

2024

U.S. affordable housing impact report



Our view on housing affordability and impact

We recognise that a shortage of affordable housing options is an issue in the communities where we invest around the world and this is directly tied to rising economic inequality, which is a constraint on economic growth. Vulnerable populations worldwide have suffered disproportionate health and economic setbacks from the pandemic. Persistent social injustices — which are systemic in many cases — create the environment in which these disparities thrive.

Commercial real estate investors' ability to impact housing affordability goes beyond supporting those most in need. We know the low-to-moderate income earners are vital to keeping economies going and communities need a strong, diverse workforce. This demographic receives a mix of government subsidies and in some cases earns too much to be eligible for public housing programmes. We believe that by building diverse rental housing opportunities across all income levels, we are creating thriving communities that support strong real estate value creation across all sectors.

“We have been intentional about bridging our core competency in real estate with community impact. Our housing impact portfolio is dedicated to creating change by placing environmental and social impact at the heart of our investment strategy, which ultimately drives better outcomes for residents and inclusive communities while delivering a risk-adjusted financial return.”

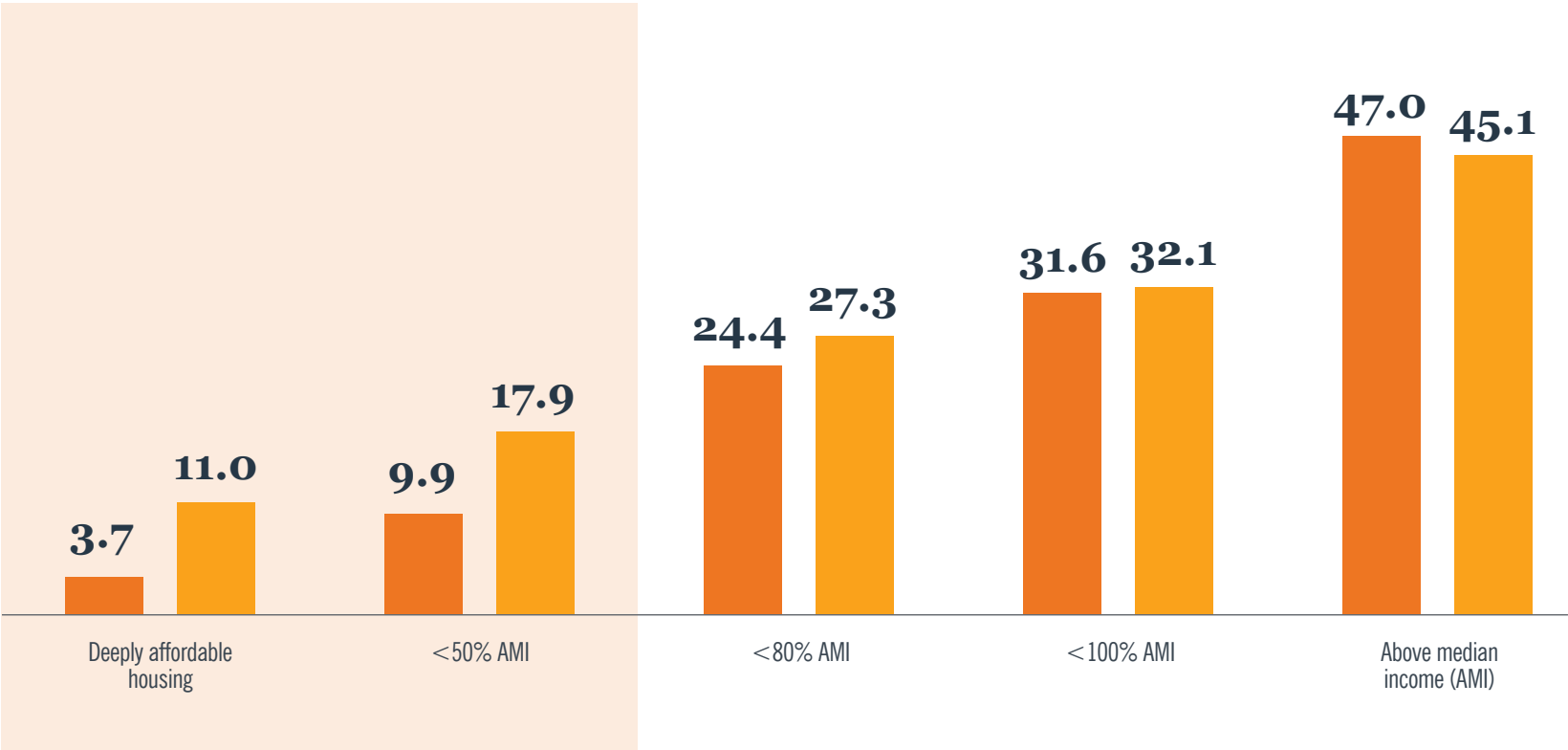


Pamela West
MD, Portfolio Manager
Affordable Housing Strategy

Housing affordability is worsening in the U.S.

RENTER HOUSEHOLDS IN LOWER INCOMES ARE OUTPACING SUPPLY OF AFFORDABLE RENTAL HOMES
(MILLIONS)

● Available rental units ● Renters



22.4M

Cost-burdened U.S. renters (spent >30% of income on housing in 2020)

12.1M

Households severely cost-burdened (spent >50% of their income on housing in 2020)

650K+

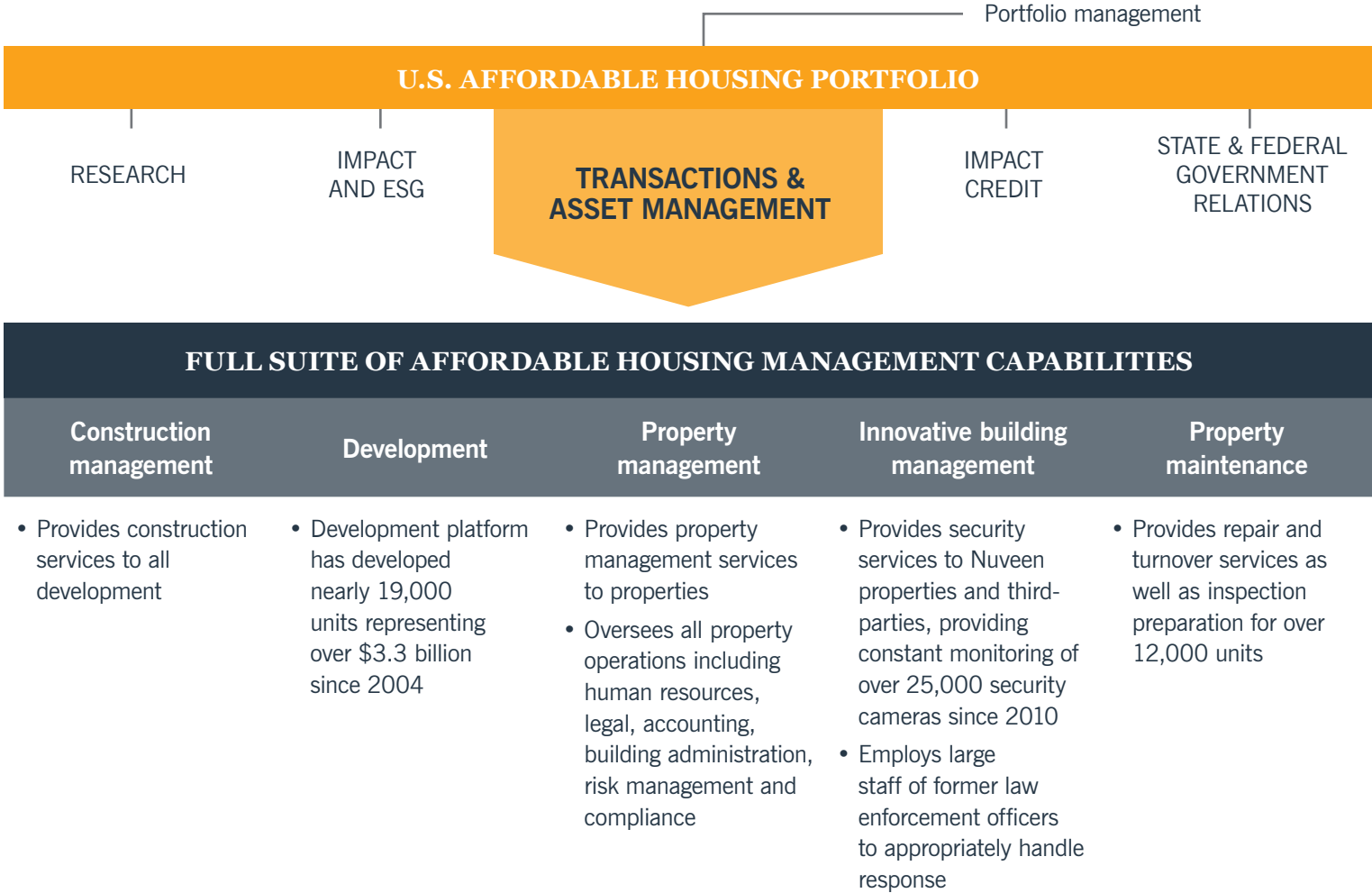
Units are expiring out of their affordability restrictions by 2030

Source: Rent is considered affordable if housing costs are <30% of income. NLIHC tabulations of 2022 ACS PUMS data. Source: [Harvard_JCHS_Americas_Rental_Housing_2024.pdf](#)

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Enhancing impact through a vertically integrated platform

Nuveen Real Estate deepened its commitment to investing in affordable housing by acquiring Omni Holding Company’s real estate portfolio in May 2023. This transaction positions Nuveen Real Estate as one of the nation’s largest institutional managers of much-needed affordable housing. Now renamed from Omni to Paths, as part of the transaction, Nuveen Real Estate acquired high quality affordable housing capabilities in development, construction, maintenance, safety-technology and corporate functions to create an enhanced, vertically integrated affordable housing asset management business for Nuveen Real Estate. The impact platform benefits from 550 dedicated employees actively managing the end-to-end lifecycle of a diverse set of affordable housing investments with the aim to generate accretive returns and positive social outcomes for its residents and communities.



Source: Nuveen Real Estate, May 2024.

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Investing across the U.S. affordable housing spectrum

Nuveen Real Estate is committed to investing to preserve affordability in housing across the globe, with dedicated housing impact investments in the U.S., including properties regulated by federal subsidy programmes; e.g., Low-Income Housing Tax Credit (LIHTC) as well as unregulated naturally occurring affordable housing (NOAH). We invest across the spectrum of affordable housing, achieving risk-adjusted returns through efficient management and responsible exits.

Rent-subsidised

Resiliency with strong cash flows

- **Federal subsidy:** Residents pay 30% of income towards rent and the remainder of the difference is funded through federal subsidies
- **Highly regulated:** Residents are sourced through housing agency and owners must comply with rules and regulations of HAP contracts
- **Durable income/resiliency:** Federal subsidy, averaging 70% of rental income, is paid monthly and on time with mark up to market (MUTM) rents throughout hold period

Income-restricted

Long-term preservation with low exit risk

- **Regulated:** Residents must qualify at income levels below 60% AMI; compliance for deed restrictions and HUD¹ fair market rents
- **Limited capital needs:** Typically renovated within the last 15 years and only in need of light upgrades and green retrofits
- **Durable income/resiliency:** Rents are set by HUD against area median income for affordable housing and families with fair market rent annual increases

NOAH

Preservation in high-growth corridors

- **No subsidies, no regulations:** Market-rate class B and C assets in emerging areas traditionally rented to residents earning less than 60% AMI
- **Light renovations:** Units typically require some light renovations between \$3k and \$5k to improve the quality of units and implement green retrofits
- **Durable income/resiliency:** Rents are maintained at affordable levels for residents with little displacement and low turnover

¹ HUD refers to The U.S. Department of Housing and Urban Development.

Focus on responsible entry and exit

We focus on a responsible exit, which is carefully considered from pre-acquisition and throughout the life of the investment. Where possible, we will extend or implement regulatory restrictions to maintain affordability after our hold period. Our social services and green retrofits can also extend past our hold period, and care is given to finding affordable housing preservation buyers upon exit.

One way we work to preserve affordability beyond exit is through a segment of our affordable housing strategy that focuses on the LIHTC market.

Understanding LIHTC: The Low-Income Housing Tax Credit was created in 1986 to give private investors a federal income tax credit as an incentive to make equity investments in affordable rental housing while increasing the new supply of housing for low-income residents. Syndication is designed to last 15 years. Properties maintain an additional affordability restriction through LURAs (land use restriction agreements) in exchange for the initial tax credits and other soft monies.

The investment opportunity: At the end of each 15-year period, Nuveen can acquire and preserve affordability by resyndicating which starts the cycle over again for another 15 years and beyond.

The impact: By preventing affordable restrictions from expiring and reducing the risk of conversion to market-rate units that are set to expire, residents can retain housing and local markets retain quality, affordable stock.



Building a diversified portfolio across the U.S. through public private partnerships

162

direct affordable housing investments

\$5.7B

Impact AUM

31,887

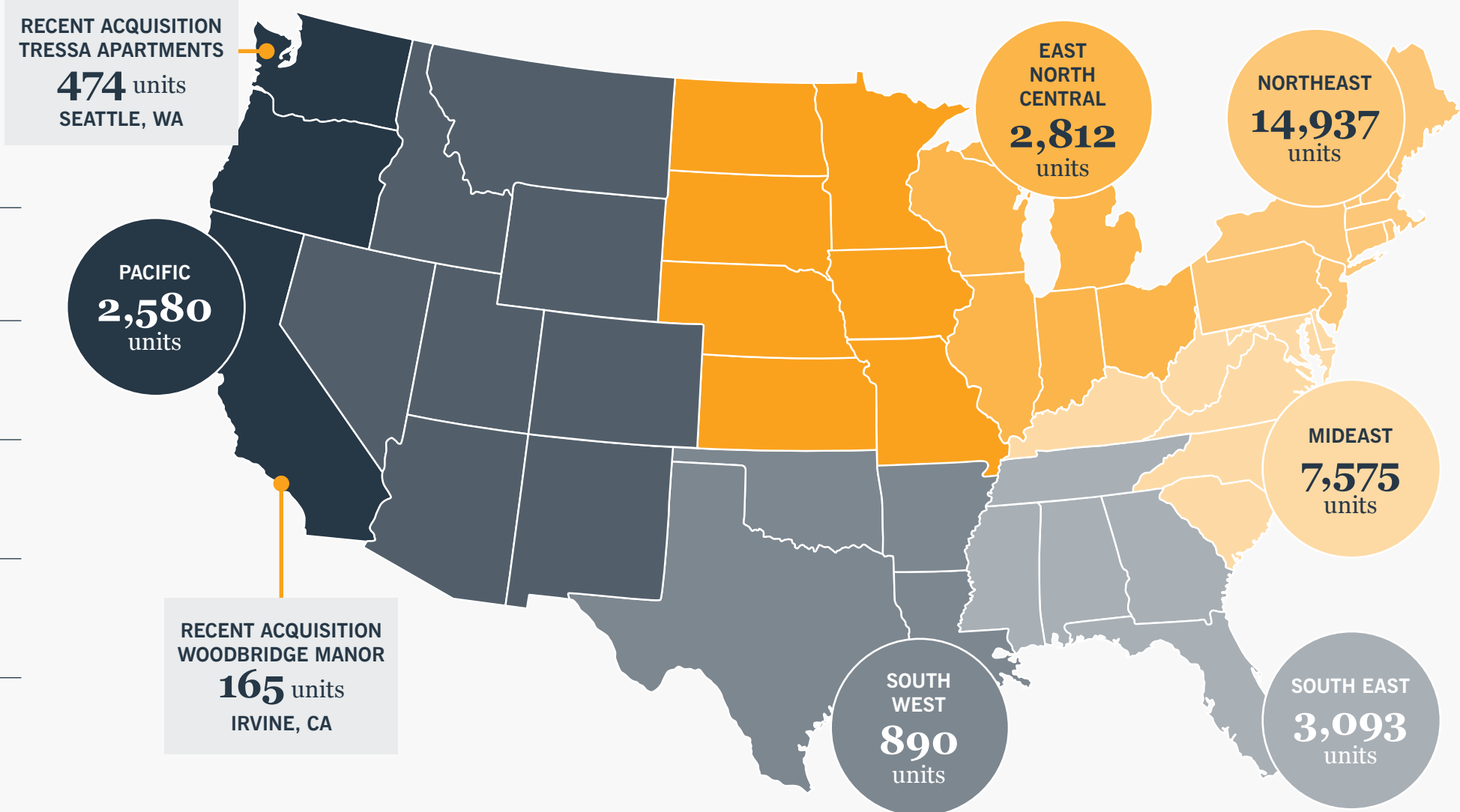
units

\$1,066

average resident-paid rent

47

MSAs



Source: Nuveen Real Estate, as of 31 Dec 2023.

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Housing impact investment performance and impact results



95% deeply affordable¹

Nuveen Real Estate’s affordable housing portfolio in the U.S. focus on preserving housing that is affordable for those earning 60% or below of their area’s median income (AMI). We call this deep affordability. Many properties we invest in are 100% deeply affordable, while others blend deeply affordable units with other units priced for higher-income residents earning up to 80% AMI. This dual approach enables us to preserve affordable units wherever they exist, and explains the diversification of affordable units in our portfolio over time.



92% properties with green improvements

We also focus on implementing green retrofits, benchmark and analyse utility performance, and identify energy and water savings opportunities across the portfolio. Through these retrofits, the team will look to capture both energy cost savings and lower our carbon footprint.



66% properties located in primarily BIPOC² neighborhoods

We are supporting a historically underserved resident base, both financially and socially. Using demographic data within a 1-mile radius of each of our properties, we find that we are reaching significantly more diverse neighborhoods than the national average of BIPOC neighborhoods at 41%.



88% properties with indoor community rooms, 87% with outdoor/green space

To create impact “beyond four walls”, we create community resources, such as playgrounds, computer labs and business centers. By creating community outdoor-seating areas and fitness rooms, we aim to use our affordable housing strategically, as a platform for delivering additional services and promoting healthy living.



84% properties offering resident services and programmes

We prioritise enhancing and creating key physical design elements to improve residents’ health and well-being and work directly with third parties and local community resources to deliver additional services, including on-site food distributions, preventative health screenings and educational workshops. We are also focused on supporting the financial well-being of our residents by engaging a firm to provide on-time rent payment credit reporting, ultimately giving residents improved credit, broader banking options and access to rent relief.

¹ Direct affordable housing units were as of 31 December 2023. ² BIPOC refers to Black, Indigenous and People of Colour.

Nuveen Real Estate offers diversification across asset type, geography and strategy

Our impact through direct investment:

Resident income by AMI¹ units

● < 60% AMI	62%
● < 30% AMI	33%
● < 80% AMI	3%
● > 80% AMI	2%



Resident diversity by property

● Family	65%
● Age restricted	31%
● Diverse abilities	3%
● Military/Other	1%



Geographic diversity by units

● Northeast	48%
● Midwest	24%
● Southeast	10%
● East North Central	9%
● Pacific	6%
● Southwest	3%



Property diversity by units

● LIHTC Family	38%
● Section 8 Family	30%
● Section 8 Age Restricted	14%
● LIHTC Age Restricted	9%
● NOAH Family	9%



¹ AMI refers to the Area Median Income. Source: Nuveen Real Estate, 31 December 2023.

Building blocks for understanding impact

Nuveen Real Estate integrates impact measurement and management across the investment cycle and follows a detailed process by stage. Nuveen Real Estate's impact management framework is guided by the Five Dimensions of Impact, a shared logic developed by the Impact Management Project that is designed to help investors integrate impact into their decision-making in a uniform way. Each new investment is considered based on its ability to deliver against specific and rigorous criteria, which helps Nuveen evaluate investment opportunities and track impact over time in a consistent manner.

For each new investment, Nuveen Real Estate develops an impact plan that outlines the affordability strategy and associated social impact and sustainability goals. Utilising the Five Dimensions of Impact categories, an 'asset scorecard' is used to evaluate each new investment in a consistent and rigorous way. A baseline score is assigned to each asset based on the current condition and an expected impact score is developed taking into account the affordability strategy, capital improvements and new programmes and services added. The difference is the investment's net impact score, which enables Nuveen Real Estate to measure the value added in terms of impact for each investment.

The impact management process is iterative, and an asset is evaluated annually to adjust the expected impact score based on new opportunities or changes to the project scope. At the time of exit, a final net impact score is assigned to the property.

Who

Who experiences those outcomes?

What?

What problem is this investment seeking to support and how significant is the problem?

How much?

How significant is the intended impact?

Contributions

What is Nuveen's unique contribution to an investor addressing this problem

Risks

What are the risks associated with this investment?



Impact management is iterative

Impact management plays a critical role in ensuring activities are aligned with mission and strategy while also mitigating potential impact or financial risks that threaten overall performance. Tracking key performance indicators helps Nuveen Real Estate better understand where performance deviated from the plan and what adjustments can be made to improve impact deliverables. Since the process is designed to be iterative, as adjustments are made, the strategy and commitments are enhanced and updated to continue to inform investment decisions and deepen governance.

Report out + deepen governance

Share impact data and outcomes in a clear and consistent way to stakeholders and investors. Pursue third-party verifications to review impact measurement and management processes and validate work. Use impact management practices to iterate on and inform the strategy.

Set strategy + commitments

Identify social and environmental impact goals that consider the effects an investment has and balance expectations for risk, return, and impact. Define measurable outcomes that align with investment objectives and impact goals.

Use data to drive more impact

Analyse data + refine model

Review metrics to understand where performance may have deviated from the initial plan and adjust actions to improve impact performance. Data should inform decision making and adjustments to the service delivery model.

Develop systems + track metrics

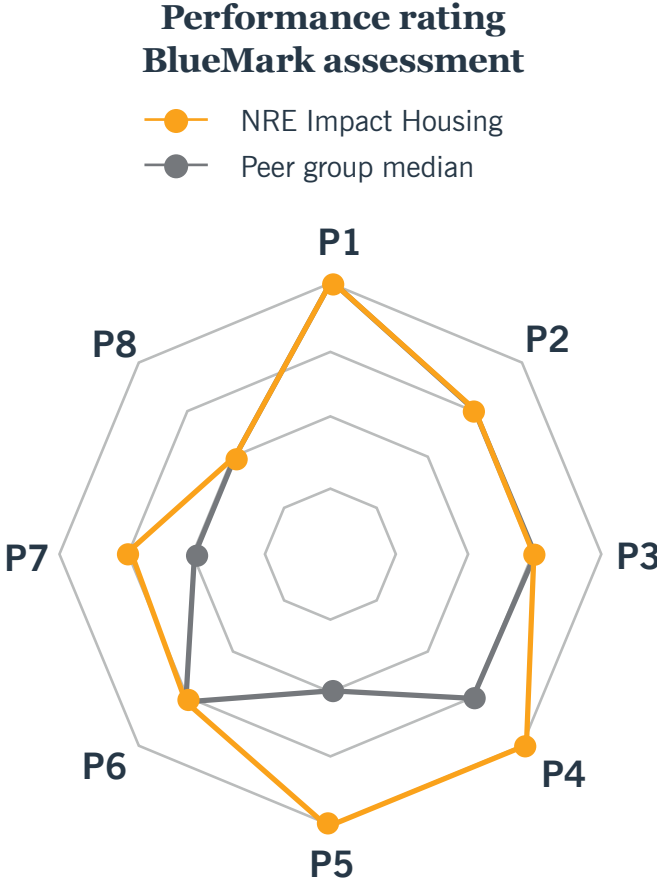
Create tools and systems to collect data and measure impact over time. Identify relevant metrics to track impact performance, set targets, and understand success.

As signatories of Operating Principles for Impact Management, we have undergone third party verification

Nuveen Real Estate engaged BlueMark, a leading independent provider of impact verification services to review and verify its impact measurement and management process. Nuveen received 'high' to 'advanced' scores for seven of eight operating principles for impact management, performing well above peers in the real asset impact investing market. This verification is conducted annually to inform and enhance the impact strategy, as well as identify opportunities for improvement.

Operating principle	Nuveen Real Estate	Impact Housing Score
Setting and managing a strategic impact intent in line with investment objectives	P1	////
	P2	///
Assess the expected impacts of each investment, monitor those impacts, and contribute to growing those impacts over time	P3	///
	P4	////
	P5	////
Monitor the performance of each investment, adjust appropriately	P6	///
Ensure impact post-exit; review, document, and improve impact processes	P7	///
	P8	//

//// ADVANCED /// HIGH // MODERATE / LOW



Source: BlueMark, Impact practice verification, April 2022.

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CASE STUDY

Esusu

Nuveen Real Estate is furthering the firm's social impact efforts through a partnership with Esusu, a leading financial technology company leveraging rent reporting for credit building.

The aim of the partnership is to provide rent reporting for residents living in Nuveen Real Estate's affordable housing properties at no cost to residents. This model enables many residents to establish a credit identity, boost credit scores and increase financial health overtime. Through Esusu, residents also have access to 0% interest, no penalty rent relief microloans, which provides support and increases housing stability for residents experiencing financial hardship while also helping properties reduce turnover and improve collections. Nuveen Real Estate aims to bring credit reporting and rent relief services to all properties to enhance resident well-being across the portfolio.

CREDIT IMPROVEMENT

- Partnership enables residents at select properties to report on-time rent payments to three major credit bureaus
- Over 6,700 residents across 4,300+ units are enrolled
- Average credit score increase is +46 points

FINANCIAL IDENTITY

- This partnership helps residents establish a financial identity and increases financial health
- 982 residents established credit for the first time
- 65% of residents improved their credit score after enrollment

HOUSING STABILITY

- 0% interest rent relief programmes available for all residents experiencing financial hardship
- 150+ residents have received close to \$260,000 in microloans paid directly to properties, preventing eviction

CASE STUDY

Community Solar

Nuveen Real Estate has launched a community solar pilot programme at three properties in Massachusetts in collaboration with Perch Energy (Perch), a clean energy technology platform and community solar servicer that connects solar developers with consumers.

Community solar projects are locally built clean energy projects that are connected to the electrical grid and serve to replace energy from fossil fuels, thereby lowering carbon emissions and pollution. Residents in the pilot properties can easily sign up and subscribe to a local solar project with no upfront cost, and then receive energy credits off their electricity bills, reducing what they owe their utility company by 10-20% and supporting strategies that help combat global warming. Importantly, community solar does not require on-site installation, thereby expanding its access to affordable housing residents and other renters. On average, residents who participate in the programme are expected to save \$80 to \$160 each year and additionally receive an initial \$75 for sign-up. In the first quarter of the pilot, across the three properties, up to 20% of residents have signed up for participation. In addition to resident savings, properties can save up to \$3,000 annually for common areas. These savings can then be utilised to support other services onsite that enhance resident well-being or sustainability. Nuveen Real Estate is actively exploring opportunities to expand reach at the pilot properties, as well as to scale this service to other properties in the portfolio.

- No cost to access discounted solar energy at 3 pilot properties
- Residents save \$80 – \$160 each year + an initial \$75 for sign-up
- \$1 – 3K annual savings for common areas (per building)

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