

MSquared



2022
Impact
Report

Intro Letter

Three years ago, I started MSquared with the goal of building the country's first investment management and development company devoted exclusively to impact real estate. I also wanted to build a business that was owned and run by women, bringing not only a gender lens to our work, but also putting a spotlight on another key aspect of impact investing: we must have more firms actually owned by women and people of color if we want to change the status quo. Our efforts have begun to bear fruit, and we are proud to produce our first MSquared Impact Report.

As we analyze the impact of our projects, lay out our goals for the future, and consider the broader context in which we operate, I am more convinced than ever that real estate plays a critical role in advancing both a more equitable future and combating racial and socio-economic inequity. Without sufficient and quality housing, our cities cannot grow. Without housing that is affordable and located in neighborhoods of opportunity, families cannot access the jobs, schools, and healthcare they need to thrive. MSquared is committed to doing real estate right: investing in projects that purposely advance the social and environmental benefits that allow communities to prosper.

Despite the challenging financial environment in 2022, MSquared made significant progress in advancing our work. In our investment business, we had the final close on our Equitable Housing Solutions Fund, anchored by marquee financial institutions, and held a first close on both the MSquared Impact Partners Fund and the MSquared NYC Affordable Fund, bringing our total Assets Under Management to over \$200 million. Importantly, more than 75% of our investors are individuals, a testament to our efforts to make impact investing accessible to a wider range of investors. The more people we have who are literally invested in addressing our societal challenges, the greater chance we have of effecting change.

In our development business, we continued to make progress on one of New York City's largest mixed-income, mixed-use projects, broke ground on an innovative new mixed-income project in New Jersey, and began pre-development on the transformation of a large public housing campus in West Philadelphia.

With every investment we make and project we build, we are pushing forward our agenda to promote affordability, diversity, and sustainability in cities across the country. We are grateful to the investors, developers, and partners who are part of this work and look forward to expanding on it in the years ahead. Now is the time.

Sincerely,

Alicia Glen
Alicia Glen



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About This Report

The 2022 Impact Report covers the reporting period of January 1, 2022 - December 31, 2022.

The field of impact management and measurement is ever evolving. While the impact investing universe has made significant strides in establishing standards and best practices, these standards don't always capture every form of impact or may not apply to every strategy. For this reason, we have worked to align our approach to impact with established frameworks while also incorporating our own metrics that reflect our unique real estate impact strategy. Throughout, we aim to be as transparent as possible on our process and results.

This report incorporates frameworks from the Impact Management Project and IRIS+ metrics from the Global Impact Investing Network, and aligns with the United Nations' Sustainable Development Goals. It also integrates our own proprietary impact framework and metrics that relate to the specific inter-disciplinary impact themes we seek to address. We believe that this combined approach allows us to communicate our impact in a way that is both widely recognized, and that captures the full breadth of our work.

It is important to note that because our projects were under construction at the time of this report, the outcomes indicated have not yet have been realized. Rather, they are in line with our "going-in" intentions and reflect the obligations which are either required by contract or through a regulatory mechanism. Moreover, the broader impact of our work in many ways defies traditional measurement: how a new building will impact the residents of not only the building, but of a whole neighborhood, how a "first of its kind" affordability mix impacts the housing ecosystem, how having women be involved in all aspects of our work may change the whole real estate industry.

What we do know is that our commitment to promoting affordability, diversity, and sustainability across our platform drives everything we do. The process of evaluating our methods and measuring and analyzing our results helps us recognize how we can refine our approach to improve our impact outcomes. This is a report not just for reporting purposes, but to generate conversation and uncover opportunities to do more and do better.

We welcome your feedback and for any questions regarding this report, please contact Andrea Wenner at awenner@buildmsquared.com

MSquared Overview

Founded in 2020, MSquared is a women-owned real estate impact platform focused on creating mixed-income projects that promote affordability, diversity, and sustainability.

Investment Management

MSquared manages a series of discretionary real estate impact funds.

MSquared
Development
Partners Fund

Equitable
Housing
Solutions Fund

MSquared
Impact
Partners Fund

NYC
Affordable
Fund

Development

Focusing on public-private partnerships, MSquared develops transformative mixed-income, mixed-use projects.

 **\$200M+**
Assets Under
Management

 **100%**
of the Investment
Committee Members
are Women

 **75+**
Combined Years of
Real Estate & Impact
Experience within
our Leadership

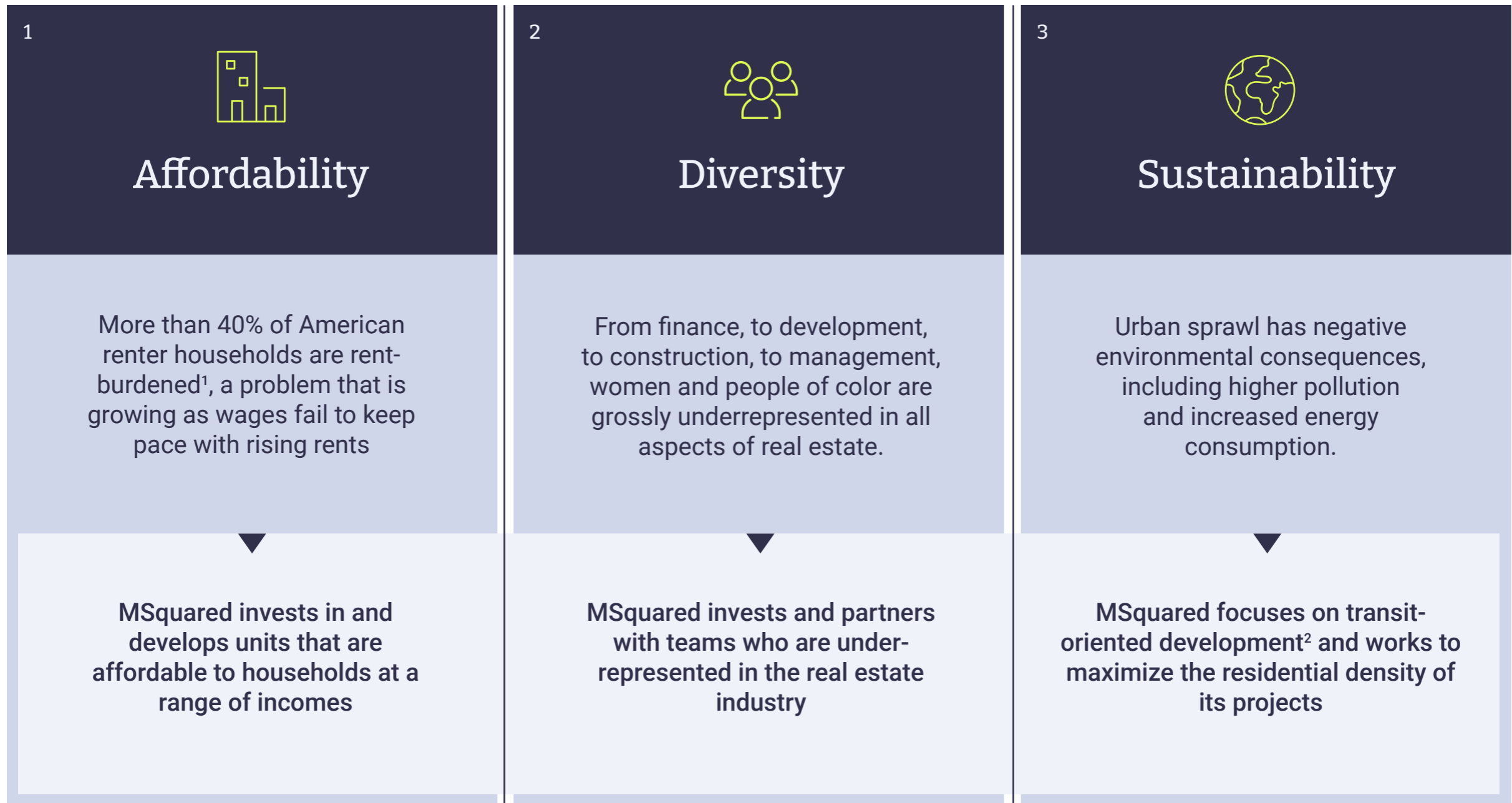
 **12**
Team members



While other platforms are beginning to incorporate ESG and Impact mandates into their strategies, driving social impact and financial performance *is* our strategy.

Impact Pillars

Our innovative approach focuses on driving impact in three key areas:





Affordability

The Problem

The U.S. housing market is undersupplied and the housing that is available is too expensive. **An increasing number of American households are “rent-burdened,”** spending more than 30% of their pre-tax income on rent. Government programs that help low-income households are insufficient to meet demand, while also failing to serve the “Missing Middle” who cannot afford market-rate rents in growing metro areas. When new multi-family housing does get built, the vast majority of projects are either 100% market-rate or 100% affordable, exacerbating social and economic inequities and concentrating poverty.

The U.S. needs more than **4 million apartments** by 2035 to meet demand³

Over 40% of renters are “rent-burdened”⁴

In the past 5 years, rents have **increased almost 40%**, but average hourly wages have grown by only 23%⁵

MSquared’s Approach

We invest in and develop mixed-income housing that adds new supply and takes a more equitable, inclusive approach to development. Our projects promote economic desegregation by combining market-rate units with Affordable Housing[†] units that are affordable at a range of incomes. This unique strategy helps to address the breadth of the affordability crisis and enables households to have access to the same neighborhood resources, like high-quality schools, healthcare, transit, and job opportunities.

Impact Measurement

- Number of new units affordable to residents at or below 40% Area Median Income (AMI), 60% AMI, 80% AMI, 100% AMI, and 120% AMI
- Number of Affordable Units Created (PI5965)⁶
- Savings on housing unit compared to similar (PI7643)
- Duration of affordability restrictions



[†] MSquared defines Affordable Housing as both income-tested & rent-restricted⁷

A nurse in New York City earning \$93,320 per year can afford an apartment that costs \$2,333 per month, but the average 1-bedroom rent is \$3,975.

That means she's spending 51% of her income on rent, translating to an extra \$19,704 annually. That's \$20,000 less to spend on food, clothes, healthcare, transportation, and other needs for her and her family.



Diversity

The Problem

Real estate is one of the least diverse sectors of the economy. None of the top 25 development firms is run by a woman or person of color⁸ and **more than 75% of senior executive jobs in commercial real estate are held by white men**⁹. Diverse development firms have a harder time accessing institutional capital and as a result of gender and racial wealth inequities, they often cannot leverage friends and family as a source of funding.

Less than 1% of real estate development companies in the U.S. are minority-owned¹⁰

While women comprise 36% of the commercial real estate workforce, they hold **just 9% of C-level positions**¹¹

Women- and minority-owned real estate investment management firms comprise only **2.8% and 1.8%** of all U.S.-based firms, respectively¹²

MSquared's Approach

We know that if we are going to change the status quo, we must change who invests in, develops, builds and owns real estate. MSquared targets capital to M/WBE¹³ development firms, whose market knowledge and focus on inclusive, equitable growth represents an opportunity to create both strong financial returns and demonstrable social impact.

Impact Measurement

- Number and percent of Investee Companies founded or led by women or people of color (PI7869 & PI9652)
- Women and minority ownership stake in development entity
- Total contract dollars directed to M/WBE firms
- Percent of contract dollars directed to M/WBE firms





Impact in Action: Advancing Diversity

CASE STUDY

Mintwood Real Estate

One of MSquared's first investments was with Mintwood Real Estate, an emerging women-owned development firm. Katy Slade established Mintwood Real Estate in 2019, after a decade with another premier development firm. Katy and her firm are now developing mixed-use and multi-family projects in Texas and beyond.

Our investment in Mintwood's Oakhouse project, is testament to our commitment to supporting woman- and minority-owned developers.



“ Access to capital is an obstacle for early stage development firms, especially women- and minority-led firms. MSquared is targeting that inequity at its roots by recognizing the merits of underrepresented firms and investing capital in their projects. Our alignment with MSquared has allowed us to focus on creative investment strategies to quickly deliver housing to people who need it.”

– Katy Slade, Founder

CASE STUDY

Real Estate Pathways Fellowship Program for CUNY Students

MSquared is a proud supporter of the Real Estate Pathways Fellowship Program, which is dedicated to helping students at The City University of New York who are from diverse backgrounds gain the exposure, professional development, and training needed for a successful career in real estate. As part of the partnership, a group of fellows recently toured our Inwood development site to see a live project.





Sustainability

The Problem

The built environment is a major contributor to the current climate crisis: **buildings produce almost half of US carbon emissions, and cities consume 70% of global energy.**¹⁴ Urban sprawl has been tied to increased energy consumption, pollution and traffic congestion. Despite the growing climate crisis, many jurisdictions have few, if any, green-building regulations or incentivize new development near mass transit.

The built environment generates at least **40% of annual U.S. carbon emissions**¹⁵

Household energy consumption in single-family homes is **2X** that of households in multifamily buildings¹⁶

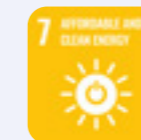
Urban sprawl forces households to be car-dependent, **adding to CO2 emissions** and leading to higher transportation costs¹⁷

MSquared's Approach

We focus on transit-oriented and urban infill sites and work with our partners to maximize density and incorporate energy efficient operating systems and environmentally friendly design. This not only mitigates our environmental footprint, but also improves affordability for our residents by reducing their transportation costs and utility bills.

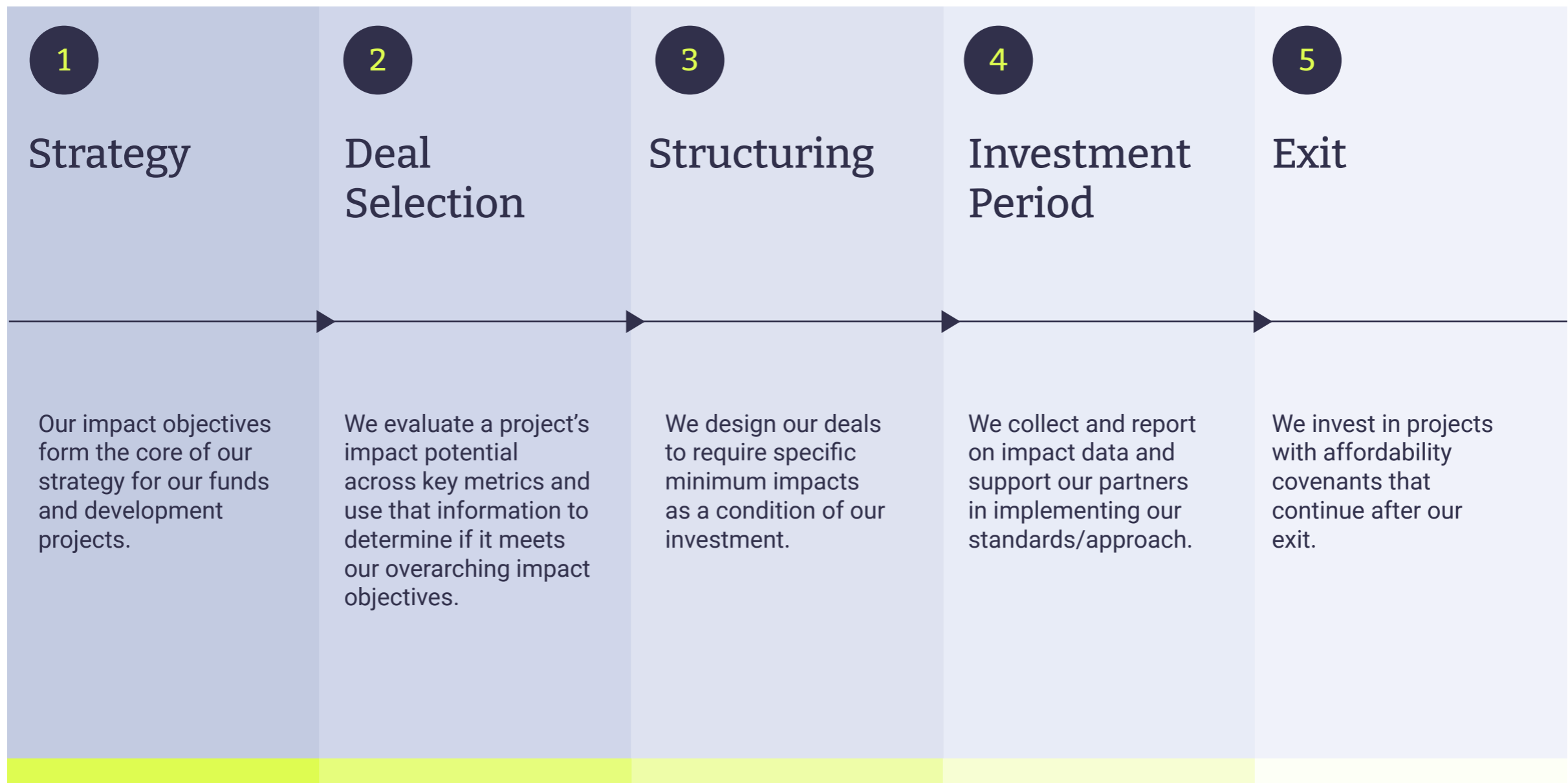
Impact Measurement

- Number of new units within 0.5 miles of mass transit
- Bike lanes and other micro-transit options within 0.5 miles of MSquared buildings
- Walk Score
- BMS systems and standards that integrate the most up to date green technology
- Housing quality certifications (PD2756)
- Square feet of new open space created




Driving Impact at Every Stage

We apply an impact lens at every stage of our investment and development process, integrating our three impact pillars of Affordability, Diversity, and Sustainability into our strategy, decision-making, and day-to-day work.



Impact Highlights¹⁸

In our first full year of operations, we are on target to achieve tangible results across each of our three impact pillars.




509

new Affordable Housing units, **equivalent to 43% of the portfolio**



54

Average duration of affordability restrictions (years)



75%

of projects developed by M/WBE sponsor



\$1,184

Projected average tenant monthly savings (compared to market rate units)



1,195

Total number of new units under development



ASSET LEVEL REPORT

Inwood

MSquared, L+M Development Partners, and Taconic Partners are partnering to transform nearly a full city block in Upper Manhattan into an innovative mixed-income, mixed-use multifamily development. Proximate to multiple public transportation options and less than 30 minutes from midtown Manhattan, the project will deliver 348 units of market-rate housing and 350 units that are affordable at a range of incomes, from 40%-120% of AMI. It will also include a much-needed supermarket, a theater space and home for the nonprofit People's Theatre Project, and a vibrant mix of other retail tenants.

LOCATION

New York, NY

SPONSOR PARTNERS

Taconic, L+M

TYPE OF PROJECT

Mixed- Income,
Mixed- Use

NUMBER OF UNITS

698

COST

\$415.3mm

START & COMPLETION

2021-2025

AFFORDABILITY

40%

Affordable Housing units, restricted for **50+ years**

**\$53k–
\$106k**

Range of incomes served¹⁹

\$1,543

Projected average tenant monthly savings

DIVERSITY

WBE

Developer

MBE-

Owned Supermarket on Ground Floor planned

Home

for immigrant- and women-led nonprofit, People's Theatre Project

SUSTAINABILITY



LEED

Silver



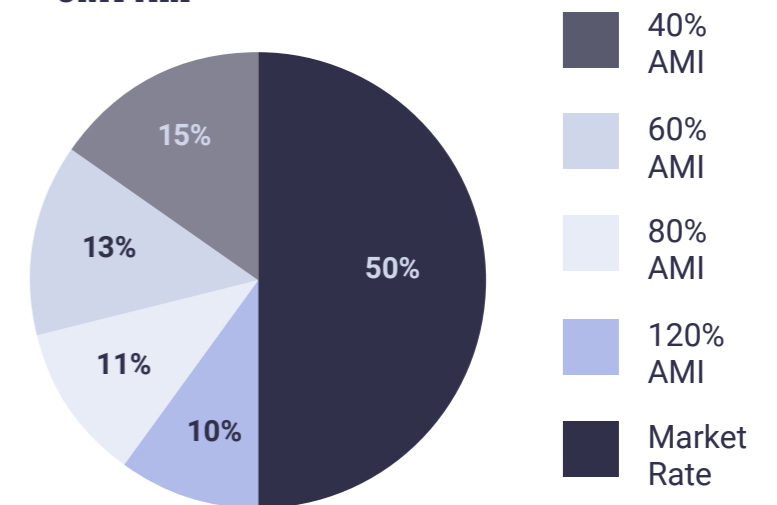
95

Walk Score



Brownfield Remediation of site

UNIT MIX





ASSET LEVEL REPORT

Oakhouse

Oakhouse is a mixed-income ground-up multifamily development in the rapidly developing North Oak Cliff area of Dallas, TX. Being developed by a woman-owned firm, the project will include 50% market-rate units and 50% Affordable Housing units, along with a range of amenities that will be available to all residents. Oakhouse is one of the first projects to partner with Dallas’s Public Facility Corporation ensuring long-term affordability in a city that has seen double-digit rent increases and unprecedented population growth.

LOCATION

Dallas, TX

SPONSOR PARTNER

Mintwood

TYPE OF PROJECT

Mixed- Income, Multifamily

NUMBER OF UNITS

219

COST

\$59mm

START & COMPLETION

2023-2025

AFFORDABILITY

50%

Affordable Housing units, at AMI’s up to 80%, or \$77k for a household of four¹⁹

75

Duration of affordability restrictions (years)

\$297

Projected average tenant monthly savings

DIVERSITY

WBE

Developer

SUSTAINABILITY



EV

Charging Stations



Bike

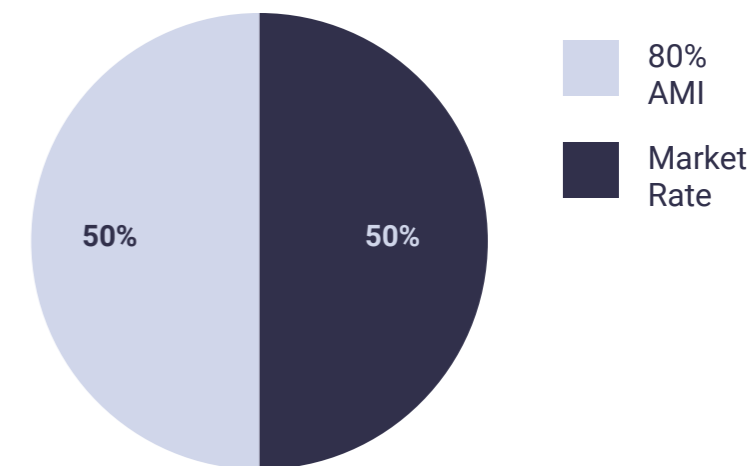
sharing program



Energy

efficient appliances

UNIT MIX





ASSET LEVEL REPORT

Square 10

Square 10 is the anchor of a new transit-oriented neighborhood that is part of the first phase of a large-scale revitalization plan in the heart of downtown New Haven. In collaboration with the city of New Haven, the development will create mixed-income housing, as well as 16,000 sf of retail space and 25,000 sf of public open space, all within a 5-minute walk to Union Station/Metro North Railroad. Built on the long-vacant, former site of the New Haven Coliseum, Square 10 will include market-rate units alongside units affordable to households at a wide range of incomes, from \$56k to \$112k for a 4-person household¹⁹.

LOCATION

New Haven, CT

SPONSOR PARTNERS

Spinnaker Real Estate Partners, Fieber Group

TYPE OF PROJECT

Mixed- Income, Mixed-Use

NUMBER OF UNITS

200

COST

\$80mm

START & COMPLETION

2022-2024

AFFORDABILITY

20%

Affordable Housing units, at AMI's ranging from 50-100%

\$964

Projected average tenant monthly savings

30

Duration of affordability restrictions (years)

DIVERSITY

Local

small businesses planned for commercial spaces

25%

MBE contractors targeted

SUSTAINABILITY



25,000

square feet public open space



EV

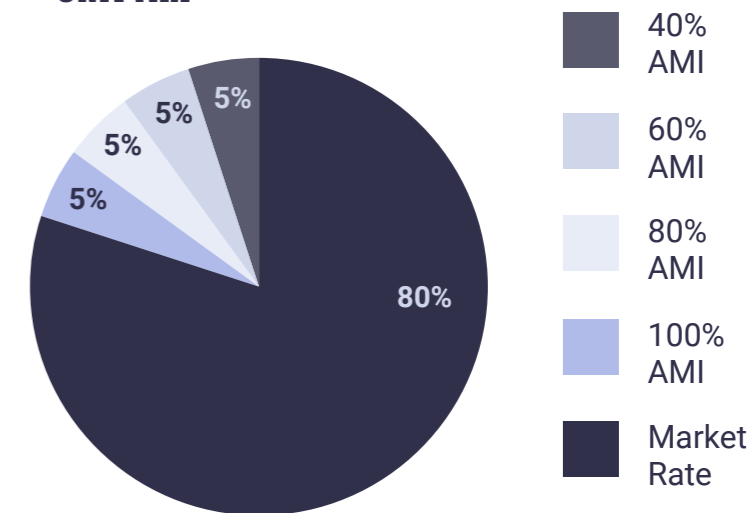
Charging Stations



Bike

sharing program

UNIT MIX





ASSET LEVEL REPORT

Georgia King

Georgia King is an innovative project designed to integrate quality, affordable and supportive housing with health care and wrap-around services. The project will transform an underutilized parking lot into a 100% Affordable Housing development that will include a public health clinic, operated by University Hospital, an anchor institution in Newark. Georgia King will deliver units affordable to households at a range of incomes as well as for formerly homeless individuals and families. The complicated capital stack leverages multiple funding sources to create a development that can serve as a model to improve health outcomes by coordinating housing and healthcare services.

LOCATION

Newark, NJ

SPONSOR PARTNERS

L+M, Type A Projects

TYPE OF PROJECT

100% Affordable, Mixed-Use

NUMBER OF UNITS

78

COST

\$42mm

START & COMPLETION

2022-2023

AFFORDABILITY

100%

Affordable Housing units

\$932

Projected average tenant monthly savings

DIVERSITY

WBE

Developer

51%

M/WBEs contractors targeted

Public

health clinic, operated by state-owned, University Hospital

SUSTAINABILITY



15%

Energy savings target



78

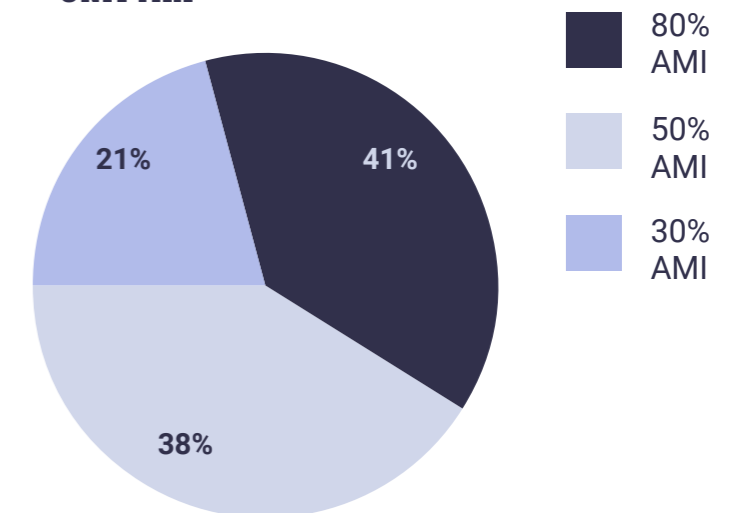
New units within 0.5 miles of mass transit



Energy

efficient appliances

UNIT MIX



MSquared

Affordability

Metric	Data
Number of new Affordable Housing units	509
Number of new housing units developed	1,195
Percent of total new units that are Affordable Housing units	43%
Number of units designated for households earning up to 100% AMI	10
Number of units designated for households earning up to 80% AMI	231
Number of units designated for households earning up to 60% AMI	104
Number of units designated for households earning up to 50% AMI	40
Number of units designated for households earning up to 40% AMI	108
Number of units designated for households earning up to 30% AMI	16
Average duration of affordability within regulated units (years)	54
Projected average tenant monthly savings (vs.market-rate unit)	\$1,184

Note: Additional metrics will be added in the future once projects are completed and we are able to measure these impacts.

Diversity

Metric	Data
Percent of projects developed by M/WBE sponsor	75%
Percent of projects with community-serving retail and/or nonprofits e.g. grocery, nonprofit programs, etc.	75%
Percent of Retail Spaces anticipated to be occupied by nonprofit and or M/WBE or local business	25%

Sustainability

Metric	Data
Percent of projects meeting green building certification standards	100%
Number of new units within 0.5 miles of public transit	1,195
Number of new units within 0.5 miles of bike lanes and micro-transit options	1,195
Average walk score	87
Average transit score	85
Square feet of new open space created/improved	25,000

Endnotes

1. The United States Department of Housing and Urban Development (HUD) considers families to be rent-burdened when they spend more than 30% of their pre-tax income on rent.
2. Transit-oriented development is commonly defined as high-density development within a half a mile of a public transit station.
3. National Multifamily Housing Council (July 27, 2022). U.S. Needs 4.3M More Apartments by 2035 to Address Demand, Deficit and Affordability. <https://www.nmhc.org/news/press-release/2022/u.s.-needs-4.3m-more-apartments-by-2035-to-address-demand-deficit-and-affordability/>
4. Census.gov(December 8, 2022). More than 19 Million Renters Burdened by Housing Costs. <https://www.census.gov/newsroom/press-releases/2022/renters-burdened-by-housing-costs.html>
5. Zillow.com (November 21, 2022). Renters Need to Work 63 Hours to Pay Rent, Six Hours More Than Before the Pandemic. <https://www.zillow.com/research/hours-worked-to-pay-rent-31704/>
6. The PI number refers to the IRIS+ impact measurement and management system.
7. MSquared uses the term “Affordable Housing” throughout this report. We define “Affordable Housing” as housing that is both income-tested and rent-restricted, meaning 1) a household must qualify for the unit based on a specific household income level and 2) the legal rent is set at 30% of a specified Area Median Income level, e.g. 30% of 60% AMI or 30% of 80% AMI. This is distinct from “Naturally Occurring Affordable Housing,” which is neither income-tested nor rent-restricted, meaning that anyone, regardless of income level, can rent a unit and the rent is not capped based on income level. It is also distinct from housing that may have rent-restrictions attached, but that is not income-tested, so it is available to anyone, regardless of income level.
8. National Multifamily Housing Council. NMHC 25 Largest Developers. <https://www.nmhc.org/research-insight/the-nmhc-50/top-50-lists/2022-top-developers-list/>
9. Knight Foundation (2017). Diversifying Investments: A Study of Ownership Diversity in the Asset Management Industry. https://knightfoundation.org/wp-content/uploads/2020/02/Diversity-Report_Executive-Summary.pdf
10. Initiative for a Competitive Inner City (2023). Breaking the Glass Bottleneck: The Economic Potential of Black and Hispanic Real Estate Developers and the Constraints They Face. <https://reports.groveimpact.org/breaking-the-glass-bottleneck/>
11. CREW Network (2020).2020 Benchmark Study Report: Gender and Diversity in Commercial Real Estate. <https://crewnetwork.org/getmedia/c3b1b456-46da-4c00-9a6e-da188ed9cd05/crew-network-benchmark-study-report-gender-and-diversity-in-commercial-real-estate-2020.pdf.aspx>
12. Knight Foundation (2021). Knight Diversity of Asset Managers Research Series: Industry. https://knightfoundation.org/wp-content/uploads/2021/12/KDAM_Industry_2021.pdf
13. Qualification as an investment with a M/WBE sponsor is per the definition in the Funds’ Limited Partnership Agreements. To qualify, the Investments where the Total Development Cost is less than \$15 million, the M/WBE(s) will have at least 51% ownership of the general partner or managing member interests. For Investments where the Total Development Cost is greater than \$15 million, the M/WBE(s) will have at least 25% Ownership of the general partner or managing member interests.
14. International Energy Agency (2020). Empowering Cities for a Net Zero Future: Unlocking Resilient, Smart, Sustainable Urban Energy Systems.<https://iea.blob.core.windows.net/assets/4d5c939d-9c37-490b-bb53-2c0d23f2cf3d/G20EmpoweringCitiesforaNetZeroFuture.pdf>
15. World Green Building Council (2019). Bringing Embodied Carbon Upfront. <https://worldgbc.org/advancing-net-zero/embodied-carbon/#:~:text=Buildings%20are%20currently%20responsible%20for,11%25%20from%20materials%20and%20construction>
16. Joint Center for Housing Studies at Harvard University (July 11, 2018). U.S. Households are Using Less Energy. <https://www.jchs.harvard.edu/blog/us-households-are-using-less-energy>
17. Smart Growth America (2020). Driving Down Emissions. <https://smartgrowthamerica.org/wpcontent/uploads/2020/10/Driving-Down-Emissions-FINAL.pdf>
18. Metrics highlighted are firmwide, across all funds and development projects.
19. Income levels are based on 2022 Area Median Income for a 4 Person Household