



## **Sustainable Finance Framework April 2023**

---

### **Introduction**

Founded in 1968, UMH Properties Inc. has over 50 years of experience providing America's workforce with safe, quality, affordable housing. UMH Properties Inc., an equity NYSE listed REIT, is a public manufactured housing REIT solely focused on providing America's workforce with housing it can afford. Through manufactured housing communities, UMH has produced brand new accommodation at rates typically lower than the surrounding housing competition, without sacrificing quality or using government subsidies for development. UMH is not only one of the longest-running REITs, an achievement in itself, but also one of the premier pureplay affordable housing companies in the country.

As of February 1, 2023<sup>i</sup>, the growing portfolio consists of 135 manufactured housing communities, containing 25,700 sites across ten states. Throughout the portfolio, the average rental unit is priced at \$854 a month, while site rent for homeownership residents averages \$492. As of February 1, 2023<sup>ii</sup>, rental rates are up less than 4% compared to the prior year, as the company's business plan does not include aggressive rate hikes on existing communities or new acquisitions. In addition to producing highly competitive rental prices, the average sales price of a home throughout the portfolio this year has been an attainable \$84,700. On top of attractive sales pricing, UMH offers competitive chattel loan financing at 7.50% to those with a minimum credit score of 450. In an increasing interest rate environment these rates are comparable to conventional mortgage rates and much more affordable than industry averages.

UMH can produce sites at fractions of the cost of traditional home developers. Using factory-produced, federally regulated, HUD-Code homes placed in professionally managed communities, UMH can sell and rent houses at a critical price point. Prefabricated manufactured homes are not trailers of the past; instead, they are innovative homes of the future. The HUD-Code is the only federally regulated building code. HUD-Code homes contain the same quality building materials as traditional site-built homes. However, manufactured homes benefit from the efficiencies of factory production, which results in reduced costs that are passed along to the customer. These benefits include production in a technologically advanced sheltered facility, economies of scale in supply ordering, and specialized labor. Improvements like these in the building process halves the cost per square foot against site-built homes and drastically reduces the cost to producing units compared to apartment developers.

UMH focuses on serving the housing needs of low-income earners as defined by the HUD<sup>iii</sup>, by providing affordable rental solutions and homeowners a chance to build equity. Low-income earners make between 50-80% of their Area's Median Income (AMI). This population segment is often underserved and marginalized without access to affordable solutions or avenues to build equity. The broader markets, both public and private struggle to supply this demand at scale. Homeowners benefitting from UMH's affordable lot rent and low interest rates have a chance to build equity as the value of their home and community rise. The FHFA reports that manufactured homes follow the same price appreciation trend as site-built homes<sup>iv</sup>. Additionally, the National Home Builders Association states that building more homes positively impacts the local municipality through added jobs and more tax revenue, contributing to socioeconomic advancement and empowerment<sup>v</sup>.

UMH has delivered affordable housing options to populations who need it most, without any government subsidies. Studies by the National Low Income Housing Coalition and Harvard's Joint Center for Economic Studies highlight the growing gap in housing accessible to low, very low, and extremely low-income earners. This problem is compounded for those vulnerable populations when current home construction trends favor earners higher on the income spectrum. Our annualized rental rates, affordable lot rent, and below-average interest rates make various housing options available to low-income households in our markets. In addition to providing housing for low-income earners, we also offer underserved markets quality access to essential services through favorable financing. Unlike many traditional mortgage products, this includes lending to those with less than perfect credit scores. Rural markets, where many of our communities are, can also be considered underserved, experiencing less diversity in housing and financing products compared to more metropolitan areas. UMH also has age-restricted communities throughout the portfolio for the elderly and aging populations looking to maintain independence.

## **UMH Inherently Aligned with Sustainability**

A worldwide shift toward companies increasing their sustainability practices across all levels of operations has changed the investment landscape. Companies home and abroad are looking to improve their environmental and social stewardship. UMH's mission has been to combat the affordable housing crisis, by supplying attainable housing. Affordable housing demand is the highest it's ever been, while supply is low. Urban and rural areas alike need solutions to help solve the dire affordable housing issues throughout the nation.

The lack of housing options has spiraled into a nationwide epidemic that is unequally affecting the country's most vulnerable citizens. Home prices have inflated past the levels most Americans can afford, while rental prices burden the majority. National rental rates crossed \$2,000, surging 14.56% in December of 2021 year over year and another 4.77% in December of 2022<sup>vi</sup>. The median home price rose to \$467,700 on Q4 of 2022<sup>vii</sup>. Rental costs and unattainable housing prices prevent many Americans from attaining the benefits of homeownership. Government programs like LIHTC and housing vouchers do not reach nearly the amount of people needing them, phase out after a certain number of years, and are significantly underfunded. The present funds are primarily used for the maintenance of the current stock instead of new development.

The housing crisis is mainly due to a lack of production of homes, and more importantly, a lack of inventory at affordable levels for lower-income demographics. A report by the Rosen Consultant Group details that the country needs at least 5.5 million homes to match supply with demand, with that number increasing to 6.8 million when considering obsolescence<sup>viii</sup>. This well-documented social crisis will take collaboration across all housing sectors congruent with cooperation of government officials at federal, state, and local levels to combat effectively. UMH Properties stands ready to continue to develop homesites at economically feasible rates for America's workforce, earning an honest living. Across the portfolio, annualized rents without traditional government subsidies, including utility payments, are affordable (not paying over 30% of income) to who HUD considers low-income. HUD defines those making 50 - 80% of the area median income as low-income. Rents across the portfolio would have to be raised on average 77.97% to meet that 30% threshold for low-income earners, while rents plus utilities would have to increase 35.82%.

In addition to providing affordable housing, UMH also feels the obligation to create sustainable and environmentally friendly communities that have positive societal impacts. UMH's commitments to ESG matters have been ongoing and growing to continually accomplish its goals. The annual ESG Report highlights current initiatives that are helping to decrease energy and water consumption, while also identifying future endeavors in renewable energies across the portfolio.

Currently we are working on gathering the essential information needed to benchmark our environmental data which will act as the basis for our sustainability strategy moving forward. It is our goal to implement initiatives and policies that will help achieve goals set by the Paris Agreement like net zero, improved energy efficiency, and increased energy from renewable resources. After getting a firm handle on the current consumption data across the company, we will set more specific goals on our consumption targets and analyze which investments in renewable energy resources will benefit the environment and company the most. We expect to continually decrease our water consumption as we readily invest in submetering at each possible community.

## Rationale for Issuing Sustainable Financing

UMH is looking to tap into the sustainable financing markets to continue to broaden its investor base by attracting like-minded investors that seek to manage their investments responsibly, prioritizing screening criteria that values environmental and social priorities and aligns with the Sustainability Bond Guidelines, 2021, administered by the International Capital Markets Association.

Through our purchases of HUD-Code homes placed in communities, we can positively impact the housing crisis while also benefitting the environment. As a pureplay provider of affordable housing, funds from sustainable issuances would continue to support the company's operations as we continue to realize our mission of providing quality affordable housing. Historically UMH has been a responsible operator maintaining very competitive housing rates. With more attractive financing, we will continue to provide affordable housing without any government subsidy programs.

Under this framework, we may from time to time, offer, enter into and/or issue bonds (notes), private placements, preferred stock/hybrids, commercial paper, working capital solutions, and at the market offerings (“Sustainable Finance Instruments” or “Sustainable Financing”) for new and/or existing specific investments, assets and projects that adhere to the Eligibility Criteria (as defined below) of Eligible Social and/or Green Projects.

## Alignment with the Sustainability Bond Guidelines

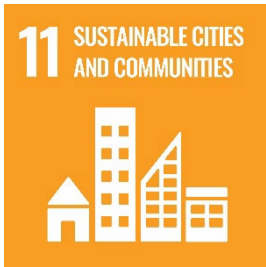
This Framework addresses the four components of the International Capital Markets Association (ICMA) Social Bond Principles 2021 (SBP), Green Bond Principles 2021 (GBP) and the union of both as outlined in the Sustainability Bond Guidelines 2021 (SBG) as well as their recommendation on the use of external reviews and impact reporting:

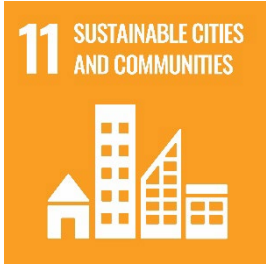
- I. Use of Proceeds
- II. Process for Project Evaluation and Selection
- III. Management of Proceeds
- IV. Reporting



This framework may, from time to time, be updated and, will be applied to any Sustainable Finance Instrument issued by UMH. In the event of an update, any future projects that are not currently mentioned in the document will be in alignment with the high-level eligible project categories recognized by the GBP and SBP.

## Use of Proceeds

UMH intends to allocate an amount equal to the net proceeds from its Sustainable Financing to finance or refinance, in whole or in part, existing or future investments in eligible green projects and/or eligible social projects (together, the Eligible Projects) which include investments made by UMH or any of its subsidiaries within the period beginning 24 months before the issuance of its Sustainable Financing and ending on the final maturity date of such Sustainable Financing, and which generally meet one or more of the Eligibility Criteria below:

ICMA SBP Eligible Social Project	Social Objective	Eligibility Criteria for Investments and Examples	UN SDG Alignment
Affordable Housing	<ul style="list-style-type: none"> <li>Acquisition of value add communities</li> <li>Capital for necessary improvements, deferred maintenance, and preservation of new value add communities to UMH's high standards</li> <li>Purchase of new manufactured homes for sale and rent in underserved communities</li> <li>Development of new manufactured housing communities</li> </ul>	<p>Proceeds will be allocated toward affordable housing development through manufactured housing communities. Manufactured housing in communities provides one of the best solutions to supply renters and homeowners with a product they can afford.</p> <p><u>Target Population:</u> Currently, UMH's portfolio is affordable to low-income citizens as defined by HUD. These are people making 50% - 80% of their area median income. Each UMH community is affordable to households at 80% of the AMI, while most of the portfolio is affordable to those making between 50-65% of the AMI (alone average rents would have to increase 81.41% and including estimated utilities 39.49% on average).</p>	

ICMA SBP Eligible Social Project	Social Objective	Eligibility Criteria for Investments and Examples	UN SDG Alignment
		UMH also provides the rural areas that it is in with a variation in housing and financing.	
Access to Essential Services	<ul style="list-style-type: none"> <li>Continuation of industry low housing loans</li> <li>Allow residents to refinance home loans at lower rates</li> </ul>	<p>As experienced home providers, UMH is capable of producing chattel loans for homes within its communities at 7.50% through its subsidiary UMH Sales and Finance. This rate is much lower than what is normally seen across the industry. The CFPB documents median interest rates on chattel manufactured homes at 8.6%vi. In addition to providing low lot rents, homeownership residents have the opportunity to maintain the value and affordability of their homes through refinancing with UMH. Lower interest rates are crucial for retaining value as the home's resale price does not have to include the added interest costs that generally keep homes underwater.</p> <p><u>Target Population:</u> Access to better financing is an essential service to those HUD defines as low income making 50-80% of the AMI. Opening the door to homeownership, something they might have been incapable of otherwise.</p>	

ICMA GBP Green Projects	Green Objective	Eligibility Criteria for Investments and Examples	UN SDG Alignment
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> <li>• Submeter applicable communities in the portfolio that have not already been done, as well as any applicable future development or acquisition</li> <li>• Programs or technologies that provide filtered drinking water, use recycled water, or other water management initiatives.</li> </ul>	A majority of the communities in the portfolio are sub-metered which has saved tens of millions of gallons. Proceeds would go toward the continued submetering of any community that is capable of being sub-metered that is not already as well as for future acquisitions or development. Funds could also be used for the financing of other water management initiatives such as water recycling and filtering for drinkable water.	
Energy Efficiency and Renewable Energy	<ul style="list-style-type: none"> <li>• Retrofit streetlights, clubhouses, and offices to LED lights</li> <li>• Upgrades offices and clubhouses to smart thermostats</li> <li>• Renewable energy projects such as solar, EV charging, and clean energy storage.</li> </ul>	Continue the implementation and transference to more sustainable technologies. Throughout the portfolio, communities are retrofitting streetlights and community office buildings with LED lights. Thermostats are also being upgraded in rentals and community office buildings to smart thermostats. Funding will also help in the process of developing new renewable energy projects like solar panel installation and the storage of this energy production. We are exploring emerging technologies in energy storage as the efficiencies and duration of supply currently have a long way to go. Projects under this framework must have a	

		minimum 25% energy efficiency improvement.	
--	--	--	--

The example of projects noted above are for illustrative purposes and no assurance can be provided that disbursements for projects with these specific characteristics will be made by UMH or any of its subsidiaries. We will allocate projects as soon as practicable.

We will not knowingly allocate proceeds from any issuance of Sustainable Finance Instruments to the following:

- Activities related to the exploration, production or transportation of fossil fuels (e.g., coal, oil and gas);
- Consumption of fossil fuels for the purpose of power generation;
- Large hydroelectric power generation (e.g., plants with a capacity of greater than 20 megawatts or dams with a height greater than ten meters);
- Nuclear energy; or
- Any other activity that we determine is ineligible for allocation of proceeds at the time of allocation.



## Process for Project Evaluation and Selection

Eligible Sustainable Projects for Sustainable Finance Instruments allocation will be evaluated and elected by a Sustainable Finance Committee or a subcommittee thereof, based on the criteria set out in this Framework. UMH has appointed a Director of ESG and will identify an Independent Board member who, along with Legal and Management, will comprise the Sustainable Finance Committee and be delegated the responsibility of determining which investments fit the Eligible Categories above.

The Sustainable Finance Committee will meet quarterly to review and manage the Sustainable Finance Instrument(s) and its framework. UMH complies with all local and regional required regulations at its sites, including environmental impact assessments and ongoing environmental and health and safety requirements. This includes sites financed or refinanced with an amount equal to the net proceeds of the sale of any Sustainable Finance Instruments, including but not limited to bonds (notes), private placements, preferred stock/hybrids, commercial paper, working capital solutions or other debt-like financing. UMH also applies risk management measures in its capital allocation decisions which are supported by a company-wide planning, reporting, and controlling system.

Climate risk is something UMH takes into account across its decisions and is in the process of following the proper guidelines and frameworks set forth by the TCFD. There is board oversight over the climate related risk to the business and the board is in communication with Management and the Director of ESG over these matters. The company is exposed to physical risks that arise from extreme weather conditions, heat waves and other serious natural disasters. Market risk takes shape in the form of fluctuations gas, electric, and other commodities prices which pose a risk to the business. Regulations from the government to limit the amount of Greenhouse Gas emission and other governmental initiatives are prevalent as well, since these could also increase the prices of certain commodities. These present opportunities to decrease the reliance on traditional carbon emissions and promotes investment in long term energy efficiency and renewable energy projects and products. The company is working on reporting an enterprise risk management system that is compliant with TCFD. Switching to more efficient operations will in the long run help to save the company and its customers money as well as decrease the risk of some the physical risk that might plague traditional infrastructure, therefore increasing the reliability of the company during times of uncertainty.

## Management of Proceeds

We intend to allocate an amount equal to the net proceeds from each issuance of Sustainable Financing under this Framework to the financing within 36 months and refinancing of recently completed within the prior 24 months, current and/or future Eligible Sustainability Projects, selected in accordance with the use of proceeds criteria and process for project evaluation and selection described above. As long as any Sustainable Financing is outstanding, we will track the allocation of the net proceeds from such Sustainable Finance issuance to identified Eligible Sustainability Projects using our internal accounting system. We intend to continue to add projects to the Eligible Sustainability Projects pipeline to ensure that, over time, the net proceeds from each Sustainable Financing issuance will be allocated to financing or refinancing Eligible Sustainability Projects. Pending allocation of such proceeds to Eligible Sustainability Projects, we may temporarily use all or a portion of the net proceeds to repay any outstanding indebtedness or refinancing of preferred stock or invest such net proceeds in accordance with our cash investment policy. The Sustainable Finance Committee will be responsible for managing and reporting each issuance and making sure no activities or assets are inherently emission-intensive or otherwise generally negatively impactful. An external auditor, appointed by UMH, will verify, on an annual basis, the proceeds allocated and the remaining balance.

## Reporting

UMH will report on the allocation of the net proceeds of each Sustainable Financing issuance in its annual ESG report until the net proceeds are fully allocated or until the Sustainable Financing is no longer outstanding. Afterward, the return on the investments made into affordable housing will continue to be reported. The first report will be published within one year of issuance.

The reporting will include:

- A list of Eligible Sustainable Projects funded, subject to confidentiality considerations
- Total amount of proceeds allocated
- The balance of unallocated proceeds

Where applicable, impact reporting will also be included in the issuance section of the ESG Report. That section will contain metrics on how the projects/proceeds are performing, such as:

Criteria	Metrics
<b>Social: Affordable housing</b>	<ul style="list-style-type: none"><li>• The number of units purchased, and communities purchased/developed</li></ul>
<b>Access to Essential Services: Affordable housing</b>	<ul style="list-style-type: none"><li>• The number of loans financed/refinanced</li></ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"><li>• Number of ENERGYSTAR homes purchased</li><li>• How many units and office buildings were retrofitted with smart thermostats and LED</li><li>• Renewable energy Projects</li></ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"><li>• Communities and units separately water metered</li><li>• Water recycling and clean drinking water programs</li></ul>

## External Review

### Second Party Opinion:

UMH has retained Sustainalytics to provide a Second Party Opinion (SPO) on the environmental and social benefits of UMH's Sustainable Finance Framework as well as the alignment to the SBG and the Principles. The opinion is found on our website at: [www.umh.reit](http://www.umh.reit)

### External Verification:

Annually, until the net proceeds are fully allocated to Eligible Projects, UMH will contract an external auditor or qualified environmental consultant to deliver a report on the compliance in all material respects of the Eligible Projects with the criteria approved in UMH's Sustainable Finance Framework.

## Endnotes

---

- <sup>i</sup> <https://s26.q4cdn.com/781307269/files/presentation/2023/02/r/umh-investor-presentation-february-2023.pdf>
- <sup>ii</sup> <https://s26.q4cdn.com/781307269/files/presentation/2023/02/r/umh-investor-presentation-february-2023.pdf>
- <sup>iii</sup> <https://www.huduser.gov/portal/datasets/il/il19/IncomeLimitsMethodology-FY19.pdf>
- <sup>iv</sup> [https://www.fhfa.gov/DataTools/Downloads/Documents/HPI\\_Focus\\_Pieces/2018Q2\\_HPIFocus\\_N508.pdf](https://www.fhfa.gov/DataTools/Downloads/Documents/HPI_Focus_Pieces/2018Q2_HPIFocus_N508.pdf)
- <sup>v</sup> <https://www.nahb.org/news-and-economics/industry-news/press-releases/2020/04/What-Building-1000-Homes-Means-to-the-US-Economy>
- <sup>vi</sup> <https://www.rent.com/research/average-rent-price-report/>
- <sup>vii</sup> <https://fred.stlouisfed.org/series/MSPUS>
- <sup>viii</sup> <https://www.nar.realtor/sites/default/files/documents/Housing-is-Critical-Infrastructure-Social-and-Economic-Benefits-of-Building-More-Housing-6-15-2021.pdf>