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March 31, 2019

FORM ADV PART 2A: Firm Brochure

This Brochure provides information about the qualifications and business practices of HQ Capital Real Estate L.P. (“**HQCRE**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact HQ Capital’s Chief Compliance Officer (“**CCO**”), Janine Diljohn at (212) 863-2300 or janine.diljohn@hqcapital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

HQCRE is a registered investment adviser. Registration as an investment adviser does not imply that the Firm or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about HQ Capital Real Estate L.P. is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 | Material Changes

As of December 31, 2018, there were no material changes to the Firm's management or operations.

On January 2, 2019, HQ Capital welcomed Dr. Bernd Türk as Managing Director and Speaker of the Executive Committee. Dr. Türk assumes the responsibilities of Dr. Georg Wunderlin, following his resignation as CEO, which will become effective in Q2 2019.

As of January 21, 2019, the Chief Operating Officer ("COO") function was transitioned to Mr. Tim Avery and Mr. Harald Hell. Mr. Avery has been the Chief Financial Officer ("CFO") of the HQ Capital Group of companies since 2015 and previously held the same title at the Auda group of companies, prior to the HQ Capital rebranding. He now serves as the CFO/COO for HQ Capital's U.S. and Asia operations. Mr. Hell has been a finance and operations consultant with HQ Capital since 2016. He will now serve as the CFO/COO for HQ Capital's European operations.

Please see HQ Capital Real Estate L.P.'s Form ADV Part 2B: Brochure Supplement for more information about Dr. Türk, Mr. Avery and Mr. Hell.

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Item 4 | Advisory Business

HQCRE was organized on August 14, 1989 and is 75.1% owned by the Harald Quandt family through HQ Capital GmbH & Co. KG (together with its subsidiaries, the “**HQ Capital Group**”). HQCRE is 24.9% owned by the Burda Family through their holding company, FFB RECAP, LLC.

HQCRE is a specialized, privately held company investing in U.S. real estate and providing investment advisory services to pooled investment vehicles (i.e. private funds) (the “**Funds**”), and individual investors who participate in opportunities sourced by HQCRE such as, club deals and/or co-investments. HQCRE invests both directly in U.S. real estate and in entities engaged in investing in U.S. real estate. HQCRE creates and manages portfolios consisting of, but not limited to, existing and to be built apartment, office, industrial, retail and mixed-use properties. HQCRE’s worldwide investor base consists of institutions, family offices and high net worth individuals. HQCRE limits its advice to U.S. real estate investments and considers the Funds, the club deal participants, and co-investors to be its clients (“**Clients**”), as opposed to the investors in the Funds. Unlike the advisory Clients, investors may not impose restrictions on investing in securities or in certain types of securities.

HQCRE offers a full range of real estate investment advisory services – selecting, analyzing and negotiating investments on behalf of its Clients. Fund Clients are represented in all aspects of the acquisition process including securing financing. HQCRE also acts as asset manager overseeing the development of annual budgets, rent collections, operating expenses, tenant improvements and capital expenditures. Lastly, HQCRE is involved in the ultimate sale of each investment. HQCRE may be responsible for some combination, usually not all, of these tasks for the club deal and co-investor Clients.

As of December 31, 2018, HQCRE had regulatory assets under management (“**RAUM**”) of \$1.3 billion and managed a total of over \$4.2 billion in total project costs. HQ Capital currently has 87 employees as of March 31, 2018, who support the real estate business within the HQ Capital Group. Of those, 17 perform investment advisory functions, including research and manage approximately \$1.2 billion RAUM on a discretionary basis and approximately \$0.1 billion RAUM on a non-discretionary basis.

Item 5 | Fees and Compensation

HQCRE’s compensation is determined commensurate with the mandate of each Client and typically includes management fees, acquisition and/or performance-based fees. HQCRE bills Clients in arrears for services rendered in accordance with the applicable fee schedule, which also indicates the frequency with which fees are charged. HQCRE prepares invoices for record keeping of its fees which are directly deducted from each Client’s account. Acquisition fees are earned when an investment acquisition is capitalized. Asset management fees are earned monthly. Performance-based fees, which are described below, are earned when specified return parameters have been achieved.

Clients are also subject to charges from financial institutions and other third parties such as tax compliance fees, audit fees, banking fees, custodial fees, tax preparation fees, appraisal fees, legal expenses and insurance, as well as real estate operating level expenses (e.g., real estate brokerage fees, property management fees, etc.). The disclosure under Item 12 contains additional information regarding brokerage and other transaction costs.

A full description of fees and expenses that may be charged to the private funds is available in each Fund’s respective offering documents.

Item 6 | Performance-Based Fees and Side-By-Side Management

HQCRE charges a performance-based fee to all of its advisory Clients. All performance fees imposed by HQCRE are assessed in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended. While certain Clients may be subject to higher fees, potentially incentivizing HQCRE to favor those Clients over others, HQCRE aims to provide the same level of diligence and fairness in its advisory services to all of its Clients and does not allow the level of fees to affect its ultimate investment decisions.

HQCRE is committed to allocating potential transactions among its Clients in a fair and equitable manner. If a new HQCRE Fund has overlapping investment objectives with an existing Fund, HQCRE will not make investments for the new Client until such existing funds are at least 75% invested. In a situation where an investment opportunity is suitable for one or more Clients, HQCRE will allocate the investment to the Client(s) whom it determines the investment is most suitable, based on secondary factors such as a Client's investment objective, available capital or geographic diversity of a Client's current portfolio. HQCRE may also arrange for Clients to co-invest in an investment opportunity.

Item 7 | Types of Clients

As discussed in Item 4, and pursuant to the SEC's guidance, HQCRE considers its Funds, club deal participants, and co-investors as its Clients. HQCRE provides its advisory services to pooled investment vehicles and certain investors with specific investment strategies. HQCRE's pooled investment vehicles are typically limited partnerships for which HQCRE-related entities serve as the general partner. HQCRE club deal and co-investors are typically high net worth individuals who have expressed an interest in such opportunities or strategies that differ from that of the private funds, and with whom HQCRE has a separate advisory relationship. In those instances, HQCRE typically structures and manages the club deal and the co-investment vehicles as well as the investment. HQCRE's global limited partner investor base consists of institutions, family offices and high net worth individuals.

Private funds typically have minimum investment amounts, which are set forth in their offering documents. In general, the minimum investor commitment to a Fund is \$1,000,000, although HQCRE may accept commitments of lesser amounts.

Item 8 | Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

HQCRE has long standing relationships with a network of developers, owners, banks and other market experts across the country, which keep it constantly abreast of local, regional, and nationwide market trends and conditions. HQCRE identifies market and demographic trends, and then develops short, medium, and long-term investment and asset management strategies accordingly. It employs a number of tools to underwrite properties and to project future cash flows. In addition, it has developed several proprietary models which allow it to synthesize an analysis for key variables and detail all assumptions in the underwriting. It also utilizes a wide range of information sources, including professional real estate consultants, government data and statistics, industry analysis, and research by national real estate firms.

Risk of Loss

Client investments are subject to the risks associated with the ownership and development of real estate, including, without limit, risks associated with: (1) changes in the general economic climate, (2) changes in the overall real estate market, (3) local real estate conditions, (4) the financial condition of tenants, buyers and

sellers of properties, (5) supply of or demand for competing properties in an area, (6) accelerated construction activity, (7) the availability of financing, (8) changes in interest rates, (9) competition based on rental prices, (10) energy and supply shortages, (11) various uninsured and uninsurable risks, and (12) government regulations.

In addition, investments in real estate or interests in real estate are highly illiquid and subject to industry cycles, downturns in demand, market disruptions and the lack of available capital from potential lenders or investors (whether for the financing or refinancing of investments or for potential purchasers of the investments).

Investing in private funds may be considered speculative, illiquid and may involve a significant degree of risk. It is only appropriate for persons who can evaluate the risks associated with an investment in private funds and can bear the financial risks involved. Such an investment is suitable only for a limited portion of the risk segment of an investor's portfolio. Prospective investors should read carefully the private fund's offering documents in their entirety and consider the risk factors discussed therein when evaluating the merits and suitability of an investment in a private fund.

There is no assurance that the above is a complete description of all risks of an investment or that there are no other risks that may exist now or that may arise in the future in connection with an investment. Strategies and risks related to the Clients are described in greater detail in each Client's offering documents and similar documents and this description is qualified in its entirety by those materials with respect to each Client.

Item 9 | Disciplinary Information

Neither HQCRE, its affiliates, its managing principals nor other persons involved in the management of the Firm have been subject to any disciplinary action, whether criminal, civil or administrative, in any jurisdiction.

Item 10 | Other Financial Industry Activities and Affiliations

HQCRE provides investment advisory services to investment partnerships and other pooled investment vehicles for which it or an affiliate acts as general partner and/or investment adviser. Each of the general partners are entitled to receive the incentive allocation or carried interest applicable to the vehicle(s) for which it serves as general partner.

Additionally, within the HQ Capital Group, HQCRE shares common ownership and office space with HQ Capital Private Equity LLC, a registered investment adviser focused on private equity investments.

The relationships described in response to this item result from HQCRE's ownership structure and do not create a conflict of interest.

Item 11 | Participation or Interest in Client Transactions, Code of Ethics and Personal Trading

Participation or Interest in Client Transactions

HQCRE's supervised persons and its related persons may have a financial interest in the private funds directly, as investors, or indirectly, as owners of the general partner or investment manager of the private funds. HQCRE may also have a direct or indirect financial interest in some of the investment opportunities it offers to its club deal and co-investors Clients. As a result of these interests, there may be an incentive, for

example, to allocate limited investment opportunities to certain Clients or recommend that investors invest in certain private funds to increase the general partner or investment managers' advisory fees. HQCRE prohibits employees from allocating trades or investment opportunities based on our financial interests in such investments.

The offering documents for such investments contain disclosures about, among other things, HQCRE's duties as investment adviser to the partnerships and its role as general partner, its compensation and the possibility of conflicts of interest. In all such cases the Clients' interests are always paramount.

Clients and supervised persons investment activity are reviewed carefully and continuously to ascertain, among other things, whether any possible conflicts of interest are presented by such investments. For example, while HQCRE, its supervised persons, and related persons may take positions in securities for their own accounts that are inconsistent with recommendations made to Clients, all private placements are required to be pre-cleared with Compliance prior to making such investments. If a conflict is determined to exist, it is resolved in favor of the Client.

Code of Ethics and Personal Trading

HQCRE has adopted a Code of Ethics (the "**Code**") governing personal trading by its personnel which is designed to promote the highest levels of ethical conduct among its supervised persons. The Code includes the following general principles: 1) the duty at all times to place the interests of Clients first, 2) the requirement to conduct personal securities transactions in such a manner as to avoid any actual or potential conflict of interest, 3) the fundamental standard that HQCRE and its supervised persons exercise independent, unbiased judgment in the investment decision-making process.

The Code stipulates that supervised persons are not permitted to use their knowledge of proposed or actual recommendations or transactions to profit personally. The Code restricts the personal receipt of investment opportunities, perquisites, or gifts from persons doing or seeking business with HQCRE that could call into question the supervised person's independent judgment.

Supervised persons are also prohibited from sharing non-public personal information of Clients or investors without permission and unless necessary to complete a transaction on the Client's or investor's behalf. In addition, HQCRE limits access to non-public personal information to those supervised persons that need access to such information to provide services to the Client or investor.

HQCRE's supervised persons are required to pre-clear non-public securities transactions and initial public offerings, and to report their personal securities transactions and holdings with the Firm's Compliance Department.

The Code is qualified in its entirety in HQCRE's Compliance Manual. Clients may obtain a copy of the Code of Ethics by contacting Compliance at (212) 863-2337.

Item 12 | Brokerage Practices

HQCRE may select the broker used to effect transactions in real estate. In selecting a broker for any transaction, HQCRE may consider a number of factors, including, for example, broker's reputation, net price or spread, financial strength and stability, market access, efficiency of execution and error resolution, and the size of the transaction. HQCRE is not obligated to obtain the lowest commission or best net price for a Client on any particular transaction.

Cash management practices are typically set forth in a private fund's offering documents. Cash may be invested in products offered by the bank, such as proprietary money market funds, or may be held in interest-bearing checking accounts.

Item 13 | Review of Accounts

The portfolios of HQCRE's Client accounts are regularly reviewed by portfolio managers on an ongoing basis and by members of HQCRE's Investment Committee two to four times per year. Numerous topics are discussed during these reviews, including year-to-date performance and current market conditions. Portfolios may also be reviewed by other HQCRE personnel, including the accounting, reporting, client service, and marketing teams, as needed to properly service the Clients' accounts.

HQCRE generally provides unaudited financial reports on behalf of the Funds to investors on a quarterly basis. These reports may contain a narrative market update, a project summary and financial statements. Other reports may also be provided as stipulated in individual advisory contracts or other agreements. The Funds provide audited financial reports to investors on an annual basis.

Item 14 | Client Referrals and Other Compensation

HQCRE does not receive any economic benefit from non-Clients for providing investment advisory services to its Clients. HQCRE has and may in the future make cash payments to third parties who provide investor referrals to its advisory Clients in accordance with Rule 206(4)-3 of the Act.

Item 15 | Custody

HQCRE has custody over its private fund Clients' cash and securities. It does not have custody over the club deal and co-investor Clients' cash, although it may in its capacity as the general partner of the investment vehicles have custody over the securities acquired by such Clients. All custodied cash is held with qualified custodians, however, investments in real estate funds held by HQCRE's Clients are privately offered, uncertificated securities that are not required to be held by a qualified custodian, and are recorded on the books of the private fund in the name of the relevant Fund or investment vehicle. In the case of the private funds, a qualified custodian issues account statements directly to the private fund limited partners on a quarterly basis. Investors are instructed to carefully review those statements and compare them to any statements they receive from HQCRE.

Item 16 | Investment Discretion

HQCRE has discretionary authority to acquire or dispose of its private funds' assets. This authority, along with any limitations to this authority, is set forth in each private fund's offering document. In the case of the club deals and co-investments, HQCRE does not have discretion to acquire or dispose of the assets. Club deals and co-investments are done on a case-by-case basis whereby investors, at their discretion, are invited to participate in opportunities sourced by HQCRE. The scope of HQCRE's authority regarding the club deals and co-investments are coordinated with the Clients in advance of each investment opportunity. Some advisory relationships are determined broadly at the beginning of a relationship with an investor or specifically at the time of investment.

Item 17 | Voting Client Securities

HQCRE's Clients generally do not hold voting securities. In the event that a Client holds voting securities, HQCRE will adopt and implement written policies and procedures that are reasonably designed to ensure that it votes Client securities in the best interest of Clients and in a manner that is not a product of a material conflict of interest between HQCRE and the Client. Copies of HQCRE's proxy voting policies and procedures may be obtained by contacting Compliance at (212) 863-2337.

Item 18 | Financial Information

HQCRE has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients. Further, it has never been the subject of any bankruptcy proceeding.