



2017

Environmental
Social
Governance

Sustainability Annual Report

 **AMERICAN**
REALTY ADVISORS
INSTITUTIONAL CAPITAL MANAGEMENT



Building a Sustainable Future for Our Clients and Communities

Engagement of our stakeholders is a major catalyst for change and one that will lead to meaningful and productive work towards achieving key ESG initiatives.



As ARA looks toward the future, we must not only engage in sustainable practices but take action to evolve, create, and implement new methods of addressing Environmental, Social, and Governance (ESG) issues. Having the responsibility to manage assets on our clients' behalf is a privilege and one we treat with fiduciary care. As a steward of the capital of others, ARA is committed to creating value for our clients and investors through seeking to provide high-quality service and exceptional returns as well as making a positive contribution to society.

The sustainability program at ARA is focused on providing a benefit to all of our stakeholders, including our clients, investors, tenants, industry partners, employees, and the communities in which we operate. Through the direction of our sustainable mission, vision, and values we believe activating and igniting our asset managers, property managers, and employees is a vital part of the process of implementing the best sustainable practices at our assets and in our environment. We see the engagement of our stakeholders as a major catalyst for change and one that will lead to meaningful and productive work towards achieving our ESG initiatives.

ARA embraces our responsibility to make a purposeful difference in our communities. The ARA Charitable Foundation has been active for the past 20 years in supporting a wide range of empowerment and action initiatives both locally and nationwide. In 2017, ARA offered a new diversity internship program which provides valuable opportunities for disadvantaged students to gain experience in the Investment Management and Commercial Real Estate industry. This internship program, among other inclusion and diversity initiatives enforces our belief in the power of diverse perspectives and backgrounds, as ARA embraces a dynamic mix of ideas and talents that create an inclusive work environment. At the heart of our giving and inclusive philosophy is a belief in the power of partnerships at the employee, client, and community level and we are dedicated to advancing this effort into the future.

While we reflect on the important ESG accomplishments seen in this 2017 Annual Report, we continue working towards having our impact go far beyond our buildings and operations, to maintaining a sustainable future for our clients and communities and well as contributing to the prosperity of our fellow citizens. Our 2018 objectives will target accurate monitoring and improvement of our sustainability program, showing leadership in all areas of ESG, and igniting further action by our stakeholders, while continuing our steady focus on promoting responsible investment management practices as well as long-term value creation for our clients and investors.



Stanley L. Iezman
Chairman and CEO



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About American Realty Advisors

American Realty Advisors (“ARA”) is a premier private equity real estate investment manager of institutional quality commercial real estate portfolios with more than 450 investors and over \$8.2 billion* in assets under management.

ARA is 100% employee owned and client focused. The firm was registered in 1990 with the U.S. Securities and Exchange Commission as an Investment Advisor under the Investment Advisers Act of 1940. ARA is also a fiduciary to its clients and acts in the best interests of our investors.

At ARA, we design solutions to deliver value while bringing a clear understanding of market dynamics, research, and experience to real estate investment management. We offer core strategies for income and capital preservation, core-plus strategies to enhance returns, and value-added strategies to create value and control risk.

Our strategies are implemented through commingled funds, which provide liquidity in addition to income and appreciation. Further expanding our product offerings, our separately managed accounts can be tailored to an investor’s specific investment, duration, and liquidity needs and goals.

ARA is a premier investment manager of institutional quality commercial real estate portfolios focused on providing superior risk-adjusted returns for our clients and investors, consistent with the objectives defined by their investment guidelines.

ARA Office Locations:

- Los Angeles
- Boston
- Chicago
- Irvine
- Orlando
- Philadelphia
- San Francisco
- Westport

23

YEARS

Senior management
average experience

100%

EMPLOYEE-OWNED

8

OFFICES

across the U.S.

\$8.2B*

IN AUM

About the Report

Each year, ARA publishes an annual Sustainability Report, detailing the firm’s commitment to Environmental Social Governance (ESG) principles, benchmarking and reporting efforts, and sustainability successes. This report shares sustainability-related information that is material to ARA’s stakeholder groups including investors, tenants, employees, partners, and communities.

The social section covers data as of December 31, 2017 and early 2018 initiatives and all other sections, including the performance data, are as of December 31, 2017. References to assets in this report relate to assets in all portfolios managed by ARA.

The 2017 ARA Sustainability Annual Report will be available on our website as well as our past reports, at: www.aracapital.com/corporate-responsibility-and-sustainability



*as of 12/31/17

Governance

Ethical business practices and a commitment to leading by example define ARA's governance culture.

We uphold a holistic investment strategy that integrates sustainability and financial longevity into every aspect of our decision-making process. Our leadership aims to lead Environmental, Social, and Governance trends and best practices to provide exceptional value to our clients, investors, and stakeholders.



Sustainability Commitment

Our sustainability efforts seek to maximize financial savings and enhance the comfort and health of tenants and employees, while minimizing the environmental impact of our properties and corporate operations.

We use a comprehensive strategy to achieve a high level of performance in energy and water efficiency, waste management, tenant/employment engagement, sustainable building operations, LEED™ and Energy Star® certifications, and community involvement.

We constantly assess our business operations in coordination with our value chain to determine how ESG initiatives can be implemented and improved. When feasible, ARA is dedicated to advancing the sustainability initiatives required to green our portfolios while streamlining our operations.

In addition, we promote green building certifications by embracing industry standards, such as the U.S. Green Building Council's LEED™ certifications and Energy Star® labeled assets. To date, more than 5 million square feet of space in 19 buildings have been LEED™-certified and over 7 million square feet of space in 25 buildings has been Energy Star® labeled.

5.3M SF of LEED™ Certified

19 LEED™ Certified Assets

7.5M SF of ENERGY STAR® Certified

25 ENERGY STAR® labeled buildings

ESG ARA's sustainability program extends across all property types and corporate operations.



Environmental Energy efficiency, water conservation, and green building practices are key components of the value we provide to our clients, investors, and stakeholders.



Social ARA believes that conducting our business in a responsible and sustainable way can improve our ability to meet the commitments to our clients and align our activities with the broader needs of society.



Governance Sound governance principles and leadership values are at the heart of ARA's investment and business activities.



Governance Principles, Best Practices and Policies

Founded on the principles of transparent governance and leadership values, ARA has adopted a comprehensive corporate governance and compliance structure that allows us to serve our clients with the highest degree of ethical standards in all aspects of our business practices. Our corporate governance and compliance initiatives are supervised by the firm’s Management Committee with support from our Chief Compliance Officer and her team. ARA has implemented critical best practices and policies noted below to achieve our governance goals:



RESPONSIBLE CONTRACTOR POLICY

ARA’s Responsible Contractor Policy is intended to guide, in a manner consistent with the statutory standards of fiduciary responsibility and discretion, the selection of contractors for operational and construction services. The Policy establishes guidelines based on contractors’ demonstrated ability to provide high quality services and thereby enhance the value of our clients’ investments.

CODE OF BUSINESS CONDUCT AND ETHICS

Our employees are the core foundation of our business success. We have established a Code of Business Conduct and Ethics for our employees that governs our daily business activities, helps employees identify, understand, and avoid potential conflicts of interest, and reinforces ARA’s commitment to a superior level of ethical conduct. Each employee is required to certify compliance with this Code on an annual basis.

EQUAL OPPORTUNITY AND EMPLOYEE DIVERSITY

ARA is committed to equal employment opportunity. We do not discriminate on any basis protected by local, state, or federal law including, but not limited to, race, sex, religion, color, national origin, ancestry, physical or mental disability, medical condition, marital status, registered domestic partner status, sexual orientation, gender identity, gender expression, age, genetic information, military and veteran status, or citizenship status.

DATA SECURITY AND CONFIDENTIALITY

ARA recognizes the importance of protecting each client’s and investor’s confidential information. We maintain physical, electronic, and procedural safeguards to protect the private information entrusted to us by each of our clients and investors. Our employees are also trained on the importance of protecting the privacy and security of confidential information and are required to sign a Confidentiality, Non-Disclosure and Non-Compete Agreement that sets forth specific obligations regarding confidential information even after employment ends with our firm.

CONFLICTS OF INTEREST

ARA acts solely in the best interests of our clients and avoids taking actions that may create a potential conflict between ARA’s interests and the interests of others, while also making decisions that support the best interests of our clients. As a result, ARA’s structure allows us to focus the energies of our investment staff entirely on the specific needs of our clients.

Where conflicts of interest may arise, we have established specific policies and procedures aimed to manage them in full accordance with our obligations as a fiduciary, with the law, and in alignment with our corporate values and culture. Since we are privately-held and solely focused on the real estate investment management business, our success is entirely dependent on the success of our clients’ investment portfolios, further aligning ARA’s interests theirs.



Sustainability Best Practices

Protecting the environment is essential for the health and well-being of building occupants and our long-term financial performance. As part of our vision, we strive for increased efficiency in water usage, energy usage, and waste management.

INDOOR PEST MANAGEMENT

ARA promotes best practices that reduce occupant exposure to unnecessary toxic chemicals, and promotes environmentally-sound pest control methods in the use of pesticides. These methods include education, biological and mechanical control, sanitation, exclusion, and maintenance.

ENVIRONMENTALLY PREFERABLE PURCHASING

Purchasing practices have a large impact on our overall environmental footprint and on the health and well-being of building occupants. ARA promotes environmentally preferable purchasing, including ongoing consumables, furniture, electric-powered equipment, facility alterations and additions, lightbulbs, and products that have high recycled content and non-toxic materials, are durable and long-lasting, conserve energy and water, and reduce greenhouse gas emissions. This practice will help increase both the use and availability of environmentally preferable products and create a model for purchasing programs at other businesses in our communities.

WASTE MANAGEMENT

ARA believes effective waste management programs promote the reduction of waste through environmentally preferable purchasing, item reuse, recycling, and waste auditing. ARA aims to minimize environmental and human health risks through proper waste collection. The firm understands that measuring its own waste is key to meeting waste-related goals.

WATER CONSUMPTION

ARA evaluates water usage, water costs, wastewater, and recycling opportunities at potential acquisitions to determine where we can implement innovative strategies to conserve water and reduce water costs. As part of this initiative, ARA considers the feasibility of conversion to high-performance plumbing fixtures and fittings for potential indoor plumbing renovations, including both high-efficiency and dry-fixture technologies. If installed, ARA, or its third-party manager under ARA's direction trains building maintenance staff on the operation of newly-installed fixtures and fittings and in measuring water savings prior to indoor plumbing renovations.

GREEN CLEANING

In line with our vision to maintain our managed properties, ARA promotes a green cleaning program to protect the environment and the health of building occupants. This program covers the purchase of cleaning products, janitorial paper products and hand soaps, cleaning equipment, storage of hazardous materials, training janitorial contractors and awareness of sensitive building occupants. To promote continuous improvement, ARA monitors feedback from building occupants and evaluates new procedures and technologies.

Resiliency and Risk Management

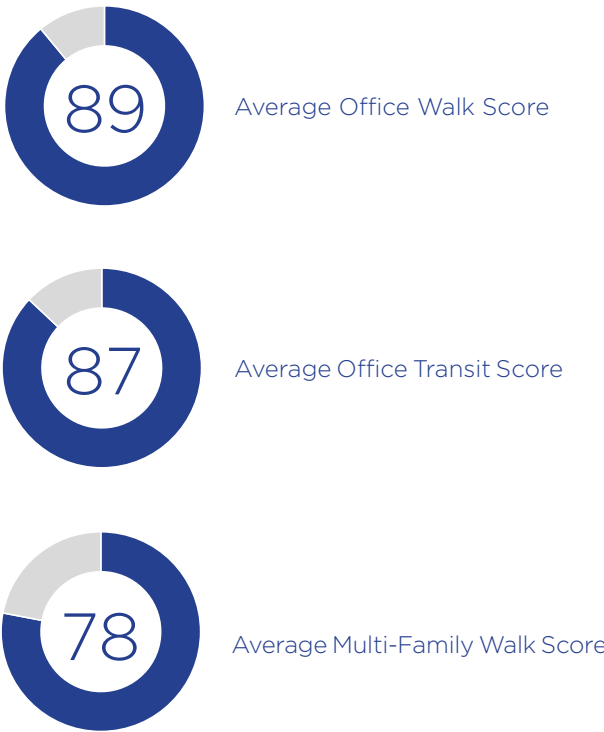
NEW ACQUISITIONS - ESG DUE DILIGENCE

Our risk-control approach is closely tied to our culture of responsibility. Our due diligence process routinely involves evaluating potential acquisitions based on their financially-attractive green retrofit opportunities, but also assesses potential environmental or social risks that could translate into future liability concerns.

We employ a combination of research-driven market analysis and a rigorous underwriting process to determine whether each property, and the market in which it operates, meets our strict acquisition guidelines. These investment decisions consider the direct and indirect energy usage requirements of an asset. Operating energy savings costs that can be quantified are included in the underwriting of a potential investment.



Average Portfolio Scores*



**Dollar amount weighted average for ARA's largest commingled Fund only*

EXISTING BUILDINGS - RESILIENCY AND RISK ASSESSMENT

As a part of our due diligence process, ARA conducts a comprehensive property review aligned with the standards set forth by the American Society for Testing and Materials (ASTM). This program allows ARA to evaluate thoroughly how it can make each building more resilient in the event of unpredictable physical or environmental circumstances, reducing the costly impact to our clients, investors, tenants and the environment.

We also perform a risk assessment analysis on each property, to track sustainability attributes such as walk-score, presence of asbestos, sea-level rise (resilience and climate change risks) and regulatory requirements such as energy benchmarking laws. Socioeconomic indicators are also measured as part of this process, including livability score, median rent, and median household income. By tracking these factors, ARA is better able to understand the needs of the communities in which we operate.



Continuum

Allston, MA

MULTI-FAMILY RESIDENTIAL

GOLD

LEED™
Certified

417K

SF

79

ENERGY
STAR® Score

93%

Occupancy

2015

Year Built

SUSTAINABILITY FEATURES

Energy Efficiency: The property's efficient building envelope reduces greenhouse gas emissions by 489 metric tons annually and saves the property over \$183,000 each year.

Indoor Environmental Quality: Continuum maximizes indoor air quality by using low or no-VOC paints, sealants, and adhesives. The property also includes acoustical ceiling tile that reduces noise levels and improves occupant comfort.

Water Efficiency: Continuum has decreased potable water use for irrigation by more than 50 percent in 2017 by utilizing native and drought-resistant landscaping, drip irrigation, and moisture-sensing technology. The property also minimizes water consumption by using low and no-flow bathroom fixtures.

Sustainable Sites: Continuum encourages the use of public transit by displaying route information in the building lobbies. Additionally, the property reduces water pollution by treating its stormwater onsite, benefiting the Charles River ecosystem. By covering parking spaces with a vegetated roof, Continuum also combats heat island effects, provides a space for outdoor recreation, and promotes occupant health.

Materials and Resources: Continuum provides residents storage and collection of recyclables, centrally located with accessible areas for the recycling of paper, cardboard, glass, plastics, and metals. During the construction phase, 75% of the project's waste was diverted from landfills.

Daylighting and Views: Continuum promotes occupant health and productivity by providing access to outdoor views for over 97 percent of rentable areas.

Active Design: Continuum encourages resident health by providing an indoor bike storage and maintenance room. Continuum's fitness center provides residents with facilities for regular physical activity, and the property is located within walking distance of amenities and boasts a walk score of 81.

97%

OF UNITS HAVE
OUTDOOR VIEWS

81

WALK SCORE

75%

OF WASTE DIVERTED
IN 2017



Environment

Energy efficiency, water conservation, and green building practices are key components of the value we provide to our investors and tenants.

We aim to maximize value to our investors and tenants through energy efficiency, water conservation, and other green building practices.



Commitment to the Environment and Our Clients’ Investment Goals

Sustainability means enhancing building performance, investment resilience, and business governance for the benefit of clients, investors and other stakeholders.

SUSTAINABLE MISSION

To conduct our business and investment activities in a responsible and sustainable manner that adds value to our clients and communities.

SUSTAINABLE VISION

To create a positive impact far beyond our buildings and operations.

CORE VALUES

TENANT AND EMPLOYEE WELLBEING

Tenant comfort and health are fundamental to how we design and execute superior client services.

EFFICIENT PROPERTIES

Our properties achieve high efficiency standards through continuous improvement measures with the goal of making our buildings as efficient as possible.

RESPONSIBLE INVESTING

We seek to invest in sustainability initiatives that act in the best long-term financial interests of our clients.

STRONG COMMUNITIES

We aim to increase the resiliency of our communities in the face of economic uncertainty and climate change threats.

TRANSPARENCY AND DISCLOSURE

We believe in the importance of transparency in operations. For this reason, we continually improve our management practices and provide progress updates to our stakeholders.

ARA demonstrates environmental stewardship by monitoring and improving our client assets to provide real, positive, and measurable impacts on overall portfolio performance. We monitor the rapidly evolving sustainability movement to identify trends and best practices across the nation. Our sustainability programs and processes are designed to identify opportunities to reduce operating expenses and increase resiliency, while also enhancing value for our tenants, clients, and investors.

ENVIRONMENTAL INVESTMENT PRACTICES

As a fiduciary and investment manager, our high-performance culture must go hand-in-hand with a culture of responsibility. ARA has instituted the following environmental investment practices as part of its overall investment process:

- Evaluation of potential acquisitions for financially-attractive green retrofit opportunities using energy and environmental audits;
- Employing best practices for building operations by tracking energy and environmental metrics of assets along with the asset’s financial performance to ultimately increase asset valuation;
- Sharing of best practices and information with the firm’s business partners to further increase the awareness and the benefits of being a sustainability leader;
- Establishing partnerships with our tenants to implement projects that increase efficiency, tenant well-being, and reduce operational costs; and
- Periodic reviews of policies regarding energy usage and environmental impact for all properties under management.



Performance Goals

ARA’s sustainability mission, scope, and targets have been approved by our Operations Committee for the The Global Real Estate Benchmark (GRESB) Assessment. In accordance with this commitment, multiple departments now include responsibilities for the implementation of specific sustainability targets. We have also sought further assistance in meeting our objectives by contracting a dedicated team of sustainability consultants who are responsible for the management of our sustainability and ESG initiatives at the property and corporate levels. The team meets bi-weekly to discuss strategy and assess progress on the program’s goals.

We also understand that we can only improve what we can measure. Using a baseline to benchmark against our past performance, we set our goals and targets to monitor progress and ensure the successful management of our ESG program.



Support Our People: Create a diverse workplace that fosters a healthy, safe, and supportive environment for our employees.

Measure Our Progress: Monitor and understand key performance indicators that help us improve our environmental, social, and governance efforts.

Reduce Our Footprint: Reduce operating expenses and environmental impacts.

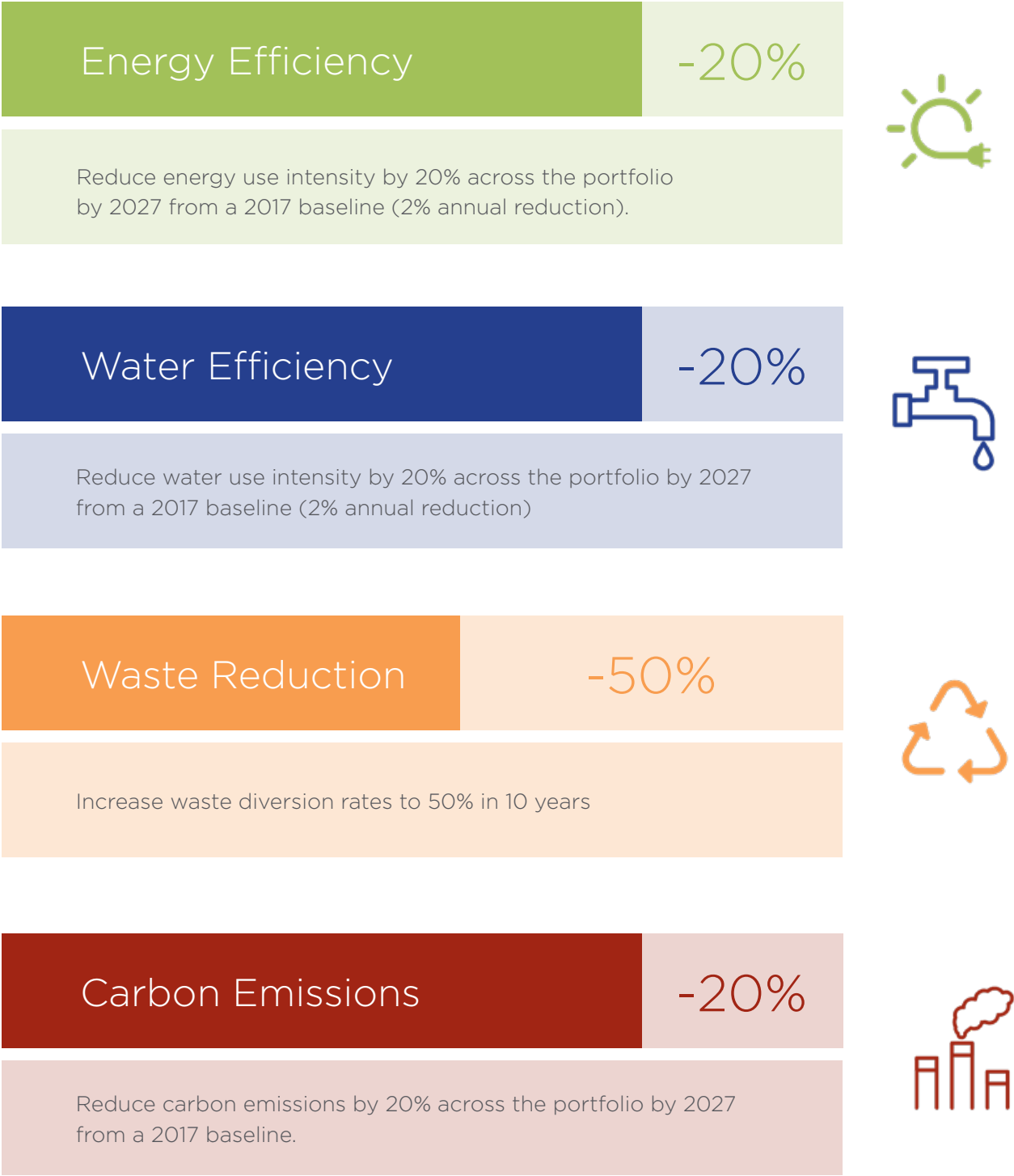
Invest in Our Communities: Support education, healthcare, and economic development opportunities as catalysts of positive change in our communities.

Generate Sustainable Value: Invest in efficiency, superior service, and operational excellence to deliver attractive long-term returns.

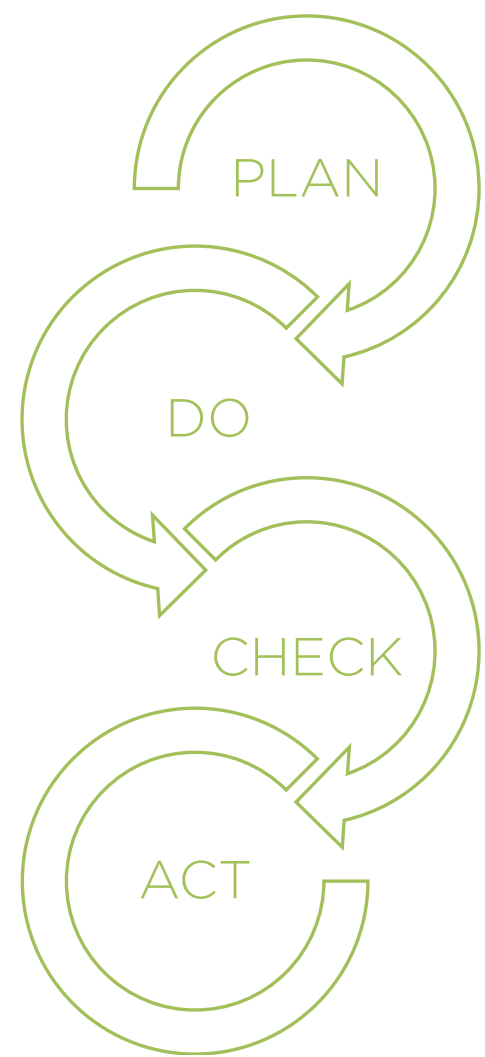


Performance Targets

ARA maintains long-term performance targets to track our progress by using key performance indicators that are relevant, yet ambitious. Our efforts are guided by four key areas of improvement.



Environmental Management System (EMS)



PLAN: ARA’s sustainability and corporate social responsibility strategy includes a mission, vision, goals, and short and long-term performance targets.

DO: To ensure the implementation and maintenance of the EMS, ARA has employed a comprehensive strategy that engages all key stakeholders in our sustainability and corporate responsibility efforts, including pursuing LEED™ certification where feasible.

CHECK: ARA utilizes ENERGY STAR® Portfolio Manager and other tools to monitor key metrics and progress on performance goals and targets.

ACT: ARA oversees stakeholder and tenant engagement efforts that help to increase the efficiency of properties throughout our portfolio, build strong communities and enhance tenant well-being. Engagement is fostered through surveys, memos, newsletters, email and other forms of communication.

EMPLOYEE PARTICIPATION

Sustainability at ARA encompasses not only our physical assets, but also the people and places impacted by our building environments. We encourage sustainable thinking and approaches within our own business. ARA provides on-going communication to our investment professionals, tenants, and property managers encouraging green best practices, as well as ENERGY STAR® and LEED™ progress in our portfolios.

Sustainability Operations

In 2017, ARA established the foundation for a more comprehensive corporate responsibility program by collaborating with tenants, communities, and vendors. Through this collaboration, we made our business operations more efficient, resilient, and less costly. Included in this scope were enhancements to our existing energy use program and waste management strategies. Below are featured projects where energy saving and waste solutions were implemented.

ENERGY USE

During 2017, overall energy use decreased by 21.9%. Further initiatives for energy reductions have been put in place for 2018 and ARA properties have undergone efficiency upgrades in order to decrease further energy consumption. Highlighted energy saving projects completed in 2017 are detailed below:

- **Lighting Upgrades and Replacements:** 167 Logistics Center in Sumner, WA upgraded all exterior lighting to high-efficiency LED lamps, resulting in 55-65% reduction in energy usage and a 50-60% savings on overall energy costs including bulb replacements.
- **LED Common Area Retrofit:** 153 Townsend Street in San Francisco, CA retrofitted the building’s common area with LED lighting, resulting in annual projected cost savings of \$32,908.

WASTE MANAGEMENT

Over the course of 2017, ARA’s waste management program diverted over 1,000 tons of waste to recycling. We are continually improving our waste management program by expanding recycling and upgrading waste solution providers. Assets with improvements in their comprehensive waste solution program in 2017 include:

- A waste and recycling audit was completed at 499 Park Ave., New York to ensure compliance with New York City waste and recycling regulations as well as to identify what types of recyclable materials and waste the facility generates and how much of each category is recovered for recycling or discarded.
- **High rate of diverted waste to recycling:** At 1200 Orchard Gateway, 75% of the waste produced was diverted to recycling.
- **New Waste Solution Provider:** Alexandria Commons in Washington D.C. engaged a new third party waste provider and is now completing a full scale recycling effort for cardboard, paper, aluminum, and plastic.



Building Certifications

ENERGY STAR® RECOGNITION

With the entire portfolio having been benchmarked in Portfolio Manager, EPA’s ENERGY STAR® measurement tracking tool, ARA has taken strides in making these properties more energy efficient. As a direct result of our efforts, 25 properties have received a 2017 ENERGY STAR® award with 12 achieving a score of 90 or above.

LEED™ CERTIFICATION

LEED™ certification provides independent third-party verification that a building is designed or operates using strategies aimed at achieving high performance in key areas of human and environmental health. LEED™-certified buildings subsequently lower operating costs, increase asset value, reduce waste sent to landfills, conserve energy and water, are healthier and safer for occupants, and reduce harmful greenhouse gas emissions. ARA is proud to claim over 5.3 million square feet of LEED™ awarded assets across its portfolios.

LEED™ CERTIFIED PROPERTIES

Property	Location	Property Type	LEED™ Rating/Level	SF Per LEED™
2033 K Street	Washington D.C.	Office	O+M, Silver	120,778
Energy Center	Houston, TX	Office	C+S, Gold	305,586
150 Wacker Drive	Chicago, IL	Office	O+M, Silver	243,444
ALARA Uptown	Dallas, TX	MF	LEED Gold	254,710
Accent	Los Angeles, CA	MF	Homes, Gold	352,135
2201 Westlake	Seattle, WA	Office	C+S, Gold	317,102
Continuum	Boston, MA	MF	NC, Gold	416,951
Admiral Safeway	Seattle, WA	Retail	Retail, Silver	68,876
1K Fulton	Chicago, IL	Office	O+M, Platinum; C+S, Gold	562,792
Foundry Square III	Chicago, IL	Office	C+S, Gold	313,865
McCook Logistic Center	Chicago, IL	Industrial	BD+C, Silver	365,359
Madison @ Racine	Chicago, IL	MF	NC, Certified	301,983
1130 Connecticut Ave	Washington D.C.	Office	O+M, Gold	223,317
321 Clark Street	Chicago, IL	Office	O+M, Gold	1,025,053
Congress Center	Portland, OR	Office	O+M, Gold	383,349
Pasadena Vons	Pasadena, CA	Retail	NC, Certified	76,250
Total				5,331,550 SF

ENERGY STAR® PROPERTIES

Property	Location	Current Score	ENERGY STAR® SF
Energy Center II	Houston, TX	93	305,585
Deerbrook Corporate Center	Chicago, IL	90	147,623
2201 Westlake	Seattle, WA	91	507,464
The Quadrangle	Dallas, TX	84	128,905
2033 K Street	Washington D.C.	82	134,457
153 Townsend	San Francisco, CA	88	168,161
1K Fulton	Chicago, IL	90	562,792
Foundry Square III	San Francisco, CA	94	313,865
I-88 Gateway	Dallas, TX	90	604,565
Shoemaker D.C.	Los Angeles, CA	94	174,342
Sumner 2	Seattle, WA	100	361,346
Sierra Fontana	Los Angeles, CA	98	753,170
321 Clark Street	Chicago, IL	83	1,025,053
1130 Connecticut	Washington D.C.	83	235,030
Congress Center	Portland, OR	96	383,349
Oak Brook Regency Towers	Chicago, IL	88	438,339
Waterfront Place	Seattle, WA	81	54,457
395 Hudson	New York, NY	94	614,797
Crossroads I	Harrisburg, PA	90	79,188
Crossroads III	Harrisburg, PA	78	121,512
Crossroads IV	Harrisburg, PA	75	97,856
348 Hospitality	San Bernardino, CA	86	49,972
501 Shatto	Los Angeles, CA	81	86,246
6425 Katella	Cypress, CA	77	39,635
Galaxy II (North)	Oakland, CA	77	99,112
Weighted Avg./Total		87	7,486,821 SF



1101 14th St.

Washington, DC

OFFICE ASSET

GOLD

LEED™
Certified

120K

SF

88

ENERGY
STAR® Score

92%

Occupancy

1981

Year Built

SUSTAINABILITY FEATURES

Indoor Air Quality: 1101 14th St. maximizes indoor air quality and improves occupant well-being by using no-VOC paints in renovated areas and by prohibiting smoking on the premises.

Water Supply: The property provides its occupants water with purity standards well above those required by law or by green building certifications like WELL. The property's drinking water is continually monitored for agricultural contaminants and water additives, promoting occupant health and well-being.

Daylighting and Views: The property provides abundant daylight, with all occupied areas located within 25 feet of view windows, and has a nearly 60 percent window-to-wall ratio, improving occupant mood and productivity.

Active Design: The property features various active design elements to maximize occupant health and well-being, including a fitness center and easy pedestrian and bike access to local amenities, with a walk score of 98, a bike score of 91, and an onsite bike locker.

Mental Wellness: The building incorporates design elements and artwork that positively impact occupant mood and productivity, including public art in the main lobby and eye-catching artwork in each floor's elevator lobby.



98

WALK SCORE

91

BIKE SCORE

60%

WINDOW-TO-WALL RATIO



Social

We believe that conducting our business in a responsible and sustainable way can improve our ability to meet commitments to our clients and align our activities with the broader needs of society.

ARA's commitment to stakeholder engagement, health and wellness, charity and community giving and workplace diversity and inclusion is a proud representation of our firm values.



Stakeholder Engagement

In the fourth quarter of 2017, ARA commenced an Energy, Water, and Waste Awareness Campaign for our multi-family and office properties to educate property teams and tenants on simple actions that can be taken at home or in the office to reduce consumption. Tenants and property staff were asked to focus on a monthly theme with October being energy awareness, November waste awareness, and December water awareness.

Each month, ARA's Sustainability Team provided the properties with posters from the US EPA's Battle of the Buildings and Verdani Partners to display in elevators, lobbies, and common areas with sustainable tips and property events as well as a memo to send to tenants with tips on how to reduce consumption based on the month's respective theme.

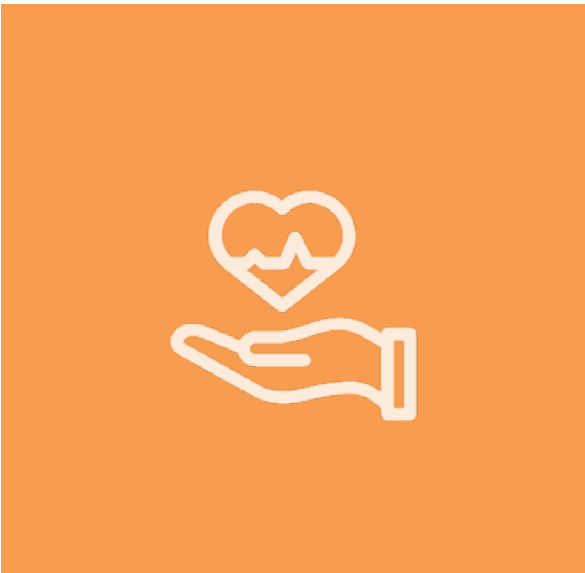


ARA CLIENT PROPERTIES CELEBRATE ENVIRONMENTAL AWARENESS

In 2017, we celebrated major environmentally-focused awareness days such as Earth Hour, Bike to Work Day, and Earth Day at our properties. This past Earth Day, 505 Howard and 153 Townsend supported local businesses with a farmer's market, including farm fresh items to giveaway, and the in-house coffee shop, Red Door, served coffee and discussed the sustainable practices of the farmers they source their coffee from. The property team also handed out bamboo blossom kits to tenants and sponsored a free e-waste pickup for tenants' office and personal electronics.

In addition, the event included the following vendors:

- ABM janitorial provided flyers relating to ABM sustainability and information on how to help increase the buildings diversion rate. In addition, this vendor quizzed attendees on waste and recycling.
- Recology spoke about diversion and proper waste management and also handed out reusable cutlery and totes and raffled off a compost bin.
- TMASF provided transit agency brochures (BART, Muni, Caltrain, SF Bay Ferry, etc.) and other commute-related information. To engage attendees, TMASF Connects also raffled off a pair of Giants tickets.
- Gardeners Guild educated tenants on water conservation and drought tolerant landscapes. They also handed out worm castings bag samples and a flat of succulents.
- BAAQMD spoke to tenants about Spare the Air days and how to improve air quality.



HEALTH AND WELLNESS

We protect the well-being of tenants, residents, and employees by ensuring that the environments in which they live and work are clean and healthy. As part of this initiative, we have instituted multiple health-related policies, ranging from mold management to a robust indoor air quality (IAQ) program.

BI-ANNUAL NEWSLETTERS

Internal communication is a valuable way to reinforce our sustainability mission into our organizational operations. ARA distributes a bi-annual internal newsletter to the entire company that contains updates and major highlights from our sustainability achievements, as well as announcements about our upcoming programs and initiatives. Employees and partners can be proud to be featured for their efforts in making ARA a greener place at which to work and do business with.





MOVE TO NEW HEADQUARTERS

To further realize our health and wellness goals, ARA relocated our headquarters to City National Plaza in downtown Los Angeles in June 2017. This LEED™ Gold and ENERGY STAR® labeled property was designed for firm growth and incorporated specific elements to achieve an optimal work environment, enhancing the productivity and efficiency of our firm's professionals, including ergonomic work stations featuring standing desks, expansive natural views, natural lighting, an internal stairwell, and a wellness room. Healthy food options are also available on-site in the buildings food court while expanded conference and meeting rooms allow for greater ease of collaboration.

Additionally, connection to the Los Angeles transit network provides our employees enhanced commuting options. By choosing to commute in a sustainable way, employees can be reimbursed for their travel through our Transit Reimbursement Program. Shuttles to major transportation hubs and free bikes to borrow on-site are additional methods ARA utilizes to encourage our employees to commute in a sustainable manner.

Overall, our new headquarters contributes to three important factors of the firm's growth: a focus on sustainability, finding and retaining great talent, and being in the financial center of Los Angeles, where global capital decisions are made.

Connection to the Los Angeles transit network provides our employees enhanced commuting options. By choosing to commute in a sustainable way, employees can be reimbursed for their travel through our Transit Reimbursement Program.



Workplace Diversity and Inclusion

ARA believes in the power of diverse perspectives and backgrounds and we embrace a dynamic mix of ideas and talents that create an inclusive work environment. We are dedicated to creating opportunities in institutional real estate investment management for all individuals who seek to advance their career, promoting a multicultural workforce where differences are valued, celebrated, and embraced. ARA is committed to equal employment opportunity and applies the principals of openness and diversity to all aspects of employment including hiring, assignments, training, promotions, compensation, employee benefits and issue resolution, employee discipline and discharge, and any other terms and conditions of employment.



ARA IS A FOUNDING PATRON DONOR TO THE PREA FOUNDATION

ARA's partnership with The PREA Foundation furthers our commitment to diversity as we believe in the power of diverse perspectives and backgrounds and embrace a dynamic mix of ideas and talents to create an inclusive work environment. The PREA Foundation established the first-ever SEO Real Estate Track, dedicated to increasing diverse employment in the commercial real estate industry. This initiative develops real estate specific training content, hosts real estate related clinics and events, and enlists partners to provide summer internships for program participants. ARA's previously established NextGen program is committed to providing internship opportunities to participants in the SEO program. NextGen seeks to increase the role of women and minorities in the investment management and commercial real estate industries and aims to expose interns to ARA's national portfolio of real estate assets.

MATCHING GIFT PROGRAM

In keeping with the firm's commitment to philanthropy and culture of giving back to our communities, ARA matches charitable donations made by its employees of up to \$1,000 per year. It is our hope that all who are able will participate in leveraging personal donations to help make the world a better place. We look forward to continuing to improve the communities in which we live and work.

Charity and Community

ARA is committed to being a catalyst to effect positive change in our communities, both locally and nationwide. To support this goal, the American Realty Advisors Charitable Foundation was established. At the heart of ARA's charity philosophy is a belief in the power of partnerships – at the employee, client, and community level. Involvement to effect positive change depends on more than just giving. We are dedicated to lending the knowledge, experience, spirit of collaboration, and the time and talents of our employee volunteers in supporting community and national programs and partnerships that can make a difference.

Throughout the year, ARA and its foundation are involved with and support a wide variety of organizations that seek to foster dynamic change in areas such as education, healthcare, diversity, and economic development. In addition to our charitable giving, ARA actively encourages its employees to support individual philanthropic interests and over the years, they have contributed to generating change in some of the most challenged areas of Los Angeles.

In 2017, ARA supported children and families through several worthy grant recipients. Funds were used to provide much needed computers to disadvantaged teens, assist individuals and families transitioning from homelessness to housing, feed those who are hungry and suffer from food insecurity, provide medical care to underserved communities and help pursue a cure for Alzheimer's disease. At the heart of the organizations we support is respect and dignity for those they serve. ARA embodies these values and is committed to being a leader in improving the lives of those in need.

2017 Charitable Giving Grant Recipients



Program Partners

Industry partnerships and certifications are important to the continued growth of ARA's sustainability program. Our program partners listed help provide benchmarking, valuable metrics, data gathering, education, research and future initiatives that ARA uses to improve our overall sustainability program.



The Global Real Estate Benchmark (GRESB)
The 2016 GRESB assessment ranked the environmental, social, and governance (ESG) performance of 733 real estate entities and \$2.8 trillion in real assets globally. In 2016, ARA's largest commingled fund improved its GRESB score by 63%, in the diversified properties category.



GRI
The Global Reporting Initiative (GRI) is a leading organization in the sustainability field. GRI promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development. The GRI framework aims to enable third parties to assess environmental impact from the activities of the company and its supply chain.



Verdani Partners
Verdani Partners is a full service sustainability consulting firm, that supports ARA's corporate sustainability program. The Verdani team manages our corporate reporting efforts including reporting to the Global Real Estate Sustainability Benchmark (GRESB) and the development of an annual sustainability report aligned with the Global Reporting Initiative (GRI).



U.S. GREEN BUILDING COUNCIL (USGBC)
ARA is a member of the U.S. Green Building Council and uses LEED™ rating systems as guidance for our green building operations. LEED™-certified buildings use less water and energy than traditional buildings, while providing reduced operating costs and healthier environments for building occupants.



The International WELL Building Institute (IWBI)
IWBI delivers the cutting-edge WELL Building Standard, the first to be focused exclusively on the ways that buildings, and everything in them, can improve our comfort, drive better choices, and generally enhance, not compromise, our health and wellness. The WELL Building Standard is the premier standard for buildings, interior spaces and communities seeking to implement, validate and measure features that support and advance human health and wellness.



ENERGY STAR®
Energy Star® is a third-party rating system sponsored by the U.S. Department of Energy and the U.S. Environmental Protection Agency. The voluntary EPA-managed program rates the relative energy performance of new and existing buildings on a 1-100 point scale. ENERGY STAR® considers energy use, CO₂ emissions, occupancy and type of use and the location of the building to determine a score.



Measurabl
Measurabl is a cloud-based software that collects data, creates investment-grade sustainability reports, and alerts owners or property managers to improvement opportunities. Measurabl makes it possible for any company to measure, manage and act on sustainability performance.



Reporting and Disclosure

GLOBAL REPORTING INITIATIVE (GRI)

This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines. The table below details the indicators referenced and the corresponding content.

For more information about this report, please contact:
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Photos used in this report were selected based on visual appearance and are used for illustrative purposes only.

Forward-Looking Statements: This report may contain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements are statements that do not represent historical facts and are based on our beliefs, assumptions made by us, and information currently available to us. Forward-looking statements in this report are based on our current expectations as of the date of this snapshot, which could change or not materialize as expected. Actual results may differ materially due to a variety of uncertainties and risk factors. Except as required by law, we assume no obligation to update any such forward-looking statements.

Other Disclosures: Along with the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) standards, the International Performance Measurement and Verification Protocol (IPMVP) is the reference standard for the measurement and verification used in the calculations of water and energy use savings. Energy or water savings are determined by comparing energy/water use associated with a facility, or certain systems within a facility, before and after energy/water cost reduction measures are implemented. The "before" case is called the baseline model and the "after" case is the post installation model. Baseline and post-installation models can be constructed using the methods described in the IPMVP. Performance of equipment, both before and after a retrofit, can be measured so that savings, or more appropriately, water or energy cost avoidance, is the calculated difference between the measured performance of energy or water cost reduction measures and the amount of water or energy that the building would use in the absence of the retrofit. The baseline water or energy usage is created using measured equipment performance data prior to the retrofit coupled with assumptions about how the equipment will operate in the post-installation period.

ARA’s comprehensive strategy engages all key stakeholders in our sustainability and corporate responsibility efforts.





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