



2018 IMPACT REPORT



Environmental • Social • Governance

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CONTACT



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“EVEN WITH \$3 BILLION
IN REAL ESTATE, OUR
GREATEST ASSET IS OUR
PEOPLE.”

FCP focuses on creating value for all of our stakeholders through our disciplined investment approach that integrates environmental sustainability, social responsibility and thoughtful leadership.

Successful Transactions

2018 was an exceptional year that marked a turning point for the firm. In September, we closed FCP Fund IV, a \$755MM value-add investment fund targeting moderate income housing, multifamily development and value-add office opportunities. FCP Funds I, II and III continue to be ranked as top-performing value-add real estate funds.

FCP 3.0: Investing in FCP’s People and Culture

We recognize that even with \$3 billion in real estate under management, our greatest asset is our people. In 2018, we embarked upon FCP 3.0, utilizing leadership training experts to help us define and implement behaviors critical to FCP’s success, including listening, collaboration and engaging with others by providing real time feedback. FCP team members also received individualized leadership coaching. We established the new position of Principal and promoted three key leaders to that level. We also created a new SVP position of Strategic Management and Sustainability to focus on ESG leadership within the firm.

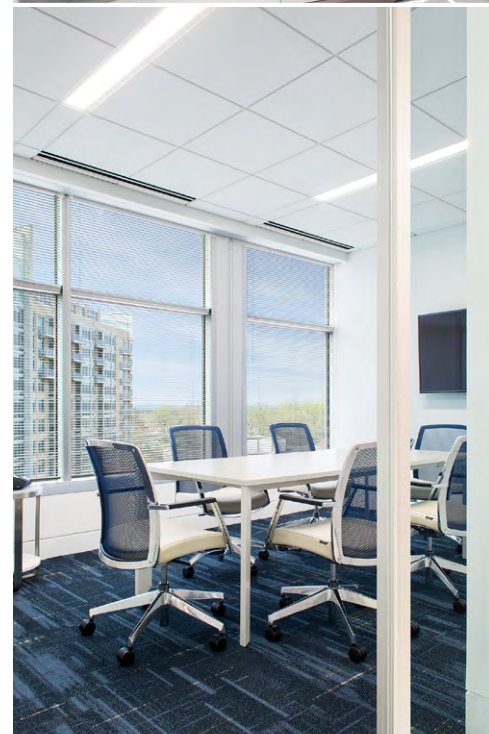
New Collaborative Office Space

With growth comes a need for new space. This report features a profile of our new office space, designed to enhance collaboration and productivity. We moved into our new space in February 2019.

Diversity and Inclusion Action Plan

FCP is committed to fostering diversity and inclusion by building a community that is representative of our customers, investors and the general population. Creating an inclusive workplace takes conscious effort. In 2019, FCP engaged a Diversity and Inclusion consultant to revise our recruiting and talent management practices.

We strive to foster an environment where all ideas are welcome. All team members are invited to Investment Committee and can opine on every deal we do.



See pages 11-12 for a profile
on FCP’s new office space

“FCP SERVES
CONTINUED TO FOCUS
ON ITS CORE MISSION
OF SUPPORTING
EDUCATIONAL
EXPERIENCES FOR THE
CHILDREN OF OUR
RESIDENTS.”

Environmental and Social Sustainability

Our commitment to environmental sustainability is demonstrated by the completion of 34 efficiency projects in 2018 at our workforce housing communities. Our 2018 new development projects are focused on infill locations with strong walk and transit scores, reducing the environmental footprint of our residents.

FCP SERVES continued to focus on its core mission of supporting educational experiences for the children of our residents. FCP SERVES launched two after-school programs in 2018 and provided scholarships for residents’ children to attend after-school programs. Our workforce housing investments serve an important social need by providing safe, high-quality housing for low-to-middle income earners, who are often America’s teachers, civil servants and service workers.

We welcome your questions and feedback. Please contact Summer Haltli at shaltli@fcpdc.com

Thank you for your commitment to FCP.

*FCP has enhanced the clubhouse and fitness center at **Royal Isles** in Orlando, FL, to enhance the community experience for residents and their families.*




Esko I. Korhonen




Lacy I. Rice




Alex Marshall

Complementary Strategies - Repositioning Existing Assets and Developing Targeted New Infill Projects

Repositioning Existing Assets

FCP's environmental footprint is reduced by repositioning older multifamily and commercial assets. By repositioning existing assets rather than demolishing and rebuilding, FCP significantly minimizes the environmental cost of providing quality housing.

Developing Targeted Infill Projects

When investing in development properties, FCP focuses on infill, transit-oriented locations where the community encourages redevelopment. FCP's new development strategies target projects in pedestrian- and bike-friendly locations with excellent transit options.



318 luxury apartments open in summer 2019 at the **Highline at Union Market**, an infill project in Washington, DC with a walk score of 95, transit score of 71, and bike score of 91.

FCP'S 2018
NEW DEVELOPMENT
PROJECTS:
(averages across FCP's
new development portfolio)

BIKE
SCORE



TRANSIT
SCORE



WALK
SCORE



BEFORE & AFTER



Sylvan Supply – Conversion of an existing warehouse to 165,000 square feet of office, restaurant and retail space in Nashville, TN. Construction commenced in October 2018.





Driving Value through Efficient Operations

FCP is committed to operating efficiencies that:

- reduce the environmental impact of our assets;
- improve our residents' quality of life; and
- maximize returns for FCP's investors

Day to day operations include installation of low-flow showers and toilets, compact fluorescent bulbs, optimal insulation, and energy-efficient hot water heaters, windows and appliances at all FCP properties. FCP's commitment to environmental sustainability has resulted in:



PAST 5 YEARS

92 energy-efficiency projects implemented
(**11.2 million kwh and 500,000 therms saved**)
*This is enough energy to power **1,046** U.S. homes for a year
OR to fully charge over **187,000** Teslas*

20 water-efficiency projects implemented
(**65 million+ gallons saved**)
*This is enough water to fill **100** Olympic swimming pools
AND to fill over **4,400** backyard swimming pools*

\$25 million+ in value created or **\$1.4 million+**
in annual savings over the past five years

Top GRESB ratings for management,
policy, and efficiency project implementation

2018

27 energy-efficiency projects implemented
(**1.1 million kwh, 500,000 therms**)

7 water-efficiency projects implemented
(**34 million+ gallons saved**)

\$15.1 million+ in value created

7 point increase in GRESB score from 2017
GRESB Green Star Award

FCP'S SUSTAINABLE DESIGN PRACTICES INCLUDE:

- selecting sustainable sites such as transit-oriented infill locations;
- designing site plans to reduce heat island effects and reduce storm water runoff;
- installing water- and energy-efficient systems;
- using recycled and regionally sourced materials;
- improving indoor air quality by using low VOC emitting materials;
- ensuring proper outdoor air ventilation; and
- installing Energy Star appliances and energy efficient lighting.

Tracking and Minimizing Consumption Portfolio-Wide

FCP utilizes GOBY software to track utility consumption across our portfolio. 100% of FCP's properties are monitored in the GOBY system. In 2018, FCP implemented water leak detection systems at 5 properties in order to quickly identify and repair water leaks. Additional systems will be rolled out to more properties in 2019. Recycling is available at FCP properties.



Best Practices and Building Certification

FCP strives to achieve Leadership in Energy and Environmental Design (LEED) certification on its new development projects. Construction management on FCP projects demonstrates the same level of commitment to environmental sustainability. FCP's responsible construction practices include pollution prevention and storm water management, construction waste management and collection of recyclable material, and measures to protect heating, ventilation, and air-conditioning materials during construction, thereby ensuring indoor air quality when the project is completed.



Building and Construction Safety

FCP utilizes US-based general contractors that comply with all US construction laws, including OSHA. FCP and its general contractors implement routine safety inspections and training.



*FCP implemented insulation and water savings via a Dominion Power program at **Fields at Cascades***



*FCP implemented an LED retrofit, generating 84,000 KWh savings annually at the **Reserve at Providence***



The Trails of North Hills, a 279-unit affordable housing community in Raleigh, NC, is conveniently located to major highways for easy access to shopping, dining and entertainment.



Preservation of Workforce Housing

America's affordable housing crisis is a problem FCP is addressing with demonstrable results. One of our key investment strategies is the preservation of moderate-income housing. We preserve and optimize workforce housing by acquiring assets, curing deferred maintenance issues, and improving the residents' quality of life. Under that strategy, FCP takes a value-add approach, providing services like after-school programs and financial planning workshops for property residents.

Launch of Onsite After-School Programs

In 2018, we partnered with two non-profit organizations to host after-school programming at two properties—one in Suburban Maryland and one in Atlanta. These programs serve 45 children, providing homework assistance, meals and educational activities.



I've lived at Holly Spring Meadows for 4 years now...I love the staff and they improved our living area to a 10.

—Resident of Holly Spring Meadows, Forestville, MD
3/28/19



Love the new after-school program! Kids get picked up from the bus. They provide help with homework and tutoring. There are snacks, games and much more. Miss Katia and her team are wonderful. So happy Stratford Ridge decided to start that program!

—Resident of Stratford Ridge Apartments, Marietta, GA
1/25/19



Stratford Ridge After-School Program
Ribbon Cutting (above) and Empower for School Event at Woods at Addison (below)



“THANK YOU SO MUCH FOR PROVIDING THE FCP SERVES PROGRAM FOR OUR COMMUNITY. OUR SCHOOLS AND THEIR ADMINISTRATION ARE SO THANKFUL FOR OUR PARTNERSHIP AND IT’S ALWAYS SUCH A PLEASURE TO HELP THOSE IN OUR COMMUNITY.”

FCP Serves



400+ Volunteer Hours in 2018

8,000 Backpacks Donated Since 2012

To strengthen the fabric of our communities and create long-term value for residents, tenants and investors, FCP invests in the communities in and around our properties. Through the employee-led FCP Serves program, we partner with respected local organizations to participate in community projects such as:

- **Empower for School Campaign:** FCP hosts back-to-school events and other youth-centric community days at our properties, annually donating more than 2,000 backpacks filled with school supplies to our residents’ children
- **Build Days:** FCP employees lead build day projects including homebuilding with Habitat for Humanity, painting local schools, and renovating apartments for previously homeless residents
- **FCP-Paid Volunteer Time:** Each FCP employee receives 8 hours of paid volunteer time annually to work at the non-profit organization of his or her choice
- **Donations to Local Community Partners:** FCP donates to local elementary schools, food banks and homeless shelters in the neighborhoods where we invest

Tenant Health and Safety

Tenant health and safety is a top priority for FCP. Pre-acquisition tests identify any onsite hazardous materials, and plans are executed to properly insulate or remediate those materials if needed. Whenever possible, FCP introduces low VOC-emitting materials to improve indoor air quality within existing assets.

Resident and Tenant Satisfaction

In 2018, FCP properties received 1,175 reviews, which is **14% more reviews** than the competitor set.

- **62%** of the reviews received in 2018 were positive (3-star and higher)
- Average rating for 2018 is **3.3-star**, which is a 3% improvement from 2017



FCP participates in Community Services Foundation’s Spring Olympics (above) and Habitat for Humanity (below)



“WE ARE FOCUSED ON
RETAINING AND
ATTRACTING TOP
TALENT AND WORK TO
CREATE AN INCLUSIVE
ENVIRONMENT FOR ALL
EMPLOYEES.”

Diversity and Inclusion

We are committed to fostering an inclusive work environment that values diversity of backgrounds and thought. We recognize that achieving this goal requires deliberate action.

2018 Diversity and Inclusion Actions:

- 1 - Engaged expert Diversity and Inclusion consultant to update our recruiting and talent management practices
- 2 - Refined and standardized criteria for open positions and promotions
- 3 - Require two highly-qualified diverse candidates to be interviewed for every open position
- 4 - Broadened marketing efforts for open positions
- 5 - Conducted unconscious bias training

FCP 3.0 Leadership Initiative

We engaged a leadership consultant to objectively evaluate FCP’s culture and leaders. We agreed, as a team, on the key behaviors that contribute to our success:

- 1 - Listening
- 2 - Collaboration
- 3 - Giving and receiving feedback

Each leader (VP and above) received individualized leadership coaching.

Parental Leave

FCP offers paid family leave to employees that welcome a new child.

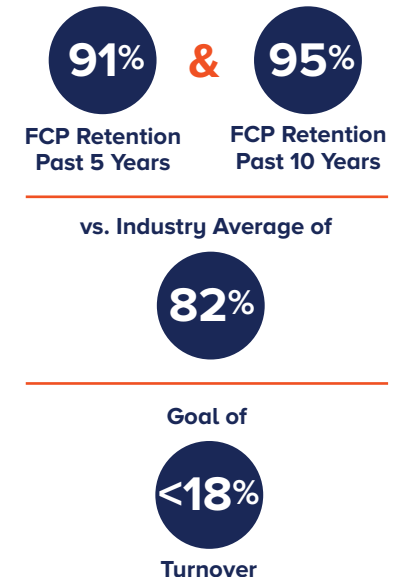
Employee Satisfaction

It is important to our culture and to our client relationships that our team is strong and consistent, so we strive to hire well and provide an excellent environment for our employees to thrive and grow with us.

- 1 - We perform an annual employee satisfaction survey administered by a third party to ensure anonymity
- 2 - We create an action plan for addressing employee feedback
- 3 - We have incorporated a Wellness Room in our new office, for new mothers, meditation, prayer, or rest and relaxation.



FCP wellness room





Q&A with Sarah Hubbard,
VP of Commercial Asset
Management and
project manager of
FCP's new office space

Q: Why did FCP need to relocate?

A: FCP physically outgrew its old space. We had employees in makeshift desks in the hallway! We had daily struggles over conference room space and issues with high noise-levels. The old space also offered zero collaboration or second work spaces for employees.

Q: What was the process for selecting the new space?

A: FCP team members are an active group. They bike, walk, ride the metro, and drive to work. It was important for us to be close to the metro and have a gym, showers and locker rooms for team members who bike or who want to exercise before or after work. We decided to move to a building across the street from our old location in Chevy Chase, MD, just across the border from Washington, DC, that had a larger floorplan available. The building worked with us to add a brand new gym and showers.

Q: What was your vision for the design?

A: Designing the new office space was a great opportunity to reinforce our culture. The space has great natural light (on the 9th floor), and I wanted to preserve that throughout to enhance team members' well-being and productivity. We are an open, flat, and collaborative group that needs the flexibility to work in a variety of settings, including quiet desk time, phone time, and meeting time. Everyone sits in the open floor plan and is accessible, enabling us to maintain our fast-paced, entrepreneurial culture. We added five phone booths for people to take calls, in addition to adding five more conference/huddle rooms and informal lounging nooks to foster collaboration.



Q: What are some of the features you find the “coolest”?

A: We maintained the style of our large conference rooms where they can be used in split mode (individual) or open mode (all opened up) by utilizing a Modernfold® wall, critically important since all of our FCP team members gather every Thursday for our weekly Staff and Investment Committee meetings. In addition, the technology really improved in the new space with room schedulers for every conference room, microphones/speakers in the ceiling for conference calls, and dual monitor arms on every standing desk. I’m also a fan of our healthy snacks, high-tech cappuccino machine, and wellness room.

Q: How did you get into a career in commercial space design and asset management?

A: I received my architecture degree from Virginia Tech and started my career at Cooper Carry, an architecture firm based out of Atlanta with an Old Town Alexandria office. In addition, I spent over 15 years in varying roles in development management and leasing, including roles at Lowe Enterprises and Skanska USA Commercial Development. I have now been at FCP for close to 3 years, overseeing the asset management, construction, leasing and strategy execution for FCP’s commercial investments.





Clarion Apartments in Decatur, Georgia (above) and Walker Mill Apartments in District Heights, MD (below) are two communities where FCP successfully completed its value-add improvement program.



Integrity and Responsible Decision-Making

Our commitment to integrity is a key principle of the firm, and is clearly expressed in FCP's mission statement:

FCP's mission is to deliver industry-leading risk-adjusted total returns to our investors through investments in residential and commercial properties. We apply a combination of strong local relationships, disciplined analysis, and detailed operating focus to achieve superior results in inefficient real estate markets. We are creative, entrepreneurial and able to execute quickly. We are committed to being a responsible owner and operator of real estate for our residents, our tenants and the communities in which we invest.

We conduct ourselves with integrity, choosing to do what is honest and ethical. At FCP, we work together as a team, and value the contributions made by every staff member to every transaction. We are committed to fostering an inclusive work environment that values diversity of thought and background. Our investors are our partners, and we are proud that our success leads to their success.

Governance

FCP is a registered investment advisor with the United States Securities and Exchange Commission (SEC). Our three partners – **Esko Korhonen**, **Lacy Rice**, and **Alex Marshall** – constitute FCP's Management Committee. The FCP Investment Committee, which includes the three partners, our CFO **Garland Faist**, and our Chief Investment Officer **Steve Walsh**, meets at least weekly. Deal team leads from the acquisitions and asset management teams are also required to sign off on each acquisition.

Each FCP fund reports to the fund's specific Advisory Committee. FCP extensive committee structure also includes: **Valuation, Sustainability, Public Relations, Recruiting, Training, Technology, FCP Serves**, and **Diversity & Inclusion**.

Ethics, Compliance and Culture

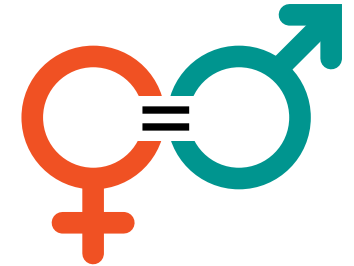
We strive to create an inclusive workplace that enables all employees to perform at their highest level. Each newly hired FCP employee receives training on the firm's Code of Compliance. We provide annual training on the firm's Code of Ethics for all employees throughout the course of the year. All employees receive annual performance reviews.

FCP has grown from 33 to 52 employees over the past five years. Throughout that period and going forward, we are committed to maintaining a flat organization and a fast-paced entrepreneurial culture where all ideas are welcome. We are committed to being a gender-neutral company offering equal pay for equal work.

“WE ARE COMMITTED
TO OFFERING EQUAL
PAY FOR EQUAL WORK.”

Transparency and Reporting

FCP provides quarterly updates to our investors, hosts a Q2 annual meeting for all investors and a Q4 call. We perform internal valuations quarterly and utilize third-party appraisals at year-end to further validate asset valuations. We utilize a custom Asset Management System to report and track asset-level information both internally and externally.



“...I INITIALLY WAS ONLY PLANNING ON BEING HERE FOR A YEAR, BUT THEY (‘THE AMAZING STAFF’) MAY JUST HAVE TURNED ME INTO A LIFE LONG TENANT. 10/10 WOULD RECOMMEND.”

– TAYLOR E.
DILLON RESIDENT

Building Strong Communities

Continue FCP's work with community partners, maintaining **100% staff volunteerism** rate. Pilot free after-school program and continue resident financial planning training in all FCP markets.

Preserving Workforce Housing & Adaptive Reuse Focus

Continue to **improve existing workforce properties** for residents, communities, and investors. Evaluate opportunities for potential commercial adaptive reuse.

Energy and Water Efficiency

Identify and implement energy and water efficiency projects, including **LED retrofits** and **HVAC tune-ups**, where feasible.

Diversity & Inclusion

Effectively implement **D&I best practices** in recruiting and talent management

FCP 3.0

Implement **leadership training** and **culture evaluation** to enhance performance.

Employee Retention

Goal of **90% retention** vs. industry average of 83%.

At street level, **The Dillon** complements the surrounding historic neighborhood and from a distance assumes a monumental presence in downtown Raleigh's skyline. The mixed use, adaptive re-use historic development is anticipated to receive **LEED® Gold** certification.

BEFORE & AFTER

