

**Kayne Anderson**

*Real Estate*

**KAYNE ANDERSON  
REAL ESTATE  
2022 ESG REPORT**







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# INTRODUCTION





# Albert Rabil III

CEO of Kayne Anderson  
Capital Advisors &  
Co-Founder & CEO of  
Kayne Anderson Real Estate



## LETTER FROM THE CEO

Six years after launching our initial environmental, social, and governance (ESG) efforts, Kayne Anderson Real Estate continues advancing our ESG practice. We have introduced ESG elements into our underwriting efforts to understand their impact throughout the lifecycle of many of our investments. In 2022, we increased performance data on existing assets, captured detailed efficiency information within our portfolios, and made substantial improvements on previous data capture rates. We launched a new multifamily strategy with environmental and social programs core to its investment thesis, with the enhancements made within that strategy's assets resulting in improved financial performance and an increased financial resilience within our tenant base. And last but certainly not least, we have added a dedicated team to lead ESG efforts across KA Real Estate.

The launch of our multifamily housing strategy represents our latest effort to integrate ESG themes into our investment process. The strategy focuses on the development and acquisition of Class-B or attainable housing which remains undersupplied nationally, with strong demand driven by persistent housing affordability issues. To increase and maintain attainability, we've introduced energy efficiency improvements including heat-pump technology and solar panels, which lower the utility burden for residents and increase the likelihood residents will renew.

In addition to the launch of the unique multifamily strategy, KA Real Estate has increased data coverage, certifications, and benchmarking efforts across our core and opportunistic strategies. The learnings from these efforts have sharpened our approach to ESG platform-wide, specifically impacting due diligence and risk management; capital expenditure planning; operational improvements; and partner engagement.

Our focus on continuous improvement, particularly around the collection of data, helped drive improved scoring in the 2022 GRESB benchmarking assessment. Other 2022 accomplishments include our highest number of green building certifications and ENERGY STAR certifications to date, and KA Real Estate's inaugural recognition as an ENERGY STAR Premier Member. This progress is representative of our emphasis on operational efficiency as a catalyst for enhanced economic performance.

Finally, Megan Saunders joined KA Real Estate as our director of ESG and has built a team to support our ongoing efforts. Saunders brings a wealth of experience spanning 14 years in the ESG industry, and has quickly implemented additional measures to strengthen our practice. We are thrilled she has come aboard and we look forward to her work advancing ESG across our portfolios.

As we look to the future, we remain dedicated to continually refining and enhancing our ESG practice. By understanding the relationship between impact and value creation, we continue to foster resilience and growth in our assets and communities.

With gratitude,  
Al Rabil

A handwritten signature in dark ink, appearing to read 'Al Rabil', with a stylized, cursive script.



# ABOUT KAYNE ANDERSON REAL ESTATE



## MEDICAL OFFICE

- 664 properties
- 28.1 million sq. ft.



## SENIORS HOUSING

- 112 communities
- 15,247 units



## STUDENT HOUSING / MULTIFAMILY

- 123 properties
- 10,000 units
- 55,500 beds



## DEBT PLATFORM

- \$7.9 billion equity invested
- 9,560 loans

## Since 2007, KA Real Estate Has Invested Over \$22 Billion in Total Capital Across Alternative Real Estate Assets

Launched in 2007, KA Real Estate is the real estate investment arm of Kayne Anderson Capital Advisors, L.P. (“KACALP” or “Kayne”).

KA Real Estate’s investment objectives are to provide investors with risk-adjusted returns by increasing value through cash flow growth with a focus on current cash yield, while also remaining sensitive to capital preservation. With deep professional experience and an extensive network, we bring sophisticated operational and investment expertise to the alternative real estate sectors of focus.

KA Real Estate invests in the alternative real estate sectors of medical offices, high-quality private-pay seniors housing assets, and high-end off-campus student housing, and multifamily assets. In 2022, KA Real Estate launched its first dedicated multifamily housing strategy, building on the Firm’s success in the multifamily sector in previous investment vehicles.

- Independent, private, employee-owned company
- 53 investment professionals\*\*
- >\$14 billion in gross assets under management\*
- 84 real estate professionals\*\*

## KA Real Estate Platform Overview

- Kayne Anderson Real Estate Partners I–VI (KAREPs) Opportunistic/Value Add Equity
- Kayne Anderson Core Real Estate (KACORE) Open-end Alternative Core Equity
- Kayne Anderson Real Estate Debt I–IV (KAREDs) Real Estate Debt
- Kayne Anderson Commercial Real Estate Debt (KCRED) Open-end Real Estate Debt
- Kayne Anderson Medical Office Building Fund I–V, VII (KAMOB) Separately Managed Accounts
- Kayne Anderson Multifamily Fund (KAMF) Open-end Attainable Multifamily Equity

## About This Report

KA Real Estate publishes an annual report on our responsible investment management activities as part of our commitment to transparent communications with our stakeholders.

Kayne conducts business according to policies and procedures that promote the highest standards of ethical and professional conduct, and in compliance with all applicable laws and regulations. See [Kayne Anderson’s 2022 ESG Investing Report](#) to learn more about Kayne’s corporate governance, business ethics and compliance program, and approach to cybersecurity.

All data as of 12.31.22 unless otherwise noted  
\* As of 12.31.22. Assets under management include unfunded commitments.  
\*\* Personnel statistics reported as of 12.31.22.





## Responsible Investment Policies

As a part of Kayne Anderson Capital Advisors, L.P. (“KACALP” or “Kayne”), we are guided by the following policies:

### Kayne Anderson’s ESG Policy

Consistent with our obligations to our clients, Kayne believes responsible investment practices go hand-in-hand with good business. The Firm’s [ESG policy](#) serves as a guide to ESG integration and enhances our understanding of material risks and opportunities across investments. The policy outlines an assess-monitor-engage approach that includes ESG integration across the investment life cycle and embeds the systematic evaluation of ESG factors throughout our investment process.

### Kayne Anderson’s Climate Change Policy

Kayne recognizes the global impact driven by climate change. The Firm’s [climate change policy](#) defines our processes to account for potentially significant consequences for our investment strategies. The policy details Kayne’s integration of climate risks in investment analysis; how we monitor and engage on climate risks and opportunities, governance, and oversight of the policy; and how we report externally.

### Real Estate Industry Associations:

- BOMA
- NCREIF
- Altus Group
- PREA
- Revista
- Self Storage Association
- American Seniors Housing Association
- NIC (National Investment Center for Seniors Housing & Care)
- NMHC (National Multifamily Housing Council)
- Urban Land Institute & ULI Greenprint



## Industry Memberships:

### Enhancing Our Commitment to Transparency and Integrating ESG Considerations

Through our participation in ESG-focused initiatives and industry association memberships, we engage in industry discussions, exchange best practices, and identify trends. This enables us to better understand industry standards and expectations for ESG practices as well as benchmark our efforts.

## Participation in ESG-focused Initiatives:

Signatory of:



As part of our commitment to ESG integration, Kayne Anderson became a signatory to the UN Principles for Responsible Investment (PRI) in 2019.



Kayne Anderson Real Estate has been a participating member of the Global Real Estate Sustainability Benchmark, the global ESG benchmark for real estate investments, since 2018.



In 2019, Kayne Anderson Real Estate became a founding governor of the Pension Real Estate Association Foundation.



In 2021, Kayne Anderson signed on to the ILPA Diversity in Action initiative.

## New Commitments in 2022:



Joined the Global Impact Investing Network.



Became a member of iCI, a network of GPs collaborating on climate risks and best practices.



Became a public supporter of the Task Force on Climate-Related Financial Disclosures.



Became a member of the Urban Land Institute (ULI) Greenprint Center for Building Performance, a worldwide alliance of leading real estate owners, investors, and strategic partners committed to improving the environmental performance of the global real estate industry. KA Real Estate team members are active participants of the subgroups on multifamily housing, embodied carbon, and renewable energy.



Recognized as an ENERGY STAR Premier Member for completing 18 ENERGY STAR certifications for buildings across our portfolio this year. To earn an ENERGY STAR certification, a commercial building or industrial plant must be independently verified to operate more efficiently than 75% of similar properties nationwide.



# WHAT ESG MEANS TO KA REAL ESTATE

KA Real Estate’s Overall Approach to ESG Performance and Products:







## ESG Governance

KA Real Estate’s ESG governance strategy is centered on three key pillars: senior-level participation in decision-making, a specialized ESG team, and representation from all KA Real Estate strategies. This framework fosters genuine accountability and oversight, both in strategic decision-making and in our day-to-day operations.

## ESG Team

In 2022, KA Real Estate hired a director of ESG with over 14 years of real estate sustainability experience to lead a dedicated ESG team that works with our investment team and operational partners to:

- Deepen how we address ESG risks and opportunities during the asset lifecycle
- Expand the use of ESG metrics and benchmarks to inform investment decisions and asset performance monitoring

**“I am excited to be a part of the Kayne Anderson Real Estate team. I’ve inherited a strong ESG foundation here at Kayne and, together with our team members and partners, will continue to build on our ESG successes for years to come.” Megan Saunders, director of ESG, KA Real Estate**

## ESG Committee

The KA Real Estate ESG committee (or “ESG Taskforce”), formalized at the end of 2021, endeavors to refine internal processes to improve data collection; facilitate internal goal setting at the portfolio and strategy levels; and communicate internally and externally on platform and market expectations to key stakeholders.

## ESG Governance \*Committee members as of early 2023.

- Director of ESG, KA Real Estate
- Head of ESG Strategy, KACALP
- Chief Investment Officer, KA Real Estate
- Chief Compliance Officer, KACALP
- Senior Managing Director, Design & Construction
- Co-Heads & Senior Managing Directors, Multifamily Housing Strategy
- Senior Associate, ESG
- Senior Managing Director, Core
- Managing Director, Financial Planning & Analysis
- Senior Managing Director, Head of Operations
- Vice President, Financial Planning & Analysis

## ESG TASKFORCE SUBGROUPS

<b>Goal Setting:</b> Responsible for setting goals, climate change strategy, and identifying energy management and operational green/sustainability certifications.	<b>Data Governance:</b> Responsible for streamlining utility data collection (processes, data quality, and external reporting).	<b>Policies &amp; Procedures:</b> Responsible for setting overall ESG data collection process, ESG vendor selection process, and ESG project approval process.
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# PROGRESS IN 2022







## 2022 ESG HIGHLIGHTS

### LAUNCHED THE MULTIFAMILY HOUSING STRATEGY

Kayne Anderson’s multifamily housing strategy invests in the acquisition of existing multifamily properties and development of new assets to preserve and create attainable housing. The strategy focuses on improving the assets’ resiliency by increasing the energy efficiency of existing properties and applying innovative sustainable technologies in new developments. The strategy also prioritizes the residents’ pathway to resiliency, with social activations focused on financial mobility, health and wellness, and education.

### STRENGTHENED ESG GOVERNANCE

KA Real Estate hired a director of ESG to lead a dedicated ESG team and oversee the ESG committee to integrate responsible investment management practices throughout the investment life cycle.

### CORE STRATEGY ACHIEVED A 3-STAR GRESB RATING

Increased the GRESB score by 22% over 2021, surpassing the GRESB average. Scores increased across each of the environmental, social, and governance dimensions, with the most significant improvement in the environmental section.

**Measures that Contributed to the Higher Score Included:**

- Higher number of green building certifications and ENERGY STAR certifications
- Increased utility data coverage (energy use, water consumption, and waste generation) across all property types

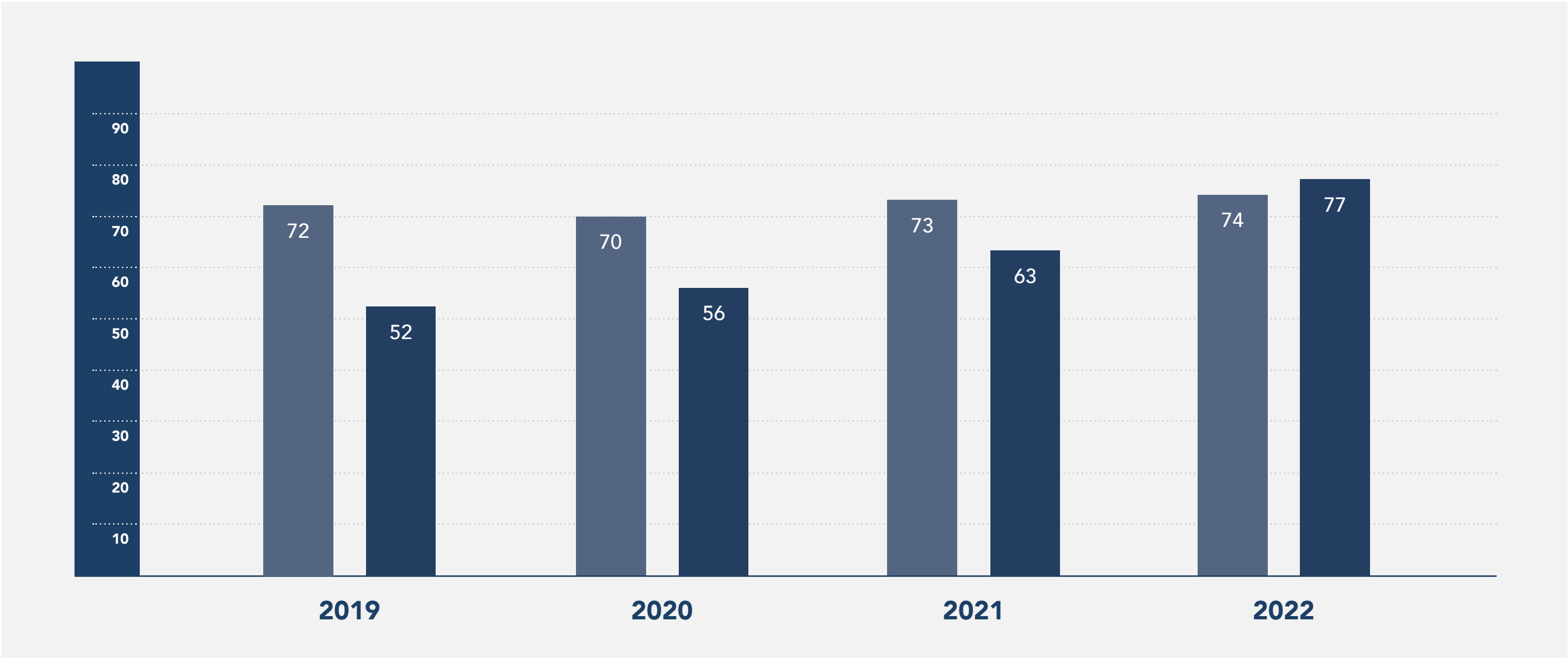
### ENHANCED DATA COLLECTION

KA Real Estate improved on energy-usage data collection across our CORE operating properties. Data collection rates increased from 47% in 2021 to 85% in 2022, exceeding the GRESB benchmark across all sectors. On a more granular level, portfolio data collection rose to 100% for student housing, followed by senior housing (96%), and medical office (77%).






# GRESB PERFORMANCE OVER TIME

● GRESB Average      ● KACORE Entity Score





KA Real Estate’s Portfolio 2022 ESG Achievements:

ENVIROMENTAL	
	Awarded ENERGY STAR Premier Member of Certification Nation
	Achieved ENERGY STAR certification for 18 buildings
	Achieved 8 IREM CSP certifications
	Earned 3 BOMA 360 designations
	Completed 9 ASHRAE level 2 audits to identify energy and water savings measures at properties

- Launched Good Filling program at Framingham multifamily property (The Green) to reduce single-use plastics.

Social:

- Reporting of on-time rent payments through Esusu:
  - Launched at no cost to residents across KA multifamily housing strategy portfolio
  - Expanded into student housing through launch at Stadium House in Gainesville
- Implemented partnership with third-party social service provider, Veritas Impact Partners, across the Atlanta multifamily portfolio

STRENGTHENING COMMUNITIES

STRATEGY	VALUE CHAIN	INDUSTRY
<p>Multifamily Housing Strategy:</p> <ul style="list-style-type: none"><li>Launched the multifamily housing strategy.</li><li>Partnered with 31 minority, women, and disabled-owned businesses (MWDOBs).</li></ul>	<p>Supply Chain:</p> <ul style="list-style-type: none"><li>Collected data on the percentage of our vendors that are MWDOBs.</li></ul>	<p>Community Outreach:</p> <ul style="list-style-type: none"><li>As a lead donor and a founding governor of the Pension Real Estate Association (PREA) Foundation, KA Real Estate contributed to helping over 1,000 students of diverse backgrounds learn about careers in our industry.</li><li>KA Real Estate team members acted as mentors to college students from underrepresented communities in partnership with Project Destined, an internship program focused on all aspects of the real estate business.</li></ul>

ENERGY STAR Score

The ENERGY STAR score compares a building’s energy performance to similar buildings in the United States, normalized for weather and operating characteristics. To be eligible for ENERGY STAR certification, a building must score 75 or above on the Environmental Protection Agency’s 1 – 100 scale, indicating that it performs better than at least 75 % of similar US buildings. ENERGY STAR-certified buildings save energy and money and help protect the environment by generating less greenhouse gas emissions than typical buildings.<sup>1</sup>

1. <https://www.energystar.gov>





# 2022 HIGHLIGHTS: STRENGTHENING CORPORATE CULTURE

## OPTIONAL TRAINING

- 85% voluntary participation by the KA Real Estate team in a two-day intensive training organized by the Race Equity Institute (REI), aimed at educating our employees on the history of systemic racism in the United States and its impact on minority communities.

## KA REAL ESTATE PERSONNEL\*

- Male (54); Female (30).
- 43 women and underrepresented individuals (51%).
- 93% retention rate, in addition to two re-hires.

## EMPLOYEE SURVEY

- 86% participation in annual employee survey, placing KA Real Estate above the industry average.
- Outperformed KA Real Estate’s peer set on the Organizational Health Index.
- Survey participants ranked “collaboration and teamwork” as top reasons to work at KA Real Estate. Results also indicate participants trust the Firm’s leadership, have confidence in the organization’s strategy and purpose, and find the work meaningful.

\* Personnel statistics reported as of 12.31.22



# MANAGING OUR INVESTMENTS RESPONSIBLY





# MANAGING ESG FACTORS ACROSS THE LIFECYCLE OF OUR REAL ESTATE INVESTMENTS

At KA Real Estate, responsible investment management is rooted in a comprehensive approach to financial materiality that identifies and accounts for how ESG factors affect the company, asset, and portfolio performance. In practice, we embed the evaluation of ESG-related risks and opportunities into our investment processes to deliver improved financial performance from a risk-reward perspective. The following methods are used to drive ESG considerations across all three key investment stages:

	DUE DILIGENCE FOCAL POINTS	OPERATING PRACTICES	CONSTRUCTION PRACTICES
Environmental	<p>Climate change impacts and risks including resilience to physical impacts.</p> <ul style="list-style-type: none"><li>Environmental liabilities</li></ul> <p>Operating efficiency measures (air quality, water efficiency, energy efficiency).</p>	<p>Operating efficiency</p> <ul style="list-style-type: none"><li>Energy efficiency upgrades to increase ROI, green leases</li></ul> <p>Utility monitoring</p> <ul style="list-style-type: none"><li>Energy, water, waste, performance benchmarking</li></ul> <p>Building performance assessment</p> <ul style="list-style-type: none"><li>Energy audits for low-performing assets</li></ul>	<p>Energy efficiency</p> <ul style="list-style-type: none"><li>Upgrades can include, but are not limited to, HVAC equipment and automation systems, LED lighting fixtures, high-efficiency water fixtures, occupancy sensors, natural lighting maximization, and repurposed building materials</li></ul>
Social	<p>Accessibility—a key concern for senior housing (e.g., interview tenants to understand their needs and desire for improvements).</p>	<p>Tenant engagement and programming</p> <ul style="list-style-type: none"><li>Proactive information sharing through Esusu reporting service to help improve tenant credit profiles</li><li>Providing residents with access to healthcare via virtual provider Teladoc</li></ul>	<p>Multifamily housing strategy</p> <ul style="list-style-type: none"><li>Committed to partnering with MWDOBs, targeting over \$100 million in spending over the first five-year period</li><li>On-site health and wellness facilities:<ul style="list-style-type: none"><li>Included ESG questions as part of RFP for property</li><li>100% of properties have access to shared outdoor green space or indoor community gathering space</li></ul></li></ul>
Governance	<p>Assess the capabilities of service providers.</p>	<ul style="list-style-type: none"><li>Business Partner Code of Conduct</li><li>Responsible Contractor Policy</li><li>Sustainability guide for new developments and major renovations</li></ul>	





## Due Diligence

Evaluating material ESG risks and opportunities is a key component of KA Real Estate’s due diligence process.

ASSESS RESILIENCE TO THE PHYSICAL IMPACTS OF CLIMATE CHANGE	COLLECT EXTENSIVE PROPERTY-LEVEL DATA ON SUSTAINABILITY FEATURES	IDENTIFY OPPORTUNITIES TO INCREASE UTILITY EFFICIENCY	IDENTIFY POTENTIAL OR EXISTING ENVIRONMENTAL LIABILITIES	IDENTIFY OPPORTUNITIES TO SUPPORT TENANTS
<ul style="list-style-type: none"><li>• Building resiliency measures to deal with climate change</li><li>• Flood prevention measures where applicable</li><li>• Wildfire protection measures</li><li>• Flood risk tools</li></ul>	<p>Supply Chain:</p> <ul style="list-style-type: none"><li>• Energy efficient roof components</li><li>• ENERGY STAR-rated appliances</li><li>• Sensor activated lighting components</li><li>• High efficiency (H.E.) or ENERGY STAR-labeled HVAC systems</li><li>• LED lighting</li><li>• Low-flow water fixtures</li></ul>	<p>Community Outreach:</p> <ul style="list-style-type: none"><li>• Green building certifications where applicable</li><li>• Energy audit as part of diligence</li><li>• Energy modeling of developments as part of diligence</li></ul>	<p>Supply Chain:</p> <ul style="list-style-type: none"><li>• Underlying land—Third-party phase I environmental site assessment</li><li>• Physical property evaluation—Third-party property condition assessment</li><li>• Outline, design, and execution of all environmental remediation plans</li><li>• Evaluate transition risks against benchmarking ordinances</li></ul>	<p>Community Outreach:</p> <ul style="list-style-type: none"><li>• Interview tenants to assess needs and desire for improvements and/or new amenities</li><li>• Evaluate accessibility—proximity to public transit, retail, and other services</li></ul>





# Overview of Operating Practices

We consider three core pillars in our environmental approach to operating practices: data management, operating efficiency, and partner engagement.

## 1 Data Management for Informed Decisions:

We continue to collect utility data across our strategies, to consistently monitor energy use, water consumption, and waste generation. To date, our data-driven efforts have led to the implementation of operating efficiency measures that have positioned KA Real Estate developments to outperform their counterparts in data coverage within each respective asset class.

Benchmarking properties in the ENERGY STAR Portfolio Manager and modelling future energy performance for new developments validates the success of past energy efficiency efforts driving continuous improvement.

## 2 Operating Efficiency:

When identifying efficiency upgrades that increase return on investment (ROI) and reduce environmental impact, we collaborate with our operating partners to locate and implement cost-effective operational retrofits, such as replacing existing lighting with LED lights and retro-commissioning and/or upgrading HVAC systems with modern energy-efficient units.

## 3 Partner Engagement:

We believe that educating and sharing ESG practices with operating partners is crucial for achieving our sustainability goals. KA Real Estate collaborated with its property managers to develop tenant sustainability and sustainable tenant fit-out and refurbishment guides. Such guidance can help tenants implement sustainability practices for build-outs or make upgrades to existing property spaces.

# Operating Practices

## Progress in 2022:

### Embedding ESG Specifications/Performance into Asset Management

- Offered ESG training to all asset managers within the core and multifamily housing strategies.
- Equipped all property managers with ESG guides to assist tenants, suppliers/vendors, and contractors in reducing the environmental and social impact of building operations, maintenance, and construction associated with Kayne Anderson’s assets.
- Distributed sustainable operations educational guides to tenants for recommendations to make operations more environmentally friendly.
- Provided ESG development specifications for asset managers to share with our joint venture partners.

## Green leases

We adopt green provisions in standard leases to encourage tenants to minimize their environmental footprint. Since 2021, all new and renewed leases across our medical-office assets integrate green provisions. These clauses include implementing energy-reduction systems, enabling energy- and natural-resource-usage tracking and measurement, as well as using low volatile organic compounds (VOC) products and interiors.





## Development and Capital Improvement Projects

KA Real Estate is committed to continuously reducing our properties’ environmental impact and operating costs. Through our ESG data-collection efforts, we can identify opportunities and implement actions for improving properties’ operating efficiency and reducing greenhouse gas emissions.

KA Real Estate’s in-house design and construction (D&C) team monitors all projects to ensure they meet KA Real Estate’s environmental and social standards. The team works with our operating partners to incorporate the following strategies:

- LED lighting fixtures
- High-efficiency water fixtures
- Native and drought-resistant landscaping
- ENERGY STAR appliances
- Occupancy sensors
- Natural lighting maximization
- Repurposed building materials
- Locally sourced building materials
- Health and wellness facilities
- Energy-efficient HVAC equipment and automation systems

NEW TO 2022		
Electric vehicle charging stations	Smart thermostats	Solar analysis

**Design and Construction Team**

Led by [Carlos Lorenzo](#), senior managing director, design and construction, our D&C team has over 70 years of combined experience across construction management, civil and environmental engineering, and architecture. Collectively, the team’s expertise spans numerous sectors, including student housing, senior housing, self-storage, medical office, retail, multifamily, municipal, and federal buildings. The team holds multiple industry certifications, among them engineering, occupational health and safety, hazardous waste operations, and emergency response.



# MULTIFAMILY HOUSING STRATEGY





## Leveraging ESG Activations to Strengthen Resilience in Our Assets and Tenant Communities

In 2022, KA Real Estate launched an attainable housing strategy led by [Amanda Nunnink](#) and [Daniel Din](#) that acquires, renovates, and develops multifamily housing and then integrates social impact and sustainable improvements. Attainable housing, or Class B multifamily, is often described as housing that supports individuals and families with moderate incomes, also known as renters by necessity. Units in these communities are largely market rate and affordable to individuals earning between 60% and 100% of area median income (AMI). As of December 31, 2022, over 90% of these units are affordable to individuals making 80% of AMI.

The strategy is shaped around three pillars: environmental impact, social impact, and housing affordability. The environmental pillar includes additive investments in energy-efficient building systems, renewable technologies, and sustainable products and materials to reduce utility costs and promote decarbonization. The social impact pillar involves delivering community-focused activations and investments that promote economic mobility, health and wellness, and education. The housing affordability pillar targets the development and preservation of Class B multifamily housing.

Bolstering tenant and asset resilience in tandem delivers measurable positive impact for residents, while capturing associated asset-level economic benefits. The strategy ensures the provision of no-cost tools for residents, which in turn supports tenants’ resiliency and lead to cash flow stability, steady and increased occupancy rates, and reduced costs associated with tenant turnover.



**Mission Statement:**

Kayne Anderson’s multifamily strategy focuses on creating and preserving housing that is attainable for the nation’s workforce. The strategy prioritizes renovating and developing housing with sustainable improvements and technologies, while simultaneously investing in social activations that aim to support residents on their pathway to resiliency.

### Affordability Challenges:

#### Housing Costs and Demand-Supply Imbalance for Renters<sup>2</sup>

- Housing cost as a proportion of wages has been increasing since the early 2000s, with one in three renters allocating over 50% of their income towards rent.
- Almost half of renters pay more than 30% of their income on rent (cost burdened), while 32% of renters pay over 50% of their income toward rent (severely cost burdened).<sup>3</sup>
- Nationally, rent costs have been growing at a faster pace than wage growth.
- Home price appreciation and rising interest rates have dramatically increased the cost of home ownership, accelerating demand for rental units.

2. [www.nmhc.org](http://www.nmhc.org)  
3. JCHS - <https://www.jchs.harvard.edu/research-areas/rental-housing>





# CLIMATE AND ENVIRONMENTAL CONSIDERATIONS IN MULTIFAMILY HOUSING

As the largest contributor to greenhouse gas emissions, the real estate sector is significantly exposed to future associated risks, including potential regulation limiting or taxing greenhouse gas (GHG) emissions.<sup>4</sup> With 70% of multifamily apartment units being more than 20 years old,<sup>5</sup> energy optimization is essential.

The KA Real Estate multifamily strategy’s commitment to decarbonize investments starts with the due diligence process. To identify opportunities for reducing the environmental impact of our operations and to strengthen the resilience of our properties, we conduct ESG+R (environmental, social, governance, and resilience) property assessments during due diligence. These proprietary onsite assessments gauge the potential to create or enhance decarbonization and energy optimization. Completed by third-party consultants, the results inform our property-level efficiency strategies, ESG risk mitigation, and NOI (net operating income) growth opportunities during ownership.

Investments are evaluated for energy and water efficiency improvement opportunities that reduce climate impacts while delivering a beneficial return on investment. This can include upgrading assets with aging mechanical systems, original plumbing fixtures, single pane windows, unshaded rooftops, and inefficient lighting. Additionally, we pursue green-building certifications where applicable and conduct energy audits and modeling during due diligence to ensure our projects align with our green sustainability objectives.

Our development investments integrate innovative technologies to deliver market-leading structures in terms of efficiency and resilience. Green resiliency improvements may leverage design techniques that enhance properties’ ability to withstand natural disasters.

The integration of impact measuring and monitoring throughout the lifecycle of ownership allows our team to calculate resource costs, estimate financial savings critical to cost-benefit analysis, and ultimately determine the impact return on capital. The multifamily housing strategy tracks and collects the following data on building performance across the portfolio:

Greenhouse gas emissions
Energy usage reduced and renewable energy generation
Gallons of water saved
Waste diverted and recycling programs implemented

## STRATEGY-LEVEL COMMITMENT TO ACHIEVING NET ZERO CARBON BY 2040<sup>6</sup>

In 2022, the multifamily strategy adopted a target to achieve net zero carbon, including all scope 3 emissions, by 2040, in line with the Paris Agreement’s goal to limit global warming below 1.5°C. The strategy’s roadmap for achieving a net zero portfolio is based on addressing emissions reduction opportunities. Specific decarbonization objectives will be set for individual assets, while corresponding interim targets will track progress toward these objectives.

The primary short-term objective is to achieve at least a 20% reduction in energy use intensity (EUI) across the portfolio during the first 10 years of ownership. For the longer-term target, a decarbonization study at each asset will create a tailored pathway aligned with the Carbon Risk Real Estate Monitor (CRREM)’s identified 1.5°C pathway. Carbon offsets will only be considered as a last resort to address any unmitigated emissions after the implementation of all planned reduction initiatives.

4. <https://architecture2030.org/why-the-building-sector/#:~:text=The%20built%20environment%20generates%2040,for%20an%20additional%2013%25%20annually>

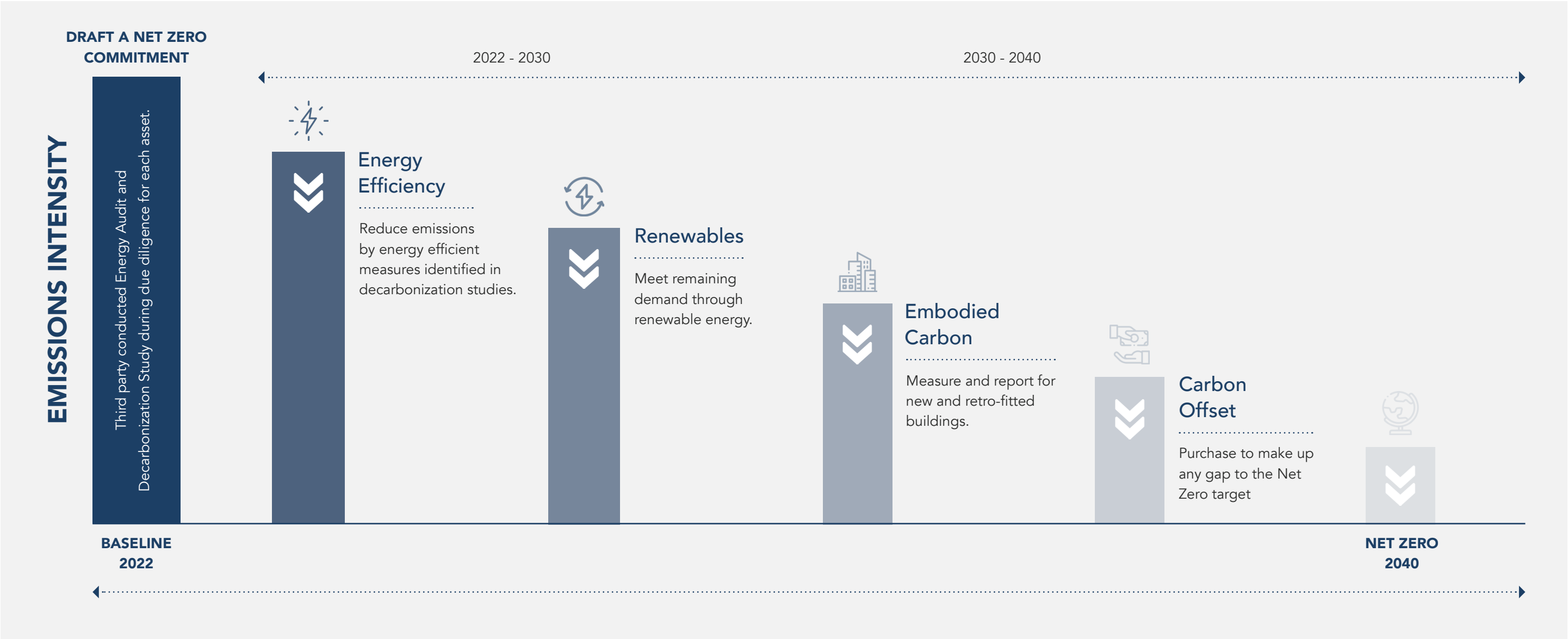
5. <https://www.nmhc.org/research-insight/quick-facts-figures/quick-facts-apartment-stock/characteristics-of-apartment-stock/>

6. Note: Commitment not made at the firm level.



# Execution Strategy - Emissions Intensity Roadmap

Reduction in emissions intensity of the portfolio will be achieved over the medium to long term through a combination of energy efficiency, renewable energy, low embodied carbon materials, and the use of carbon offsets as a last resort to address any unmitigated emissions







## Strengthening Both Climate and Tenant Resiliency

The latest U.S. census determined that 19 million (or over 40%) of renters in the country were cost burdened.<sup>7</sup> The actual number is thought to be even higher since low-income populations have historically been underrepresented in census tallies. Spending over one-third of total earnings on housing can result in limited access to other necessities such as food, healthcare, and transportation, frequently leading to financial instability or other hardships.

*The Green, a 1,020 unit multifamily property located in Framingham, MA, consists of four six-story residential buildings on 27 acres. In 2019, approximately half of all renters in the Boston Metropolitan Statistical Area (MSA) were cost-burdened, meaning they were spending more than 30% of their income on rent.<sup>8</sup> As of December 2022, 95% of the units at the Green were affordable to individuals earning 80% of Boston's AMI, a clear indicator that the property serves the need for attainable housing in one of the most expensive housing markets in the country.*

*Recent tenant outcomes at the Green validate KA Real Estate's impact thesis: Strategic environmental and social activations deliver measurable positive impacts for tenants' financial stability, access to credit, and housing stability.*

## Execution Strategy - Emissions Intensity Roadmap

The renovation budget includes \$25 million in capital improvements, allocated for environmental upgrades and sustainable renovations, which should reduce the property's carbon footprint by 51%. The results will improve energy efficiency, leading to a 60% overall reduction in energy consumption at the property and a 40% reduction in tenant utility (electricity and gas) bills.

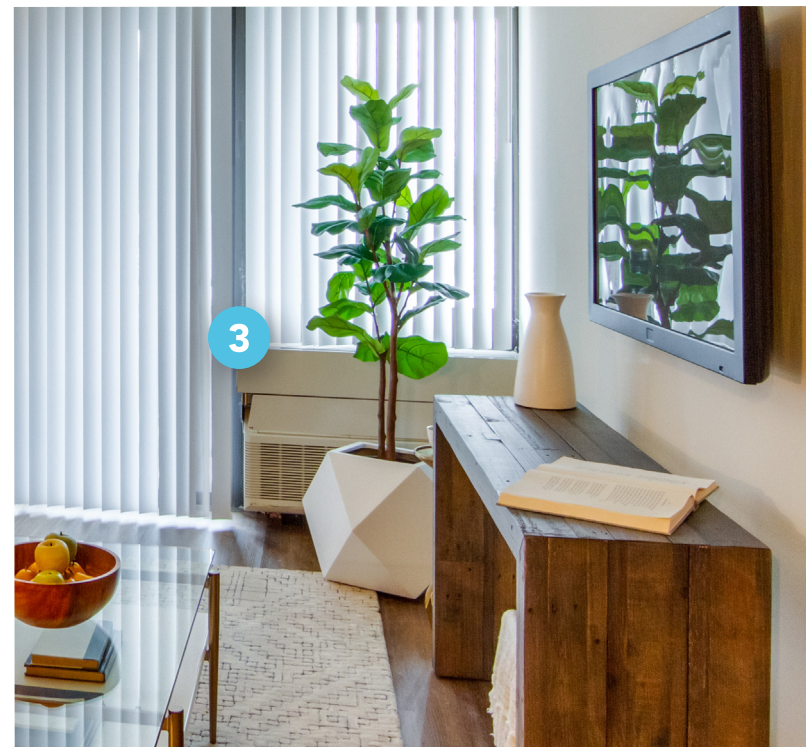
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<sup>7</sup>. If a household spends 30% or more of their gross income on housing costs (e.g., rent and utilities), they are considered cost burdened.

**Source:** <https://www.census.gov/newsroom/press-releases/2022/renters-burdened-by-housing-costs.html>

<sup>8</sup>. According to the 2019 American Community Survey conducted by the United States Census Bureau.





1

## ENERGY-EFFICIENT APPLIANCES

Even when not in use, appliances consume energy. Installing ENERGY STAR-labeled appliances can reduce utility expenses, environmental impacts including greenhouse gas emissions, and the overall operational costs associated with use.

2

## SOLAR PANELS

The installation of 1500kW of solar panels across all four buildings' roofs was initiated in 2022 as part of the green retrofit process. Solar and roofing installations leverage the buildings' flat roofs with the goal of decreasing greenhouse gas emissions, with the added benefit of reducing the property owner energy bills to zero.

3

## HVAC IMPROVEMENTS

Upgrades include replacing inefficient HVAC and baseboard heating units with cool climate heat pumps to reduce energy use and improve indoor air quality through filtration and dehumidification. Cool climate heat pumps are designed to operate effectively in colder temperatures, making them more energy-efficient than traditional HVAC and baseboard heating systems, and they eliminate the need for separate heating and cooling systems.

4

## LOW-FLOW TOILET RETROFITS

As part of our commitment to reduce water consumption, AquaMizer toilet systems were installed in over 1,000 residential units to help the tanks fill and flush more efficiently, using approximately 30% less water per flush while also preventing leaks and flooding.



# SOCIAL ACTIVATIONS THAT BOLSTER TENANT RESILIENCY

The multifamily housing strategy is centered around a commitment to provide residents with resources that enhance access and resilience in areas such as economic mobility, health and wellness, and education. No-cost activations for tenants include virtual healthcare access, job apprenticeship programs, placement support, and services for improved financial resiliency. The approach prioritizes resident resilience through outcome-driven social activations focused on enabling access to:



## Economic Mobility

KA Real Estate facilitates the inclusion of on-time rent payments in tenants’ credit scores in partnership with Esusu - a critical step in building and creating credit profiles for renters. (In the U.S., it is estimated 90% of renters experience only negative reporting to the credit bureaus.)

### 2022 Social Metrics:

- Creating a financial track record through the credit-reporting program
- 66% of residents saw an improvement in their credit score after enrollment, with 25-point increase on average.
- 97% of residents participate in the program.
- 122 residents have established credit scores for the first time since enrollment.



## Housing Stability

All residents have access to various rental assistance programs through our partnership with Veritas, as well as a microloan program offered by Esusu. This program was created to support workforce renters experiencing hardship. The 0% interest rate loans cover one to three months of rent, with a 12-month payback period.

### 2022 Social Metrics:

- 44 residents received a combined \$87,333 in rental assistance loans through Esusu.
- Rental assistance supports the multifamily strategy’s eviction diversion efforts. Had these 44 residents been evicted, the total expenses to evict and re-tenant are estimated at \$282,392. Additionally, \$87,333 in rent was received that would otherwise not have been paid. Together, the program preserved \$369,725 or \$7.3 million in value.<sup>9</sup> Diversion efforts enhance long term stability for the tenants and properties.



## Health & Wellness

Inequality in worker benefits outpaces wage disparity across the U.S. economy.<sup>10</sup> Taking into consideration the economic realities and challenges around healthcare access for many workers—including limited sick days and access to doctors during non-work hours—can help ensure medical care is both financially viable and accessible. KA Real Estate provides free remote healthcare access in partnership with Teladoc.

### 2022 Social Metrics:

- Results from Q4 of 2022, one quarter into the rollout of the remote healthcare access program.
- 60% of residents who were provided access to Teladoc have enrolled in the program. 66 families or 13% of households across the portfolio are actively using Teladoc.
  - An average of \$472 cost savings per visit by residents accessing healthcare via Teladoc.



## Education

We collaborate with third-party providers to offer education initiatives including online educational tools, ESL courses, and tutoring for school-aged children, which further promote empowerment and success across all ages.

### 2022 Social Metrics:

- Homework help and tutoring (launched 3Q22 across the Atlanta Portfolio)
- In 2022: 31 registered students; 1,620 minutes of tutoring (Atlanta).

<sup>9</sup>. Average eviction cost calculated based on 3 months of non-payment at average rent of \$1,556 per month, \$500 turnover cost, \$1,000 legal cost, and \$250 in releasing/marketing costs. And the value of the \$369,725,000 in NOI at a 5% cap rate is \$7.3 million.

<sup>10</sup>. Workplace Compensation Practices and the Rise in Benefit Inequality  
**Source:** <https://journals.sagepub.com/doi/10.1177/0003122420912505>





## Identifying Resident Needs to Create Impact

Creating positive impact in a community requires understanding its unique needs and tailoring services accordingly. Building rapport with tenants through community engagement is key to understanding their needs. The following methods are implemented onsite at multifamily housing properties by service partners to identify community needs. The results are incorporated into the services that are provided at each property:

### Establishing Resident Councils:

A resident council, much like a homeowner’s association (HOA), can act as a sounding board for ideas, identify challenges the community is facing, and help prioritize initiatives. Hosting regular meetings with the resident council and the wider community can help build relationships and identify community needs.

### Employing Resident Engagement Coordinators:

The Resident Engagement Coordinator is responsible for developing and implementing engagement strategies to build strong relationships with the residents of the properties that use Veritas Impact Partners.

### Surveying Residents:

Conducting surveys among tenants can identify needs and foster engagement. The strategy is committed to surveying residents annually.

### Advancing DE&I in the Multifamily Ecosystem

The KA multifamily housing strategy is committed to advancing equity throughout the multifamily ecosystem by partnering with minority-owned developers, sourcing and utilizing minority owned/led vendors, suppliers, and property managers, to help these firms grow, scale, and thrive.

## 2022 Social Metrics

11,023 resident engagements, 22 points of connectivity per household in 2022

584 assistance referrals to individuals and families, top 3 requests were:

Healthcare/Teladoc	Rental assistance programs	Homework help (tutoring)
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Resident Coordinator for the Atlanta communities meets with Brenda and her grandson.

### Social Activations

Brenda, a single grandmother who has been the sole caretaker of her grandson since he was four months old, encountered several challenges, including difficulties in meeting household needs and getting her car repaired. Through our partnership with Veritas, our dedicated resident coordinator provided valuable assistance by connecting her with a nonprofit organization willing to fix her car at no cost. The resident coordinator also assisted in enrolling her grandson in a virtual tutoring program to help him with his math and reading skills. The tutoring services are provided free of charge and are tailored to the family’s schedule, making it a flexible and accessible solution for the grandson’s academic needs.

### Higher than Market Retention Across Assets

The comprehensive social activations offered, including on-time rent payment reporting to credit bureaus, healthcare access via Teladoc, housing stability strategies, and our on-site resident coordinators’ concierge support, have benefited residents across the portfolio. Retention in Q4 2022 was 73% for the KA multifamily strategy—over 20% higher than the national average of 53% during the same time period.<sup>11</sup>

Residents are offered a unique set of amenities through the social activations—a clear competitive advantage in resident retention. Housing stability plays a significant role in key aspects of financial stability and mobility, such as job opportunities and children’s academic performance. Residents in the portfolio have also benefitted from rental assistance funds provided by third-party organizations for those experiencing hardship. In addition to the quantifiable tenant outcomes, these activations positively influence net-operating income at the property level, driven by lower turnover costs and lower marketing fees associated with re-leasing units.

Esusu is the leading financial-technology platform leveraging data to empower renters and improve property performance. The platform provides rent reporting and rental assistance to unlock financial access and stability for renters and property owners alike.

Third-party social services: Veritas Impact Partners is a nonprofit organization that delivers healthcare, education, and economic resources. The goal is to create a scalable and sustainable model to transform the lives of cost-burdened residents. Veritas is currently working with five out of six operating properties in the KA multifamily portfolio.

### The Connection Between Housing Stability and Financial Mobility

Housing stability is crucial for financial mobility and long-term economic well-being. Families moving less frequently—once or not at all over a decade—saw a 52% average income growth, as compared to 14% for those moving three or more times. Key benefits of housing stability include:

- 1 Employment:** Individuals with stable housing are 25% more likely to find jobs than those with housing instability.
- 2 Education:** Frequent moves disrupt children’s education, resulting in lower test scores and graduation rates. A Center for Housing Policy study found that children who moved three or more times within five years were 15% less likely to finish high school and 68% less likely to attend college compared to stably housed peers.
- 3 Resource access:** Stable neighborhoods typically provide better access to public services and resources, such as schools, healthcare, and job centers.
- 4 Social capital:** Housing stability fosters long-term community relationships, leading to valuable networking opportunities and support systems for education.

11. Source: RealPage








# How Our Metrics Intersect with Industry Standards

The following chart outlines how our objectives align with definitions of social impact and the U.N. Sustainable Development Goals.

The 17 Sustainable Development Goals (SDGs), adopted in September 2015 by the U.N. General Assembly as part of its 2030 Agenda for Sustainable Development, also provide a framework for impact measurement. Since 2015, the private sector, including investors, has been assessing their role in contributing to this shared global agenda.



 NO POVERTY	 DECENT WORK AND ECONOMIC GROWTH	 REQUIRED INEQUALITIES	 SUSTAINABLE CITIES AND COMMUNITIES	 CLIMATE ACTION
Attainable, high-quality housing	Job placement/connection programs	Rent relief microloan program (Esusu)	Equitable green investment	Equitable green retrofit investment
Eviction diversion programs; on-time rent payment credit agency reporting	Saving match program	Diverse vendor program	ENERGY STAR certification	High efficiency lighting upgrades; alternative energy sources; space heating and cooling upgrades
Teladoc & Veritas services	Rent relief microloan program (Esusu)	Equitable green investment	Attainable, high-quality housing; alternative energy sources	Efficient water fixture installation
Job placement/connection programs	Teladoc & Veritas services; financial education series	Gender inclusion policies in documentation	Teladoc & Veritas services	
		Encouraging women & minority owned partners		



# MANAGING OUR FIRM RESPONSIBLY







# BENEFITS TO SUPPORT FAMILIES AND WORKING PARENTS

KA Real Estate is committed to supporting working parents through parental leave programs and flexible work options.

## PAID PARENTAL LEAVE

Paid parental leave for birth, adoption, or foster placement.

**Birth Mothers:**

12-14 weeks of 100% paid leave

**Non-birth Parents:**

2 weeks of 100% paid leave

## FAMILY FORMING

\$10,000 lifetime reimbursement towards infertility treatments, egg freezing, embryo-cryo preservation costs, surrogacy, egg and sperm donation, and adoption services.

## FLEXIBLE/REMOTE OPTIONS

KA Real Estate office, located in Boca Raton, offers a fully remote option for the month of July annually.

## LACTATION ROOM

KA Real Estate provides nursing mothers with a well-equipped private lactation room.





# TEAM ORIENTED CULTURE

KA Real Estate’s informal company motto is 1T1D (One Team, One Dream). Our success is driven by highly talented professionals who bring an entrepreneurial approach to the ownership and management of our assets, value collaboration within our team and with our external partners, and bring passion and dedication to all aspects of our business.

## HEALTH AND WELLNESS

We offer several health and wellness benefits, with a focus on the mental and physical well-being of all employees.

Examples Include:	<b>Mental Health</b> Employee assistance programs (i.e., free counseling sessions from a licensed professional counselor for relationship issues, family and parenting problems, job stress, and anxiety or depression, among other issues)
	Wellness room
	Preventative education events
	On-site gym
	<b>Private Health Management</b> Concierge healthcare navigation service for employees



# ENGAGING WITH OUR COMMUNITY







# GIVING BACK

Core Values:



## TEAMWORK

We can all be change makers. Our team and partners can do more together than we can achieve alone.



## DE&I

Local communities collaborate with our teams and foundation to create initiatives that are powerful and impactful.



## EMPOWERMENT

We invest in innovative, community-led, place-based solutions with tangible empowerment outcomes.

## Progress in 2022: Focusing on Local Communities

In 2022, the foundation began implementing an employee-centered strategy for corporate giving. It empowers employees to advocate for funding on behalf of the organizations they believe in—particularly those that operate where employees work and live. The foundation focuses on providing support to small-scale, grassroots organizations that are frequently underfunded but still generate considerable impact. We believe this approach increases the social return on investment generated by our contributions.

## Paid Volunteer Time-off (VTO) Policy

Employees receive three paid days per calendar year to volunteer at eligible 501(c)3 nonprofit organizations or to participate in Firm-led charitable events. The Firm also contributes to nonprofit organizations through direct grants and an employee matching program (up to US \$5,000 per year).

## Mentorship Program

Our mentorship program provides tools and training to build a pipeline of talent for the real estate industry. A KA Real Estate partner since 2021, Project Destined’s finance and real estate investment internship program provides underserved youth, specifically women and minority students, with training in all aspects of real estate, including but not limited, to finance, underwriting, disposition, operations, and an opportunity to work directly with KA Real Estate’s professionals. In 2022, 11 KA Real Estate team members acted as mentors to these students.

**Kayne Anderson Capital Advisors Foundation**

The Kayne Anderson Capital Advisors Foundation, founded in 2011, aims to build a movement of corporate giving and engagement that creates positive, sustainable change in local communities.



In 2022, KA Real Estate Supported Numerous Organizations to Increase Access to Education, Healthcare, and Affordable Housing:

FOSTERING YOUTH	PROVIDING HEALTHCARE TO VETERANS	REDEVELOPMENT OF MARGINALIZED NEIGHBORHOODS
<p>The BOLD Foundation</p> <p>Increases access to education by providing financial aid in the form of scholarships, grants, fellowships, and other benefits.</p> <p>Other organizations KA Real Estate supported in 2022 include:</p> <ul style="list-style-type: none"><li>Emanuel Jackson Sr. Project, Inc.</li><li>Project Destined</li><li>Village Academy</li></ul>	<p>The Headstrong Project</p> <p>Provides confidential, free-of-charge, barrier-free, stigma-free mental health treatment for military veterans and their families. Albert Rabil III (CEO, Kayne Anderson Capital, LP; CEO and co-founder, KA Real Estate) is a co-founder and board member of Headstrong.</p>	<p>Community Greening (CG)</p> <p>Works with local residents and organizations to improve the environment and community by planting trees and transforming urban green spaces. Community Greening tracks the carbon dioxide mitigation effects of its trees and also intentionally increases neighborhood shade canopies, which directly correlates with property value growth.</p>





**LOOKING AHEAD**







## ESG GOALS FOR 2023

1

### DECARBONIZATION PROJECTS:

Continue to enhance utility benchmarking data collection and analysis to identify opportunities to reduce carbon emissions across our portfolio.

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2

### RENEWABLE ENERGY:

Review opportunities for increasing green power adoption and solar integration across our portfolio.

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3

### ESG BUILDING CERTIFICATIONS:

Broaden KA Real Estate green building certification program by including [Fitwel](#).

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4

### VOLUNTEER AND PHILANTHROPIC SUPPORT:

Increase efforts to mentor under-represented students and increase access to the real estate industry via an expansion of our work with Project Destined, PREA Foundation, and others.