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Hannon Armstrong and Morgan Properties Acquire B-Piece on KG-Series Securitization

Portfolio Includes Green Advantage® Multifamily Workforce Loans for Financing Energy and Water-Efficiency Improvements

ANNAPOLIS, Md. & KING OF PRUSSIA, Pa.--(BUSINESS WIRE)-- Hannon Armstrong (NYSE: HASI), a leading investor in climate change solutions, and [Morgan Properties](#), a real estate investment and management company, today announced a new joint venture that will acquire the B-Piece from Freddie Mac's previously settled KG series focused on environmental and social impact, and part of Freddie Mac's flagship K-Deal program. The issuance, K-G02, is exclusively comprised of securitized workforce housing loans made through Freddie Mac's Green Advantage® program which requires borrowers to make energy and/or water efficiency improvements to their properties.

"We are pleased to partner with Morgan Properties on what is our first-ever transaction with Freddie Mac," said Hannon Armstrong Chief Investment Officer Nathaniel J. Rose.

"Expansion into this new asset class will further diversify our portfolio and bolster our efforts to decarbonize buildings, including multi-family properties."

"Morgan Properties continues to be one of the nation's most active multifamily investors and we have demonstrated our ability to invest across the capital stack. Over the past two years, we have closed on eight Freddie Mac K-Series Deals secured by over \$7 billion of multifamily loans," said Jason Morgan, Principal at Morgan Properties. "We are extremely excited about the partnership with Hannon Armstrong – we see tremendous value in this relationship, support the company's mission to counteract climate change and are thrilled to close on the first of many deals together."

At closing, the total loan balance represented by the K-G02 Multifamily Mortgage Pass-Through Certificates was approximately \$544 million and the unguaranteed B-Piece that Hannon Armstrong and Morgan Properties acquired had a face amount of approximately \$41 million. K-G02 is represented by a well-diversified, high credit-quality portfolio of 17 multifamily properties located across 12 states.

[Freddie Mac Multifamily](#) is a leading issuer of agency-guaranteed structured multifamily securities. K-Series Deals are part of Freddie Mac's business strategy to transfer a portion of the risk of losses away from taxpayers and to private investors who purchase the unguaranteed subordinate bonds, such as the B-Piece. K Certificates typically feature a wide range of investor options with stable cash flows and structured credit enhancement.

Freddie Mac's New Line of Environmental and Social Impact Securities

Announced in June 2019 to meet the needs of investors seeking green bonds, [KG-Deals](#) are the environmental and social impact series of Freddie Mac's flagship [K-Deal](#) program. KG-Deals exclusively securitize workforce housing loans made through the Freddie Mac's [Green Advantage](#)® program, which provides incentives to multifamily housing borrowers to make water and energy efficiency improvements to existing properties and to lower expenses for workforce housing tenants.

The Green Advantage program currently requires that borrowers reduce energy or water consumption by a total of 30% with a minimum of 15% of those efficiencies found through energy improvements. Borrowers have two years to make the improvements, which are tracked in an ENERGY STAR® database. The improvements initiated thus far to the more than 1,600 properties financed through the Green Advantage program are projected to save 4.7 billion gallons of water per year and nearly 1.8 billion kBtu per year in energy per year. Nearly 86% of the units financed are affordable to tenants with incomes equal to or less than area median income (AMI). Tenants benefit through lower utility costs and are on average projected to save \$138 per year through reduced energy or water bills. Since 2016, Freddie Mac has purchased more than \$44.7 billion in green loans that will be used to lower utility costs for 450,000 units nationwide.

About Hannon Armstrong

Hannon Armstrong (NYSE: HASI) makes investments in climate change solutions by providing capital to the leading companies in the energy efficiency, renewable energy and other sustainable infrastructure markets. Our goal is to generate attractive returns for our stockholders by investing in a diversified portfolio of investments that generate long-term, recurring and predictable cash flows from proven commercial technologies. Based in Annapolis, Maryland, Hannon Armstrong is proud to be the first U.S. public company solely dedicated to investments that reduce carbon emissions or increase resilience to climate change. For more information, please visit www.hannonarmstrong.com. Follow Hannon Armstrong on [LinkedIn](#) and Twitter [@HannonArmstrong](#).

About Morgan Properties

Established in 1985 by Mitchell Morgan, Morgan Properties is a national real estate investment and management company headquartered in King of Prussia, Pennsylvania. Morgan Properties and its affiliates own and manage a multifamily portfolio comprised of 300 apartment communities and over 75,000 units located in 15 states, primarily in the Mid-Atlantic and Northeast Region. Morgan Properties is currently the largest multifamily owner in Pennsylvania, Maryland and New York, as well as the fifth largest apartment owner in the country. With approximately 2,000 employees across its geographic footprint, the Company prides itself on its quick decision-making ability, strong capital relationships and operational expertise. Learn more at www.morganproperties.com

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