

2014

CORPORATE RESPONSIBILITY REPORT



4 LETTER FROM CEO
6 FIRM SNAPSHOT
8 OUR HISTORY
10 STAKEHOLDER ENGAGEMENT
12 APPROACH TO SUSTAINABILITY
14 TRANSPARENCY
18 PROPERTY VALUE CREATION
24 COMMUNITY VITALITY
30 CORPORATE LEADERSHIP
39 2015 GOALS
40 GRI INDEX

► 2014 ACCOMPLISHMENTS

2014

BEST PLACES TO WORK
BY PENSIONS & INVESTMENTS

21%

CORE FUND CERTIFIED
LEED OR GREEN GLOBES
(BY SQFT)

ENERGY
TRACKING

ESTABLISHED FOR THE CORE
FUND

110 MWH

SOLAR PRODUCTION

ENERGY
AUDITS

COMPLETED ON 380K SQFT



MIDWEST ORTHOPEDICS
AT RUSH
LEED GOLD CERTIFIED

Letter from our President and CEO, Christopher Merrill

TO OUR STAKEHOLDERS AND HARRISON STREET FAMILY,



Since our foundation, ethics, integrity, efficiency, and innovation have been at the core of our guiding principles. We seek to build value for our investors, our employees, our tenants, our partners, and our community through a purposeful and balanced approach. This report is a natural outflow of our principles. It is an effort to document with transparency and honesty the activities of our Firm, our successes, and opportunities for improvement.

BUILDING OUR SUSTAINABILITY PROGRAM

In 2013 we began a collective effort to expand our reporting and our attention to the environmental, social, and governance aspects of our business. Our first step was to define a comprehensive approach, unique to our culture and business. Guided by international frameworks like GRESB and GRI, our team created a strategic plan for the coming years. We are proud of our successes in 2014. Some of the greatest accomplishments were establishing an internal data management system to analyze the energy consumption of our Core Fund assets, conducting energy audits on more than

380k square feet, and educating our staff on sustainability trends and best practices in asset management.

STRATEGIC GROWTH IN 2014

In 2014, we acquired 88 properties, valued at over \$2.8B, and sold 59 properties, valued at over \$1.1B. In addition, we raised \$1.4B in capital and experienced low vacancy rates in each sector of the Core Fund.

Owners of real estate are being rewarded for investing in smart building technologies and utilizing analytics to improve operating efficiencies and deliver on sustainability initiatives. The 75 million

Millennials (18-34), now the largest US cohort, pay more for products and services from companies committed to positive social and environmental impacts. Not to be outdone, the Baby Boomers (51-69) were the pioneers of the "green movement" and are now assuming leadership roles in company sustainability initiatives. Sustainability programs in real estate can deliver tangible results that enhance real estate value and are increasingly important to real estate users and investors.

Our team has also grown this year and will continue to expand. Our commitment to talent development, a positive culture, and individual well-being has created an organization and family of which I am honored to be a part. This success is reflected in our retention rates and in our recognition as one of *Pension & Investment* magazine's 2014 Best Places to Work in Money Management.

PRIORITIES IN 2015

This year we will continue to expand our solar program, launch programs to further engage our third-party operators in aligning with our strategic goals for efficiency and tenant satisfaction, and continue to benchmark and pursue third-party certifications. Management and monitoring processes, policies, and accountability systems are in development and will support both our team and our partners in this effort.

Building value will come in many forms, but one critical focus will be to reduce energy consumption at our assets. Our goal is to improve

the energy efficiency of assets we acquire in our Core Fund by 20% over the hold period of the asset. This effort will have great economic and environmental value for our stakeholders and presents an exciting challenge for our team.

We are committed to maintaining our culture and reputation for investment and operational excellence. Our utilization of Six Sigma principles throughout the organization results in a continuous focus on process rigor and guides our sustainability efforts. The changes and successes we saw in 2014 and our plans for the coming years make this a very exciting time. We value your support. Thank you for being a member of the Harrison Street family.

Sincerely,

Christopher Merrill
President and CEO
March 15, 2015

HSRE 2014 VITAL STATS

88 PROPERTIES /
\$2.8B ACQUIRED

59 PROPERTIES /
\$1.1B SOLD

\$1.4B
CAPITAL RAISED

ASSETS UNDER MANAGEMENT

3.8M
SQFT MEDICAL OFFICE

24.6k
STORAGE UNITS

10.5k
SENIOR LIVING UNITS

34.1k
STUDENT HOUSING UNITS

Harrison Street Real Estate Capital is a privately owned firm that launched its first investment vehicle in 2006. Since that time, the firm has grown to be known for its offering of commingled real estate funds exclusively targeting the areas of education, healthcare, and storage real estate.

HARRISON STREET FIRM SNAPSHOT

\$6.6B

DIRECT REAL
ESTATE UNDER
MANAGEMENT

450

PROPERTIES
SINCE
INCEPTION

\$780M

PUBLIC REIT
SECURITIES
PRODUCTS

6

COMMINGLED
FUNDS

Harrison Street* Real Estate Capital (HSRE), headquartered in Chicago, IL, is a real estate private equity firm founded in 2005 that directly and through its affiliates has approximately \$7.5 billion in assets under management (AUM) through commingled funds and public securities products. The commingled funds focus exclusively on the Education, Healthcare, and Storage segments of the US real estate market. Since inception,

the Firm has acquired or developed over 450 properties in 40 states including over 54,000 student housing beds, more than 11,800 senior housing units, over 5.1 million square feet of medical office space, and more than 86,000 self storage units. Additionally, Harrison Street Securities LLC, an affiliate of HSRE, currently manages over \$780 million in REIT securities through distinct long-only product offerings.

FIRM MEMBERSHIPS & ASSOCIATIONS:

- Pension Real Estate Association (PREA)
- US Green Building Council (USGBC)
- Association of Foreign Investors in Real Estate (AFIRE)
- Urban Land Institute (ULI)
- Real Estate Forum
- National Multifamily Housing Council (NMHC)
- Institutional Real Estate
- Real Estate Round Table
- National Association of Real Estate Investment Trusts (NAREIT)
- National Investment Center
- American Senior Housing Association (ASHA)
- Self Storage Association
- Building Owners & Managers Association (BOMA)

* As used in this website, unless the context otherwise requires, "Harrison Street" or the "Firm" refers collectively to Harrison Street Real Estate Capital LLC ("HSRE"), its subsidiaries, including Harrison Street Advisors LLC, Harrison Street University, and Harrison Street Securities LLC, an affiliate of HSRE.

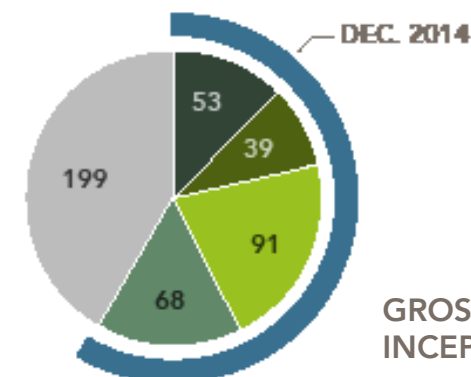
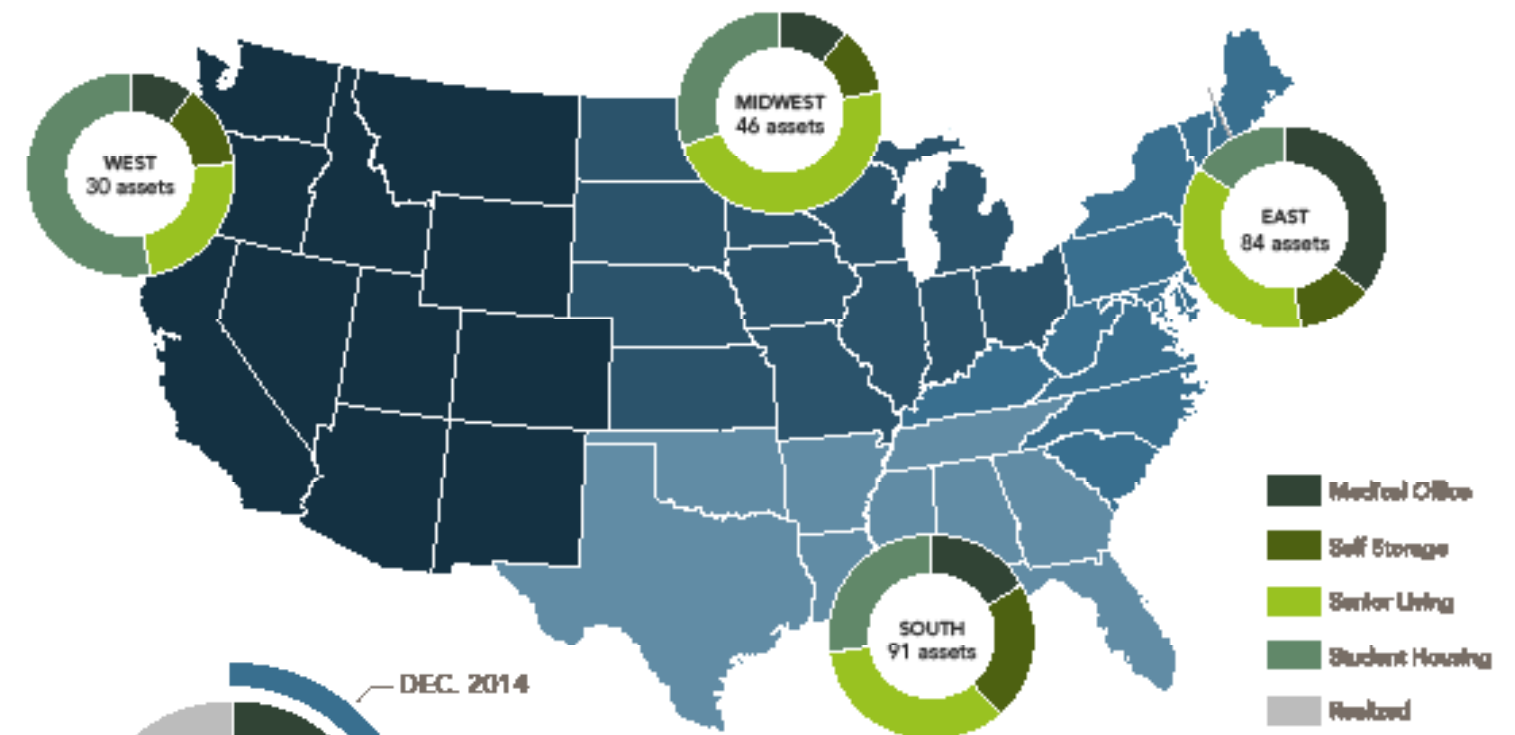
HSRE SUSTAINABILITY TEAM CONTACTS

Brian Mutchler, Senior Vice President | bmutchler@harrisonst.com

Sam Bendix, Senior Associate, Investor Relations | sbendix@harrisonst.com



HSRE DISTRIBUTION OF ASSETS UNDER MANAGEMENT DECEMBER 2014



GROSS ASSETS SINCE
INCEPTION, BY SECTOR



A HISTORY FOCUSED ON CONTINUOUS IMPROVEMENT

Our firm grew from a partnership amongst Chris Galvin, Christopher Merrill, and Michael Galvin, bringing together years of experience in executive leadership at Motorola and extensive investment knowledge in the real estate industry.

Harrison Street Real Estate Capital takes its name from the street where Motorola was founded. Originally known as the Galvin Manufacturing Company, the Motorola factory was located on Harrison Street in downtown Chicago. It is in this spirit of innovation, integrity, and investment prowess that we began our business a decade ago, and it is these principles that continue to guide us as we build value for our stakeholders into the future.

At the core of Harrison Street's guiding principles is to seek innovative solutions that build value at all levels. Each of our 65 team members has been trained in the principles of Six Sigma, which emphasizes evaluating current practices to create continuous improvement. In everything we do, we promote a culture of the "4 E's + always 1": Energize, Envision, Execute, Edge, and Ethics. Every day employees focus on Energizing themselves and others, Envisioning a brighter future, Executing necessary tasks, and building a competitive Edge through making tough choices and taking smart risks.

In the 4E's + always 1 model, Ethics is always the top consideration and can never be compromised. We believe that nothing can be accomplished without trust. Thus, we strive to serve with integrity, honesty, and a trust that treats people with respect and builds great relationships with our investors and partners. To achieve this relationship, we are committed to transparency, robust communication, and performing beyond the expectations of a responsible corporate citizen.

Our team's collaborative spirit and their commitment to excellence drive Harrison Street to seek better ways to serve its stakeholders.

Socially and environmentally sustainable practices not only align with, but are inherent in our identity, values, and business strategy. We recognize that the more sustainable an asset is, the more valuable it will be - especially in the future. Sustainable technologies and techniques are at the forefront of innovation, offering opportunities to develop beautiful assets that are built to create value for the environment, our tenants, communities, and investors.

"Continuous improvement is at the core of who we are and that is central to how we approach sustainability. How do you take what you have, keep the good, but continually improve, continually move forward? We are always looking for that innovation that will take us to the next level."

- Jill Brosig, Senior Vice President

We recognize that incorporating the feedback of our partners, investors, and employees is vital to delivering superior and innovative investment strategies. We identify and engage the key stakeholder groups that have a vested interest in and are directly impacted by our work.

WE SEEK TO BUILD LASTING RELATIONSHIPS

EMPLOYEE ENGAGEMENT

Our employees are critical partners in meeting our mission. We meet annually with employees and provide clear annual feedback on their performance. We survey our employees every two years to gauge areas of satisfaction and dissatisfaction, and set goals based on employee feedback to improve our policies and practices.

INVESTOR ENGAGEMENT

We are transparent with investors about our financial, social, and environmental performance. We complete quarterly reports and semi-annual calls with investors detailing performance and outlook. Since 2011 we have reported on sustainability performance through the Global Real Estate Sector Benchmark (GRESB). This reporting framework allows us to compare our performance to our peers, report back to investors on accomplishments, and pinpoint areas for improvement. As part of this report, we engage investors and their consultants in a sustainability survey to establish

a feedback channel on our initiatives. Finally, investors are invited to visit our properties and to get to know our operators, as well as attend our annual investor conference. All are welcome to stop by our headquarters in Chicago any time.

PARTNER AND THIRD-PARTY MANAGER ENGAGEMENT

Harrison Street works closely with our partners and third-party operators to ensure tenant satisfaction at our assets. We have built a comprehensive framework for communication with our operating partners, including monthly calls to review performance and discuss needs, and frequent visits to the properties and operators' offices by HSRE's asset management, transactions, client services, and accounting teams. Our staff frequently collaborates with operators to monitor and address operations, tenant satisfaction, and asset conditions, and to ensure our values are reflected in the daily operation of our assets and communities.



Our Annual Investor Conference provides a dynamic forum for sharing information and obtaining feedback.

TENANTS

Our student and senior communities, healthcare facilities, and storage assets serve an important purpose of meeting the needs of a special population of tenants. Within the Core Fund, we engage tenants by implementing satisfaction surveys to evaluate the facility and the quality of our third-party operators.

THIRD-PARTY CONSULTANTS

Harrison Street engages a broad spectrum of third-party consultants to inform, audit, and support our firm. Entities such as insurance providers; technical, structural, and environmental consultants; external auditors, etc. provide critical input and are vested in the success of our firm.

SYNTHESIZING STAKEHOLDER INPUT

In early 2014, we conducted a materiality assessment to ensure the issues that are most material to our business and our stakeholders are addressed by this report. Regular forums provided opportunities for our stakeholders to share input (surveys, conferences, monthly calls, webinars, reporting, etc.). In addition, we conducted interviews with key employees who brought forward the concerns of their respective disciplines. This feedback has allowed us to target and strategically advance the environmental, social, and governance (ESG) aspects that are most material to stakeholders and guided the development of our sustainability approach, strategic planning, reporting and communication, operational management, and capital investment decisions.

MISSION | We strive to be a thought leader in real estate investment management by driving value for all stakeholders through environmental sustainability and social responsibility.

SUSTAINABILITY FRAMEWORK

IDENTIFYING MATERIAL ASPECTS

The results of the stakeholder input were synthesized by the sustainability leadership team into the framework on page 13. In addition to these objectives, we created a strategic action plan and priorities for 2014 and 2015. This report marks our first public disclosure of these goals and our progress toward achieving these priorities.

The most material sustainability aspects and boundaries of application to our business are presented in the table below. For aspects with impact outside

our organization, this impact is controlled primarily by our operating partners and/or tenants.

	Impact Within HSRE	Impact Outside HSRE
Employment & Retention	✓	
Training & Development	✓	
Anti-Corruption	✓	✓
Energy	✓	✓
Sustainable Building Certifications	✓	
Tenant Satisfaction	✓	✓



Brian Mutchler
Senior Vice President
Co-Head of Asset Management

2014 STRATEGIC FOCUS: THE CORE FUND

Harrison Street’s Core Property Fund is the only core open-end real estate fund that invests exclusively in student housing, senior housing, medical office buildings, storage properties, and life science buildings located in the United States.

Certain priorities, specifically those in the Property Value Creation objective, were first implemented in the Core Fund. This fund was chosen because we have the most direct influence on the operation

of the assets as they are held for a longer period of time, allowing returns from strategies to be well evaluated and realized.

The Property Value Creation section in this report details the specific strategies that were implemented in the Core Fund, the success of these strategies, and our plans for broad-scale implementation.

COMMUNITY VITALITY

Enhance the well-being, health, and vitality of our employees, tenants, and the communities where we live and conduct business.

PROPERTY VALUE CREATION

Increase the value of HSRE’s real estate assets through responsible development, management, and capital improvements.

CORPORATE LEADERSHIP

Lead through our culture and corporate operations as well as support the development and innovation of all employees.

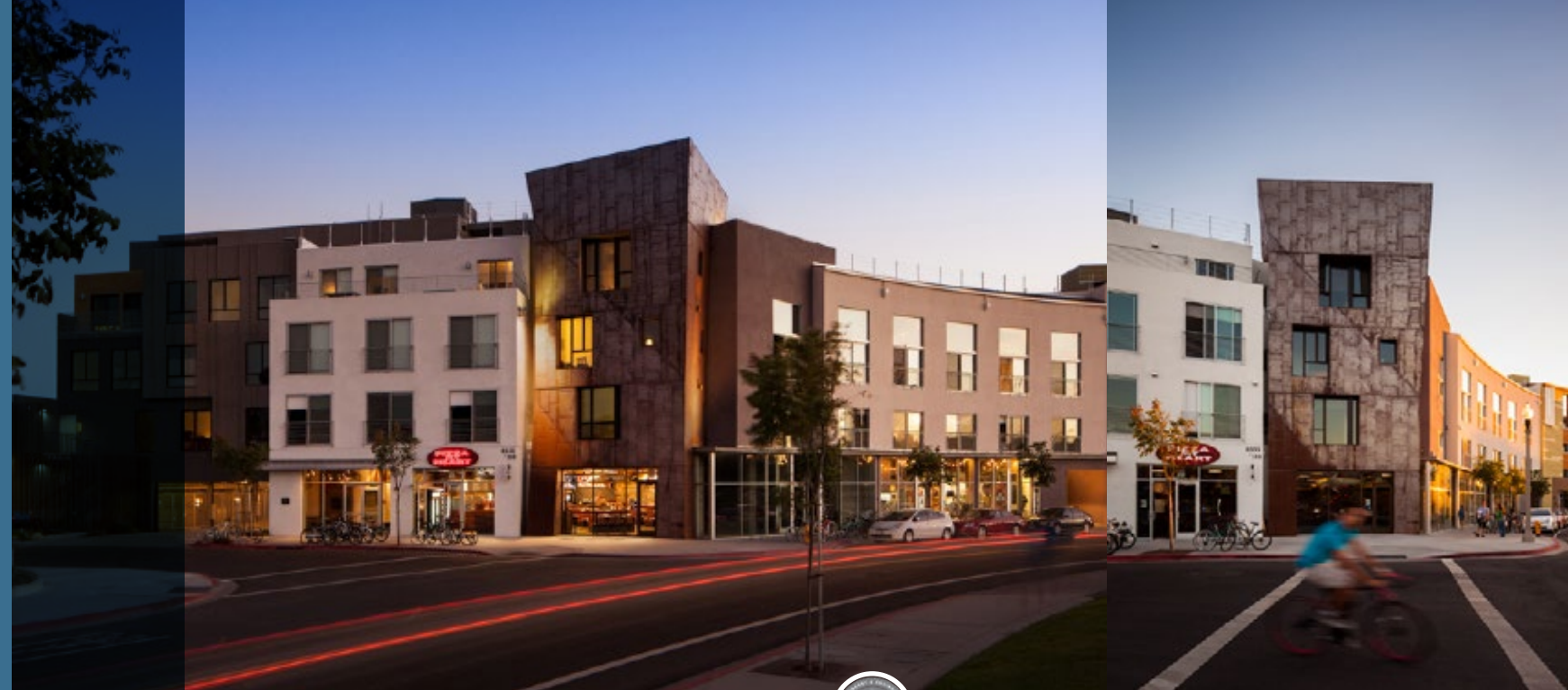
TRANSPARENCY

Communicate the impact of investments to stakeholders and partners through balanced reporting on sustainability initiatives.

TRANSPARENCY

OUR COMMITMENT TO MAKE INFORMATION
OPEN AND AVAILABLE TO DECISION-MAKERS

We seek to provide balanced and transparent information to our stakeholders and partners; therefore we commit to report annually on our practices and establish policies to guide our operations and communication.



The Loop. Student Housing, Isla Vista, CA. LEED BD+C Platinum

2014 PRIORITIES

INVESTOR RELATIONS: Build lasting relationships with our investors by cultivating trust and meaningful dialogue.

DUE DILIGENCE & RISK MANAGEMENT: Provide robust analytics to our team and our investors in order to make sound financial decisions.

REPORTING: Provide clear and accessible information to our stakeholders on a consistent basis.



The Pearl. Student Housing, Eugene, OR. LEED BD+C Gold

INVESTOR RELATIONS

The Fund provides transparency to its investors by providing quarterly flash reports, webinars, annual investor reports, and annual valuations of all assets. Beyond broad fund performance, we are committed to providing in-depth information on our assets, our acquisitions process, and management approach to our investors. We are also very responsive to ad hoc requests.

We hold an annual investor conference open to all investors to inform them on fund performance and expectations, and to respond to questions. In addition, we hold annual advisor meetings for each fund, which gives our investors the opportunity to meet our team. Finally, we visit investors at their offices throughout the year and host them at our office at their request to develop and maintain relationships.

AN OPEN DUE DILIGENCE & RISK MANAGEMENT PROCESS

To insure a smooth transition from acquisition, the asset management team is engaged in the acquisition process from the beginning. The asset management team's involvement provides the acquisitions team a sound understanding of the market in order to make appropriate decisions. To appropriately evaluate the market and quality of an investment, our research group creates a robust investment criteria report with market-specific metrics and qualitative attributes. We make this information available to investors and encourage them to visit our Chicago office.

REPORTING

We will report regularly on our performance related to ESG indicators and our progress toward achieving strategic priorities through our sustainability report.

We have committed to completing the annual [Global Real Estate Sustainability Benchmark \(GRESB\)](#) survey in order to compare our funds to our peers and identify opportunities.

- Our 2014 Core Fund results ranked us near our peer average and GRESB global average.
- We scored highest in the management, risks and opportunities, and monitoring sections, while seeing opportunity for growth in performance indicators.

We anticipate an improvement in our 2015 GRESB scores based on our efforts in 2014: we implemented a utility tracking program that monitors energy consumption at most Core Fund assets, expanded our corporate reporting on ESG issues, audited properties, tracked

the cost and effectiveness of our sustainable building improvements, and conducted tenant satisfaction surveys.

In 2014 we began including ESG issues in our quarterly reporting and this is our first corporate responsibility report incorporating the Global Reporting Initiative (GRI) framework. We will continue to report annually on ESG issues.

"Harrison Street understands that operating with integrity, openness and honesty has been critical to our success with our investors, and to ensure success going forward, the company will continue to hold itself to this high standard."



Sam Bendix
Senior Associate
Investor Relations
& Member of
Sustainability
Committee

PROPERTY VALUE CREATION

OUR COMMITMENT TO INCREASE THE VALUE OF OUR ASSETS THROUGH RESPONSIBLE DEVELOPMENT, MANAGEMENT, AND CAPITAL IMPROVEMENTS.

We recognize that our assets and business practices have an impact on the natural environment. We share a responsibility with our property managers, tenants, and communities to make balanced, responsible investment and operational decisions that create value for our environment, our society, and our business.



PineMed Medical Plaza, The Woodlands, TX. LEED BD+C Core & Shell Silver

► 2014 PRIORITIES

CONSUMPTION MONITORING: Utilize a data management system to track, analyze, and report the resource use at our assets.

ENERGY AUDITS & RETROFITS: Reduce energy and water consumption by partnering with our operators to evaluate consumption, conduct audits, and target cost-effective retrofits.

SOLAR INVESTMENTS: Invest in renewable energy projects to reduce risk of increasing energy prices and support clean energy development.

TENANT SATISFACTION: Set high expectations for the operation of our assets by measuring and improving tenant satisfaction.

OPERATOR ENGAGEMENT: Increase engagement of property managers in sustainability by providing guidance and encouraging the adoption of best practices.

3RD PARTY CERTIFICATION: Minimize environmental impact by prioritizing third-party certified properties during acquisition, new development, and operations.



Bristol Assisted Living, East Meadow, NY.



CONSUMPTION MONITORING

To provide our third-party operators and asset managers in the Core Fund with information to assess the utility consumption at our assets, we utilize a data management system to import and monitor energy use. This information helps our team target operational changes to address high-usage patterns and prioritize efficiency retrofits that will have the most impact on emissions and our bottom line. The system also allows us to easily benchmark an asset against like-type buildings as well as measure the success and financial return of efficiency investments.

CORE FUND ENERGY REDUCTION GOAL | Reduce energy consumption of assets by 20%

Our goal is to improve the energy efficiency of assets we acquire by 20% over the course of their hold period. 2014 sets the baseline and in 2015 we will establish the internal monitoring and reporting processes necessary to track our progress toward this goal.

We will utilize absolute consumption, EUI, and benchmarking tools like Energy Star to conduct this year-over-year, like-for-like comparison of our assets. Assets with tenant-controlled meters will not be included (currently 15% of Core Fund NAV).

ENERGY AUDITS & RETROFITS

Tracking the energy consumption of our Core Fund allows us to target high-use properties that present the greatest opportunity for savings. Comparing property performance to peer benchmarks provides an estimate on the capacity for annual financial savings and justification for an energy audit. The resulting audit report details various retrofit and operational changes, which have viable returns.

- In 2014, we completed audits at a senior housing asset and three medical office facilities.
- The opportunities identified through these audits will be implemented in 2015.
- 2014 capital investments in energy efficiency are currently being tracked and monitored.

380K sqft
AUDITED IN 2014

BRISTAL AT EAST MEADOW | ENERGY AUDIT

Through our consumption monitoring platform, we identified that Bristol at East Meadow was consuming 30% more than its peers. We engaged an energy consulting firm to complete a comprehensive ASHRAE Level 2 audit of the property. This involved analyzing historical consumption and investigating heating and ventilation, lighting, and building envelope to identify areas for significant savings. The audit resulted in 17 recommendations including installing new thermostats that encourage users to keep temperatures within more moderate set points, and installing low flow plumbing fixtures. Implementing these recommendations would save an estimated 20% of electricity consumption and 36% of natural gas consumption—an annual utility savings of nearly \$100,000.

21%
**CORE FUND
CERTIFIED**
**LEED OR
GREEN
GLOBES (BY
SQFT)**

3RD PARTY CERTIFICATION

For every property we acquire, we utilize third-party standards as a proxy of quality of the design and construction of an asset. Even for properties that are not certified upon acquisition, operation-based rating systems provide an accountability framework for pursuing higher efficiency and operational excellence. We seek to increase the number of third-party certifications in our portfolio, over time.

As of December 2014, LEED or Green Globes Certified properties represented 21% of the total square footage in the Core Fund (11% of NAV).

TENANT SATISFACTION SURVEYS

The value of an asset lies not only in the quality of the building but also in the satisfaction of tenants. In 2014, we sought to bring more transparency to the tenant experience. To date, the diversity in operators made it difficult to collect consistent data on satisfaction, so we have established internal processes to better facilitate this effort. In 2014, we conducted a Kingsley survey at most of our medical office properties and hope to roll out more standardized tenant surveys in education and storage as well. The results of this effort establish a baseline year and targets for improvement. It allows us to evaluate the quality of our assets and property managers, and have meaningful conversations with our operators to develop action plans for improvement.

SOLAR INVESTMENTS

We believe that renewable energy is a key driver of future value and an important hedge against rising energy prices. In 2013, we installed our first 120 kW photovoltaic system at Storage America, which meets more than 80% of the energy needs of the property. In February 2015, a 128.5 kW system will be installed at SpaceMax Emory. We are actively analyzing each Core Fund investment and select opportunistic fund investments to determine the economic viability of a solar installation. There are four main factors that influence the returns on an installation:

- The current cost of electricity for the building
- Availability of state and local rebates/incentives
- The access to rooftop sunlight and rooftop orientation
- Duration of hold period of asset

APPOINTMENT, ENGAGEMENT & MONITORING OF 3RD PARTY OPERATORS

Our operators are the single greatest influence on the performance of our properties. We take great care to appoint, engage, and monitor their activities. We consider them to be an important part of our team and have created policies and resources to educate them on our values and expectations surrounding sustainability. Beyond regular asset management calls, we annually survey each operator to collect comprehensive data for GRESB reporting. This activity also provides an opportunity to recognize the individual accomplishments of our operators and share best practices.



Storage America, New Hyde Park, NY. 120 kW Solar System



STORAGE AMERICA SOLAR INSTALLATION

In light of rising energy prices and increased cost-effectiveness of solar production, Harrison Street began exploring options for solar generation in 2013. A feasibility study identified Storage America as a site with optimal solar exposure and roof structure, as well as access to a generous package of state and local incentives. Harrison Street partnered with Empower, LLC in 2014 to install our first 120 kW solar system, which is currently producing 80% of the energy needed to power the site. The system is expected to generate 4.5 million kWh of electricity over its lifetime, reducing our CO2 contribution by millions of pounds and reducing our fossil fuel consumption by hundreds of thousands of gallons. The success of this project has inspired Harrison Street to explore other properties that may be good candidates for solar production.

"HSRE is actively pursuing investments in on-site solar installations that will create and enhance property value while reducing the property's environmental impact." – Michael Borchetta



Michael Borchetta
Associate,
Transactions
& Member of
Sustainability
Committee

110 MWH
**SOLAR
PRODUCTION**

COMMUNITY VITALITY

ENHANCE THE WELL-BEING, HEALTH, AND VITALITY OF THE COMMUNITIES WHERE WE LIVE AND CONDUCT BUSINESS.

Through our social initiatives we seek to create a lasting positive change. This includes a focus on employee-driven philanthropy, investing in healthy built environments, and building philanthropic partnerships with our communities.



► 2014 PRIORITIES

EMPLOYEE-DRIVEN PHILANTHROPIC GIVING: Create a positive impact on the communities where we work and operate assets through employee-driven philanthropic giving and partnerships with our operators.

VOLUNTEERING: Provide opportunities for our team to engage with the local community.

COMMUNITY REVITALIZATION INVESTMENTS: Pursue investment opportunities that revitalize communities.

MENTORSHIP: Develop the next generation of talent through an unparalleled internship program.

MENTORSHIP

Harrison Street is committed to developing the skills and confidence of young adults by providing them with valuable, hands-on experience in the workplace. Our internship program provides an unparalleled opportunity for the best and the brightest students from across the country to explore their potential through a comprehensive internship that explores all aspects of our company. Employees at Harrison Street also engage in mentorship and job shadow programs. In both programs, students are paired with employees and gain essential insight into future career paths and personalized advice on preparing for and advancing in the industry.

MARISA BAST - RESEARCH INTERN

"As I was learning more about the company, I realized how innovative it is, and how it has ultimately led to their success and constant progress. They seem to have never reached a point of stagnation, and it was amazing to see myself understanding more and more each day. I already feel like I've gained an incredible amount of knowledge not only applicable to real estate and investment, but also transferable to any business setting."

COMMUNITY
REVITALIZATION
INVESTMENTS

As part of our due diligence process, we analyze a set of criteria for acquisitions or new development.

- Particularly for our student housing assets, we seek assets in walkable communities, near public transportation, and with quality bike infrastructure.
- We pursue redevelopment projects on brownfield sites, areas that have experienced blight, and/or environmental degradation.
- We encourage our development partners to conduct community engagement meetings in order to address citizen and government concerns to generate a successful project.
- We value assets that were constructed using sustainable building strategies like water conservation measures, native landscaping, efficient lighting and building systems, and healthy indoor materials.



VICTORY MEDICAL CENTER
FORT WORTH SOUTH REDEVELOPMENT DISTRICT

Though Fort Worth South saw great decline in the last half of the twentieth century, the last decade has seen a concerted effort to redevelop and restore the area, reversing years of disinvestment. Fort Worth South Incorporated, a public/private coalition, established the vision to create a diverse, mixed-use community to attract residents, support the growth of existing businesses, and attract new businesses to the near southside, while also advancing educational initiatives, public policies, and community programs that will foster a revitalized and safe community.

The holistic project will combine the streetscape enhancements with full street reconstruction as well as water and storm sewer upgrades. The goal is to create a street that complements and capitalizes on the distinct historic character of South Main.

The Victory Fort Worth Medical Center is a part of the broader Medical District in Fort Worth South, the strongest economic engine of the redevelopment. This project will be LEED certified, prioritizing energy and water efficiency and locally manufactured building materials.





HABITAT FOR HUMANITY SERVICE DAY

One of our firm-wide employee days of service in 2014 was volunteering with Habitat for Humanity, an organization that builds affordable housing for people in need. We recognize that access to decent, stable housing is vital for lasting positive change in the lives of low-income families. Donating dollars and our time, we spent a day building a home right here in Chicago.



EMPLOYEE-DRIVEN PHILANTHROPIC GIVING

Harrison Street's Charitable Gift Match Program supports the generosity of employees, and allows us to spread our impact to all corners of the communities in which we live and work. Our employees are able to engage with organizations and causes that they are personally committed to through a dollar-for-dollar match of their donations.

In 2014 Harrison Street employees gave over \$2,210 to 22 different organizations that impact education, youth programs, animal welfare, health, and hunger. Harrison Street matched all employee donations totaling the contributions to over \$4,400.

VOLUNTEERING EVENTS

We celebrate our employees reaching out with their time and talents to serve their community. Each year, we choose at least one firm-wide service project. We value the time to build bonds within our team and with the community. This year, employees came together to build a house through Habitat for Humanity, supported multiple families through volunteering at the Ronald McDonald House, and donated wrapped Christmas gifts to needy families in Chicago. We are proud to say that volunteerism is a central part of our culture.

CORPORATE LEADERSHIP

LEAD THROUGH OUR CULTURE, CORPORATE GOVERNANCE, AND BY SUPPORTING THE DEVELOPMENT AND INNOVATION OF ALL EMPLOYEES.

We seek to operate with integrity and transparency in order to hold the trust of our stakeholders. Our governance structure, employee training, audits, and self-evaluations ensure that these values are at the core of our culture, daily operations, and disclosure.



The Westgate. Student Housing, Eugene, OR. LEED BD+C Platinum

2014 PRIORITIES

GOVERNANCE: Maintain internal processes for sound investment decisions through superior risk management, due diligence, annual audits, and self-evaluations for compliance, corruption, and disaster readiness.

ETHICS: Provide robust ethics training to employees and maintain a strong company culture of integrity.

EMPLOYEE TRAINING & DEVELOPMENT: Provide a superior work environment for employees through professional development opportunities and mentorship.

EMPLOYEE WELLNESS: Provide comprehensive, best in class benefits packages to employees.

CORPORATE OFFICE: Integrate sustainability into corporate office operations, corporate travel, and purchasing.

MISSION STATEMENT

To apply a focused approach to real estate investing

To invest in areas that offer a demonstrable level of demand as well as compelling demographic fundamentals

To focus on the preservation of capital while delivering appropriate risk-adjusted returns

To utilize a network of relationships that offer access to differentiated opportunities

To treat partners, investors, and employees with respect, trust, and honesty

To respond timely and create lasting relationships

GUIDING PRINCIPLES

Operate at all times with complete integrity and transparency

Focus on process rigor in all activities

Promote a culture of innovative ideas in all areas of the business

Promote contrarian thinking

Energize employees and partners

Pursue win/win relationships with all partners

Strive to be the best, not the biggest, real estate firm

GOVERNANCE

Our highest governing body is the Board of Directors, comprised of Christopher Merrill, Chris Galvin, and Michael Galvin. The Board of Directors is responsible for setting the Firm’s overall purpose and values, and determining Fund and Firm strategies. As for the competencies, please see the bios on the Firm’s website. The Firm’s strategy is reviewed often with the Board of Directors, and the Board of Directors sits on each Fund’s investment committee; as a result, the Board of Directors is able to oversee the risk management at a property, Fund, and Firm level. From an investment perspective, issues related to sustainability are currently being integrated into the acquisitions team’s due diligence checklist, which will help ensure that sustainability is captured as part of the underwriting process for investments.

The Firm also has a Valuation Committee, Leadership Group, Investment Committee, and Sustainability Committee, which influence the Firm’s strategic direction.

DUE DILIGENCE & RISK MANAGEMENT

We perform an extensive due diligence process when considering an investment. Evaluated criteria include capital markets, existing financial and operational context of the asset, history and success of managing partner, nature of fund allocation, potential conflicts of interest, alignment with HSRE governance standards, presence of sustainability certifications, and opportunity for increased efficiency in the future. Prior to acquisition of a property, HSRE orders a third-party environmental assessment and an audit of mechanical and structural systems.

Sustainability risk assessments are an active part of HSRE’s risk mitigation plan. Rising energy prices are considered when pursuing energy efficiency improvements and on-site generation projects, which are modeled assuming an increase in future energy prices. These energy projects mitigate the risks associated with rising energy prices from increased government regulation by decreasing the firm’s exposure to energy purchased from the grid.

SUSTAINABILITY DECISION MAKING

Our sustainability initiative is led by a diverse team of employees. Team members were chosen based on their skills and interest in sustainability, and to represent a cross section of departments including senior management, fund management, asset management, transactions, client relations, accounting, and risk management.

The sustainability team meets monthly to review progress on the action plan and reports progress to the firm through quarterly newsletters. Senior representatives are accountable for overseeing initiatives and report quarterly to the Harrison Street Leadership Group.

The team will conduct an annual formal review of the action plan and conducts ongoing reviews of management processes, goals, metrics, monitoring, and reporting.

SUSTAINABILITY TEAM MEMBERS

- Christopher Merrill, President & CEO
- Brian Mutchler, SVP Co-Head of Asset Management
- Tonia Nelson, SVP Risk Management & Compliance
- Mark Burkemper, SVP Transactions
- Nina Abraham, Associate Accounting
- Sam Bendix, Senior Associate Client Services
- Michael Borchetta, Associate Transactions
- Ben Hakes, AVP Core Fund Management
- Jessica Haraguchi, Marketing Coordinator
- Stacy Nyenbrink, VP Human Resources



WE SEEK TO OPERATE AT ALL TIMES WITH THE UTMOST INTEGRITY AND TRANSPARENCY

INTERNAL REVIEWS

We perform internal assessments of our funds annually at a minimum and secure annual external audits of funds. Through this process we evaluate a large number of risk factors, perform sensitivity analyses, and review basic assumptions in financial models. We check our efforts by working with outside consultants to confirm we have appropriate insurance coverage and real estate taxes, as well as accurate operating and development exposure budgets.

COMPLIANCE & CODE OF ETHICS

A core principle of our firm is to operate at all times with complete integrity and transparency. This philosophy is detailed for employees in our Code of Ethics. Employees must attest quarterly that they are in compliance with our Code of Ethics and can share any ethical concerns through a whistle-blower mechanism.

We provide ethics and anti-corruption training at company meetings three times a year, during quarterly certifications, and 100% of employees receive training at hire date. Specialized trainings (e.g., foreign corrupt practices) are provided on an as-needed basis.

We utilize a system called Compliance Science to report and monitor Code of Ethics items such as political contributions, personal trading, and gifts and entertainment. Anti-money laundering checks are conducted for every new investor. Finally, background checks are conducted on all new employees as well as key members of all new joint venture partners.

100%
EMPLOYEES SIGN CODE OF ETHICS

Our corporate office is located in the Hyatt Center, a LEED Platinum certified high rise in the heart of Chicago.



HYATT CENTER, CHICAGO
LEED EB+OM PLATINUM
CERTIFIED

CORPORATE OFFICE

Sustainability is just as important in our corporate operations as it is at our properties. Our corporate office is located in the Hyatt Center, a LEED Platinum certified high rise in the heart of Chicago.

To improve sustainability in our office, we created a Green(er) purchasing policy to guide procurement practices and establish sustainability as a core part of office culture.

Finally, we recognize that airline travel is a large portion of our corporate footprint; therefore, we have partnered with TerraPass to evaluate and mitigate the equivalent CO2e of our corporate travel by funding clean energy and GHG emission reduction projects. In 2014 we traveled over 780k miles, and through our carbon offsets we are supporting projects like wind energy, landfill gas capture, and farm power production from animal waste.

160_{MT}
CARBON
OFFSETS
PURCHASED





PENSIONS & INVESTMENTS BEST PLACES TO WORK IN MONEY MANAGEMENT

>>[Read Full Article by Pensions & Investments](#)

65

PERMANENT
FULL-TIME
EMPLOYEES

7:13

WOMEN : MEN

4%

TURNOVER

OUR ASSOCIATES

We are committed to providing the best possible climate for maximum development and goal achievement for all employees. We provide a comfortable and progressive workplace. Most importantly, we have a workplace where communication is open and problems can be discussed and resolved in a mutually respectful atmosphere. We are committed to individual and organizational efforts to build respect, dignity, fairness, caring, equality, and self-esteem.

We value diversity and inclusion. We take into account individual circumstances and the individual employee while acknowledging and honoring the fundamental value and dignity of all individuals. We pledge ourselves to creating and maintaining an environment that respects diverse traditions, heritages, and experiences. We support this by offering various leaves of absences to honor life events and support diversity. Our employees are not represented by collective bargaining agreements.

Our team has grown substantially since we were established in 2005, and by the end of 2014 we employed 65 individuals. We are proud of our retention rates—we average an annual turnover of only 4%.

Our Commitment to Retention:

- Positive and comfortable working environment
- Best in class culture and employee relationships
- Dedication to employee development and support
- Employee growth strategies
- Competitive compensation strategies

BENEFITS

Our stand-out employee benefits include coverage of 90% of medical insurance premiums for employees and their families with no deductible. Plus, maternity and paternity policies include 12 weeks and 2 weeks of paid leave, respectively.

Full List of Benefits includes

- Medical, dental, and vision
- Company paid Life/AD&D/Disability
- Free employee assistance program
- Comprehensive wellness program
- Flexible Healthcare/dependent-care spending account
- 401(k) plan with 3% company contribution
- Tuition and professional development reimbursement
- Supplemental Life
- Paid Time Off (PTO)
- Paid maternity/paternity leave
- Public transit benefits

SATISFACTION

We survey our employees every two years to gauge areas of satisfaction and dissatisfaction, and encourage continuous improvement in our internal operations. After each survey, we set new goals based on employee feedback to improve our policies and practices. In 2013, we met all of our objectives for improving the experiences of employees, resulting in a 4.3 out of 5.0 in employee satisfaction, a nearly half-point increase over 2011 scores.

4.3/5

EMPLOYEE
SATISFACTION

HARRISON'S HEALTHY HABITS WELLNESS PROGRAM

Harrison's Healthy Habits program seeks to help our employees increase their knowledge about health matters, explore ways to eat healthier, improve their level of physical fitness, and more. The comprehensive wellness program includes biometric health screenings, personal wellness assessment, educational sessions and wellness coaching, a walking challenge, and other individual wellness contests throughout the year.



100%

EMPLOYEES
RECEIVE
ANNUAL
REVIEWS

TALENT DEVELOPMENT

Our employees are critical partners in meeting our mission; therefore, we support the growth and development of our employees by providing constructive feedback on performance and extensive opportunities for professional development.

Employees are encouraged to explore external learning opportunities by attending seminars, workshops, and conferences. We offer a professional development reimbursement program to cover the cost of these opportunities.

Under HSRE's Education Assistance Program, employees are reimbursed for costs related to courses awarding college credit that is applicable toward a Degree, Diploma, or Certificate Program.

Annually all employees participate in the review process. Employees receive performance feedback and establish goals. The performance evaluations are very helpful to the productivity of our organization. These evaluations are tools that have the ability to make everyone more productive and engaged in their jobs and therefore make the company more successful.

HARRISON STREET UNIVERSITY

Harrison Street University is perfectly aligned with the Harrison Street Real Estate Capital philosophy that believes ongoing learning and continuous improvement are paramount to sustainable and successful firms. Harrison Street University provides consulting and training services to employees and members of the broader Harrison Street family, focusing on organizational development, strategic planning, process rigor, customer satisfaction, and leadership.

HSU is built on the heritage of the world-renowned Motorola University. The same vein of commitment the Galvins had toward their businesses and employees' development is now extended to those members of the broader Harrison Street family. Whereas others exist in the consulting-business-improvement market space, HSU is differentiated by the markets served, approach taken, historical credibility, and attested ethics of the Galvin name, the unique bent toward services as opposed to manufacturing, past experience in building such an organization within Motorola University, and level of complementary product offerings.



2015

GOALS

CORE FUND STRATEGIC GOALS

1. Implement targeted **efficiency retrofits**.
2. Develop and publish a **best practices guide for operators**.
3. Define **internal monitoring process** for meeting energy reduction goal.
4. Obtain ENERGY STAR **awards** and LEED EB:O&M **certifications** at targeted assets.
5. Enhance coverage of **tenant satisfaction** surveys to all sectors.

FIRM-WIDE STRATEGIC GOALS

6. Expand **ESG policy** to define detailed expectations for development, acquisitions, and operations.
7. Provide **training** to our team on sustainability topics and support the Sustainability Committee in obtaining the LEED Green Associate accreditation.
8. Apply continuous focus to **process rigor** throughout the entire organization.

GRI INDEX

Though we have completed the GRESB survey since 2011, this is Harrison Street’s first Corporate Responsibility Report. This report summarizes our environmental, social, and governance (ESG) performance for the 2014 calendar year.

This report seeks to cover the impact of material aspects within our organization. For material aspects with impact outside our organization, our activities are limited by data availability. Assets where we do not have operational control are excluded from analysis.

This report utilizes the Global Reporting Initiative (GRI) framework and is in accordance with the GRI G4 Sustainability Reporting Guidelines and Construction and Real Estate Sector Supplement (CRESS) at the Core level. The report has not been externally assured. External assurance may be sought for future reports.

General Standard Disclosures		Page/Response
STRATEGY & ANALYSIS		
G4 - 1	Statement from Chairman and CEO	4
ORGANIZATIONAL PROFILE		
G4 - 3	Name of the organization	6
G4 - 4	Primary brands, products, and services	6
G4 - 5	Location of headquarters	6
G4 - 6	Countries of operation	6
G4 - 7	Nature of ownership and legal form	6
G4 - 8	Markets served	6
G4 - 9	Scale of the organization	6
G4 - 10	Employee diversity and data	36
G4 - 11	Percentage of total employees covered by collective bargaining agreements	36
G4 - 12	Organization’s supply chain	22
G4 - 13	Significant changes in reporting period	12
G4 - 14	Whether and how the precautionary approach or principle is addressed by the organization	32
G4 - 15	Externally developed economic, environmental, and social charters and principles to which the organization subscribes or that it endorses	6, 17
G4 - 16	Memberships in associations	6
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4 - 17	Entities in the organization’s financial statements	6
G4 - 18	Process for defining report content	12
G4 - 19	Material aspects	12

General Standard Disclosures		Page/Response
G4 - 20	Aspect Boundary within the organization for each material aspect	12
G4 - 21	Aspect Boundary outside the organization for each material aspect	12
G4 - 22	Effect of any restatements of information provided in previous reports	2014 is the first report
G4 - 23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	2014 is the first report
STAKEHOLDER ENGAGEMENT		
G4 - 24	List of stakeholder groups engaged by the organization	10-11
G4 - 25	Basis for identification and selection of stakeholders with whom to engage	10-11
G4 - 26	Organization’s approach to stakeholder engagement	10-11
G4 - 27	Topics of concern raised through stakeholder engagement	10-12
REPORT PROFILE		
G4 - 28	Reporting period	40
G4 - 29	Date of most recent previous report	2014 is the first report
G4 - 30	Reporting cycle	17
G4 - 31	Contact for questions	6
G4 - 32	“In Accordance” option, GRI Content Index, reference to external assurance report	40
G4 - 33	Policy and current practice regard to seeking external assurance for the report	40
GOVERNANCE		
G4 - 34	Governance structure of the organization	32
G4 - 35	Process for delegating authority for economic, environmental, and social topics	33
G4 - 36	Presence of executive-level position or positions responsible for economic, environmental, and social topics	33
G4 - 37	Process for consultation between stakeholders and highest governing body on economic, environmental, and social topics	10, 12, 33
G4 - 48	Committee or position that reviews sustainability report	33
ETHICS AND INTEGRITY		
G4 - 56	Organization’s values, principles, standards, and norms of behavior	32
G4 - 57	Mechanisms for seeking advice on ethical and lawful behavior	34
G4 - 58	Mechanisms for reporting concerns about unethical or unlawful behavior	34

Specific Standard Disclosures		Omissions	Page/Response
ENERGY			
G4-DMA	Disclosure of Management Approach—Energy		33, 20
G4-EN6	Reduction of energy consumption	2014 establishes the baseline year and goal for reduction.	21
EMPLOYMENT			
G4-DMA	Disclosure of Management Approach—Employment		33, 36
G4-LA1	Total number and rates of new employee hires and employee turnover		37
G4-LA2	Benefits provided to full-time employees		37
TRAINING & EDUCATION			
G4-DMA	Disclosure of Management Approach—Training & Education		33, 38
G4-LA11	Percentage of employees receiving regular performance and career development reviews		38
ANTI-CORRUPTION			
G4-DMA	Disclosure of Management Approach—Anti-Corruption		33, 34
G4-SO4	Communication and training on anti-corruption policies and procedures		34
PRODUCT & SERVICE LABELING			
G4-DMA	Disclosure of Management Approach—Product & Services Labeling		33, 22
G4-PR5	Results of surveys measuring customer satisfaction	Data currently only available for MOB assets in the Core Fund.	22
CRE8	Type and Number of sustainability certification; rating and labeling schemes for new construction, management, occupation, and redevelopment	Data currently only available for the Core Fund.	22

