

ITEM 1 – Cover Page

FS Real Estate Advisor, LLC

201 Rouse Boulevard
Philadelphia, Pennsylvania 19104

Telephone: (215) 220-6651
www.fsinvestments.com

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This Part 2A of Form ADV (the “**Brochure**”) as required by the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), provides information about the qualifications and business practices of FS Real Estate Advisor, LLC (“**Adviser**”).

If you have any questions about the contents of this brochure, please contact Lisa Detwiler, Chief Compliance Officer, at (215) 220-6651 or lisa.detwiler@fsinvestments.com. The information contained in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

FS Real Estate Advisor, LLC is an investment adviser registered with the SEC. Please note use of the term “registered investment adviser” and the description of FS Real Estate Advisor, LLC and/or our associates as “registered” does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firms’ associates who advise you for more information on the qualifications of our firm and its employees.

Additional information about FS Real Estate Advisor, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 – Material Changes

Not applicable. This Brochure, dated February 6, 2017, is the initial brochure for the Adviser.

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ITEM 4 – Advisory Business

FS Real Estate Advisor, LLC (the “**Adviser**”) was formed in August 2016 for the purpose of providing investment advisory services to real estate investment trusts. At present, the Adviser has a single client, FS Credit Real Estate Income Trust, Inc. (the “**Company**”), a Maryland corporation. The Adviser may, subject to any limitations described in the advisory agreement between the Adviser and the Company, advise other real estate investment trusts, business development companies, investment companies, private investment funds, institutional investors or other persons or entities (collectively with the Company, the “**Clients**”), at which the Adviser will make any necessary amendments to this Brochure.

The Adviser will be responsible for managing, operating, directing and supervising the operations and administration of the Company.

From time to time, the Adviser may enter into sub-advisory arrangements with registered investment advisers (each, a “**Sub-Adviser**”) that possess skills that the Adviser believes will aid it in achieving its Clients’ investment objectives. Any such Sub-Adviser may, among other things, assist the Adviser in identifying investment opportunities and making investment recommendations to the Adviser. The Adviser will be responsible for compensating any such Sub-Adviser.

The Adviser will provide investment supervisory services to its Clients pursuant to an advisory agreement. The advisory agreement between the Adviser and the Company provides for its termination (i) immediately by the Company for cause, upon the bankruptcy of the Adviser or upon a material breach of this Agreement by the Adviser; (ii) upon 60 days written notice without cause and without penalty by a majority of the Company’s independent directors; (iii) upon 60 days written notice without cause by the Adviser; or (iv) immediately by the Adviser for good reason.

As of February 3, 2017, the Adviser managed \$200,000 in client assets, all on a discretionary basis.

The principal owner of the Adviser is Franklin Square Holdings, L.P., an entity controlled by Messrs. Michael C. Forman and David J. Adelman.

ITEM 5 – Fees and Compensation

The Adviser has no set policy regarding calculating fees for its services and it will determine such fees on a client-by-client basis, as negotiated with each Client.

The Adviser will deduct fees from the Company's assets, and would deduct fees from the assets of any future Clients.

The Adviser will receive from the Company a base management fee that accrues daily equal to $\frac{1}{365}$ th of 1.25% of the Company's NAV for such day, payable quarterly and in arrears. The payment of all or any portion of the base management fee accrued with respect to any quarter may be deferred by the Adviser, without interest, and may be taken in any such other quarter as the Adviser may determine. In calculating the Company's base management fee, the Company will use the Company's NAV before giving effect to accruals for such fee, stockholder servicing fees or distributions payable on the Company's shares.

As the Adviser establishes other relationships it may arrange to receive fixed fees or fees paid on some other negotiated basis.

While brokerage commissions will not generally be implicated, see Item 12 for information regarding certain trading execution costs that may be incurred by Clients of the Adviser.

ITEM 6 – Performance-Based Fees and Side-by-Side Management

The Adviser expects to receive certain performance-based compensation from the Company.

The Adviser receive a performance fee, which will be calculated and payable quarterly in arrears in an amount equal to 10.0% of the Company's Core Earnings (as defined below) for the immediately preceding quarter, subject to a hurdle rate, expressed as a rate of return on Adjusted Capital, equal to 1.625% per quarter, or an annualized hurdle rate of 6.5%. As a result, the Adviser does not earn a performance fee for any quarter until the Company's Core Earnings for such quarter exceed the hurdle rate of 1.625%.

For purposes of the performance fee, "**Adjusted Capital**" means cumulative net proceeds generated from sales of the Company's common stock (including proceeds from the Company's distribution reinvestment plan) reduced for distributions from non-liquidating dispositions of the Company's investments paid to stockholders and amounts paid for share repurchases pursuant to the Company's share repurchase plan. Once the Company's Core Earnings in any quarter exceed the hurdle rate, the Adviser will be entitled to a "catch-up" fee equal to the amount of Core Earnings in excess of the hurdle rate, until the Company's Core Earnings for such quarter equal 1.806%, or 10.0% annually, of adjusted capital. Thereafter, the Adviser is entitled to receive a percentage of the Company's Core Earnings.

For purposes of calculating the performance fee, "**Core Earnings**" means: the net income (loss) attributable to stockholders, computed in accordance with GAAP, including realized gains (losses) not otherwise included in GAAP net income (loss) and excluding (i) non-cash equity compensation expense, (ii) the performance fee, (iii) depreciation and amortization, (iv) any unrealized gains or losses or other similar non-cash items that are included in net income for the applicable reporting period, regardless of whether such items are included in other comprehensive income or loss, or in net income, and (v) one-time events pursuant to changes in GAAP and certain material non-cash income or expense items, in each case after discussions between the Adviser and the Company's independent directors and approved by a majority of the Company's independent directors.

ITEM 7 – Types of Clients

The Adviser provides investment advice to the Company. As discussed in Item 4, the Adviser may, subject to any limitations described in the investment advisory and administrative services agreement between the Adviser and the Company, advise other real estate investment trusts, business development companies, investment companies, private investment funds, institutional investors or other persons or entities.

ITEM 8 – Methods of Analysis, Investment Strategies and Risk of Loss

The Adviser is responsible for identifying and evaluating potential investments for its Clients, including the Company. Any Sub-Adviser engaged by the Adviser may, among other things, assist the Adviser in identifying investment opportunities and making investment recommendations to the Adviser. The Adviser and any Sub-Adviser will review such investments and their appropriateness based on the investment objectives and policies of the Clients, as adopted by the Clients' boards of directors or other governing bodies. If the Adviser, together with any Sub-Adviser, determines that such investments are appropriate and the Adviser's investment committee unanimously approves such investment, the Adviser, with the assistance of any Sub-Adviser, will effectuate the investments on behalf of the Clients. The Adviser may delegate to any Sub-Adviser discretion to determine the broker-dealer used in effecting any investment and the commissions to be paid. While brokerage commissions will not generally be implicated, in determining the appropriate level of commissions, the Adviser may consider the level of products, research and services to be obtained.

The Adviser continually monitors and services any assets acquired. Relying on proprietary due diligence, financial newspapers, magazines and trade journals, inspections of corporate activities, research material, annual reports and other filings with the SEC, company press releases and detailed management interviews, corporate rating services and other third party data collection, the Adviser, with the assistance of any Sub-Adviser, will principally offer advice on originating, acquiring and managing a portfolio of senior loans secured by commercial real estate primarily in the United States. However, the Adviser and any Sub-Adviser will also offer advice to the Company and other Clients on a broad range of investments including commercial real estate securities, such as CMBS, B Notes, RMBS, unsecured debt of listed and unlisted REITs, collateralized debt obligations, equity or equity-linked securities, warehouse loans secured by commercial or residential mortgages, credit loans to commercial real estate companies and portfolios of single family home mortgages.

ITEM 9 – Disciplinary Information

The Adviser has not been involved in any disciplinary actions or legal or administrative proceedings related to its business activities.

ITEM 10 – Other Financial Industry Activities and Affiliations

The Adviser is affiliated with FS Investment Solutions, LLC, a broker-dealer registered with the SEC and the Financial Industry Regulatory Authority, Inc. (“**FINRA**”). FS Investment Solutions, LLC will serve as the dealer manager for the distribution of the shares of common stock of the Company and is a wholly-owned subsidiary of Franklin Square Holdings, L.P. Franklin Square Holdings, G.P., LLC is the general partner of Franklin Square Holdings, L.P. and is owned and controlled by Messrs. Forman and Adelman.

The Adviser is also affiliated with: (i) FS Investment Advisor, LLC, a registered investment adviser under the Advisers Act, which provides advisory services to FS Energy and Power Fund (“**FSEP**”), a non-diversified, closed-end management investment company that has elected to be regulated as a BDC under the 1940 Act; (ii) FB Income Advisor, LLC, a registered investment adviser under the Advisers Act, which provides advisory services to FS Investment Corporation (“**FSIC**”), a non-diversified, closed-end management investment company that has elected to be regulated as a BDC under the 1940 Act; (iii) FSIC II Advisor, LLC, a registered investment adviser under the Advisers Act, which provides advisory services to FS Investment Corporation II (“**FSIC II**”), a non-diversified, closed-end management investment company that has elected to be regulated as a BDC under the 1940 Act; (iv) FS Global Advisor, LLC, a registered investment adviser under the Advisers Act, which provides advisory services to FS Global Credit Opportunities Fund (“**FSGCO**”), a non-diversified, closed-end management investment company registered under the 1940 Act; and (v) FSEP II Advisor, LLC, a registered investment adviser under the Advisers Act. FS2 acts as the dealer manager for the distribution of the common shares of FSEP and FSGCO (through FSGCO’s affiliated feeder funds) and distributed the shares of FSIC’s, FSIC II’s and FSEP’s common stock prior to the closing of their offerings in May 2012, March 2014 and November 2016, respectively.

The Adviser has engaged Rialto Capital Management, LLC (“**Rialto**”) to act as sub-adviser with respect to the Company. Rialto will assist the Adviser in identifying investment opportunities for the Company and will make recommendations to the Adviser on specific investments that are subject to approval by the Adviser, according to guidelines set by the Adviser. Rialto is a registered investment adviser under the Advisers Act and is an indirect wholly owned subsidiary of Lennar Corporation.

Conflicts of interest with the Adviser’s current Client, the Company, related to these relationships may include the following:

- The directors, officers and other personnel of the Adviser will allocate their time between advising the Company and managing other investment activities and business activities in which they may be involved, including managing and operating FSIC, FSIC II, FSIC III, FSIC IV, FSEP and FSGCO;

- Regardless of the quality of the assets acquired, the services provided to the Company or whether the Company makes distributions to its stockholders, the Adviser will receive certain fees described in Item 5 and may receive incentive fees described in Item 6;
- The personnel of Rialto will allocate their time between assisting the Adviser in identifying investment opportunities and making investment recommendations and performing similar functions for other business activities in which they may be involved;
- The Company may compete with certain of its affiliates for investments, including FSIC, FSIC II, FSIC III, FSIC IV, FSGCO and FSEP, subjecting the Adviser and its affiliates to certain conflicts of interest in evaluating the suitability of investment opportunities and making or recommending acquisitions on the Company's behalf;
- Because the dealer manager, FS Investment Solutions, LLC, is an affiliate of the Adviser, its due diligence review and investigation of the Company and the Adviser cannot be considered to be an independent review;
- The Company may compete with other funds managed by affiliates of Rialto for investment opportunities, subjecting Rialto and its affiliates to certain conflicts of interest in evaluating the suitability of investment opportunities and making or recommending acquisitions to the Adviser;
- From time to time, to the extent consistent with the 1940 Act and the rules and regulations promulgated thereunder, the Company and other Clients for which the Adviser or Rialto provide investment management services or carry on investment activities may make investments at different levels of an investment entity's capital structure or otherwise in different classes of an issuer's securities. These investments may give rise to inherent conflicts of interest or perceived conflicts of interest between or among the various classes of securities that may be held by the Company and such other Clients;
- The Adviser, Rialto and their respective affiliates may give advice and recommend securities to other Clients which may differ from advice given to, or securities recommended or bought for, the Company, even though their investment objectives may be similar to the Company's;
- Rialto manages or advises a number of funds and other vehicles that invest in real estate-related assets. Its agreements with some of those funds or other investment vehicles prohibit Rialto from presenting to other persons investments of the types in which a fund or other investment vehicle focuses, unless the investment committee or similar investor group with regard to the fund or other investment vehicle decides that the fund or other investment vehicle should not

make the investment. These agreements may prevent Rialto from presenting to the Adviser investment opportunities that might be appropriate for us;

- The Adviser, Rialto and their respective affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may compete with the Company and/or may involve substantial time and resources of the Adviser and Rialto. Affiliates of Rialto, whose primary business includes the origination of investments, engage in investment advisory business with accounts that compete with the Company. Affiliates of Rialto have no obligation to make their originated investment opportunities available to the Company; and

To mitigate these conflicts, the Adviser and its affiliates have procedures and policies in place that are designed to manage the potential conflicts of interest between the Adviser's fiduciary obligations to the Company and its similar fiduciary obligations to other clients. For example, such policies and procedures are designed to ensure that investment opportunities are allocated in a fair and equitable manner among the Company and the Adviser's other clients. An investment opportunity that is suitable for multiple clients of the Adviser and its affiliates may not be capable of being shared among some or all of such clients and affiliates due to the limited scale of the opportunity or other factors. In addition, the Chief Compliance Officers of the Adviser and the Company will periodically meet with personnel of Rialto, including its Chief Compliance Officer, to, among other things, review policies and procedures that are applicable to Rialto in its capacity as investment sub-adviser to the Company, and Rialto's compliance with such policies and procedures.

Further, as discussed above, the Adviser, its personnel, and certain affiliates may experience conflicts of interest in allocating management time, services, and functions among the Company and any other business ventures in which they or any of their key personnel, as applicable, are or may become involved. This could result in actions that are more favorable to other affiliated entities than to the Company. However, the Adviser believes that it and its affiliates have sufficient personnel to discharge fully their responsibilities to all activities in which they are involved.

ITEM 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Adviser has adopted a code of ethics pursuant to Rule 204A-1 of the Advisers Act establishing procedures that govern the conduct and securities transactions of each of the Adviser's officers, employees and supervised persons. The Adviser's Code of Ethics (the "**Code**") is designed to prevent violations of the fiduciary responsibilities owed by FS Real Estate Advisor, LLC to its Clients, including the Company. It contains provisions relating to the confidentiality of firm information, a prohibition on insider trading, a discussion of media relations, a policy on gifts and personal securities trading procedures, among other things. All supervised persons of the Adviser will be required to acknowledge the terms of this document annually, or when it is amended.

The Code is designed to ensure that the personal securities transactions, activities and interests of the officers, employees and supervised persons of the Adviser will not interfere with (i) making decisions in the best interest of advisory Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, transactions involving certain classes of securities have been designated as exempt transactions, based upon a determination that trading in these securities would not materially interfere with the best interests of FS Real Estate Advisor, LLC's Clients. In addition, the Code requires pre-clearance of certain transactions. Employee trading will be monitored under the Code to reasonably prevent conflicts of interest between the Adviser and its Clients. Generally, the securities purchased for the Adviser's Clients will not be available to a retail investor.

The Adviser's Clients or prospective Clients may request a copy of the Code by contacting the Chief Compliance Officer, FS Real Estate Advisor, LLC, 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112.

As discussed in Item 10 above, conflicts of interest may arise from time to time as a result of the Adviser's or Rialto's relationships with their respective affiliates. For more information on the conflicts that may arise and how they will be addressed, see Item 10.

ITEM 12 – Brokerage Practices

The assets that the Adviser will obtain for its Clients will, generally, be acquired and disposed of in privately negotiated transactions effectuated through a dealer network in which the dealer acts as principal and does not charge explicit commissions. As a result, the Adviser has not entered and does not anticipate entering into any soft dollar arrangements. When appropriate, the Adviser will primarily be responsible for the execution of the publicly-traded securities portion of a Client's portfolio transactions and the allocation of brokerage commissions. The Adviser may discharge this responsibility through one or more Sub-Advisers.

Portfolio transactions processed by Sub-Adviser for Clients will be allocated to brokers and dealers on the basis of best execution (which may include, among other items, the consideration of such broker's or dealer's ability to effect transactions, its facilities and financial responsibility). The SEC generally describes "best execution" as a duty to execute securities transactions so that a Client's total costs or proceeds in each transaction are the most favorable under the circumstances. The SEC also has stated that when seeking best execution the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution.

Accordingly, Sub-Adviser considers the full range and quality of a broker's services including, (i) for executing brokers: expertise and ability to perform execution services; ability to execute transactions in liquid markets at competitive prices without disrupting the market for a particular security; ability to execute transactions in illiquid markets at competitive prices without disrupting the market for a particular security; range of services provided and products offered (e.g., securities lending, margin lending, capital introduction, start-up services, reporting, research, valuation); quality and timeliness of market information provided; ability of broker to maintain confidentiality; credit worthiness and financial responsibility and (ii) for clearing brokers: operational expertise; ability to maintain confidentiality; credit worthiness; financial responsibility; fees; and commission rate or spread involved.

A Client's securities transactions can be expected to generate brokerage commissions and other compensation, all of which the Client, and not the Adviser, or Sub-Adviser, will be obligated to pay. Sub-Adviser's brokers and other service providers also may be Clients or investors in the Company. As consideration for services provided, these brokers and other service providers will receive reasonable and customary fees or commissions. Notwithstanding the foregoing, the Sub-Adviser does not "pay up" for research or other services provided by any brokers through the commission rate (e.g., the Sub-Adviser does not use "soft dollars").

ITEM 13 – Review of Accounts

The Adviser, with the assistance of any Sub-Adviser it may engage, will manage active portfolios for its Clients. These portfolios will be reviewed regularly by the Adviser and Sub-Adviser to consider, among other things, their composition, performance and compliance with applicable legal requirements.

The Adviser provides periodic and at least quarterly performance reports to clients. These reports are typically expected to be in the form of written and/or oral presentations to a client's board of directors (or comparable body) at regular quarterly meetings of such client's board of directors (or comparable body) for which minutes are recorded.

ITEM 14 – Client Referrals and Other Compensation

The Adviser does not retain consultants or other parties to solicit Clients on its behalf.

ITEM 15 - Custody

The Adviser does not custody assets and thus requires its Clients to appoint a qualified custodian.

ITEM 16 – Investment Discretion

The Adviser has full discretion to invest on behalf of its Clients. The Adviser will evaluate all investments and their appropriateness based on the investment objectives and policies of its Clients.

ITEM 17 – Voting Client Securities

The Adviser may recommend investments in equity securities. FS Real Estate Advisor, LLC recognizes that, as an investment adviser registered under the Advisers Act, the Adviser has a fiduciary duty to act solely in the best interests of its Clients. As part of this duty, the Adviser has adopted proxy voting policies and procedures. The Adviser recognizes that it must vote Client securities in a timely manner free of conflicts of interest and in the best interests of its Clients.

Under the policies and procedures, the Adviser will vote proxies related to portfolio securities in the best interest of its Client's stockholders. The Adviser will review, on a case-by-case basis, each proposal submitted for a stockholder vote to determine its impact on the portfolio securities held by the Adviser's Clients. Although the Adviser will generally vote against those proposals that would have a negative impact on its Client's portfolio securities, the Adviser may vote for such a proposal if there exists compelling long-term reasons to do so.

The Adviser's proxy voting decisions will be made by the senior officers who are responsible for monitoring each of the investments held by its Clients. To ensure that its vote is not a product of a conflict of interest, the Adviser requires that: (i) anyone involved in the decision-making process disclose to the Adviser's Chief Compliance Officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision-making process or vote administration are prohibited from revealing how the Adviser intends to vote on a proposal in order to reduce any attempted influence from interested parties.

Additional information about how the Adviser votes any proxies can be obtained by making a written request for proxy voting information to: Chief Compliance Officer, FS Real Estate Advisor, LLC, 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112.

ITEM 18 – Financial Information

The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its Clients, and has not been the subject of a bankruptcy proceeding.

ITEM 19 – Requirements for State-Registered Advisers

Not applicable.