospective tenants from locations in which our communities are located; • the attractiveness and desirability of our communities to tenants, including, without limitation, the size and amenity offerings of our units, our technology offerings and our ability to identify and cost effectively implement new, relevant technologies and to keep up with constantly changing consumer demand for the latest innovations, including any increased requirements due to the significant increase in the number of people who continue to “work from home”; • inflationary environments in which the cost to operate and maintain communities increases at a rate greater than our ability to increase rents or deflationary environments where we may be exposed to declining rents more quickly under our short-term leases; • competition from other available housing alternatives; • changes in rent control or stabilization laws or other laws regulating housing and other increasing regulation on people and business in locations where our communities are located; • our ability to provide for adequate maintenance and insurance; • declines in the financial condition of our tenants, which may make it more difficult for us to collect rents from some tenants; • any decline in or tenants’ perceptions of the safety, convenience and attractiveness of our communities and the neighborhoods where they are located; and • changes in interest rates and availability of financing. As leases at the communities expire, tenants may enter into new leases on terms that are less favorable to us. Income and real estate values may also be adversely affected by such **permits** factors as applicable laws, including, without limitation, the Americans with Disabilities Act of 1990, Fair Housing Amendment Act of 1988, permanent and temporary rent controls **authorizations could increase**; • **We may encounter delays**, **refusals and unforeseen cost increases** rent stabilization laws, other laws regulating- **resulting** housing that may prevent us from **third- party litigation** raising rents to offset increased operating expenses, and tax laws. National and regional economic environments can negatively impact our- **or liquidity objections**; and operating- • **We may fail to obtain the financial** results -Our forecast **expected from properties we develop for- or redevelop**; the national economy assumes growth of the gross domestic product of the national economy and the economies of the southeastern and southwestern states. In the event of a recession or other negative economic effects, including as a result of the COVID—19 pandemic, we could incur reductions in rental rates, occupancy levels, property valuations and increases in operating costs, such as advertising and turnover expenses. Any such recession or similar event may affect consumer confidence and spending and negatively impact the volume and pricing of real estate transactions, which could negatively affect our liquidity and its ability to vary its portfolio promptly in responses to changes to the economy. Further, if residents do not experience increases in their income, they may be unable or unwilling to pay rent increases, and delinquency in rent payments and rent defaults may increase as well as vacancy rates.