Nontraded REIT Industry Full-Cycle Performance Study

November 7, 2013

General Overview

THE UNIVERSITY OF TEXAS AT AUSTIN
McCOMBS REAL ESTATE FINANCE AND INVESTMENT CENTER

BlueVault PARTNERS, LLC

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Introduction

In June, 2012, Blue Vault Partners published the first comprehensive study of full-cycle events in the nontraded REIT industry, covering 17 nontraded REITs that had completed a full-cycle event between April 1997 and March 31, 2012. In this updated study, we have added ten additional nontraded REITs that completed full-cycle events from April 1, 2012 through October 10, 2013. This updated study was again prepared in collaboration with the Real Estate Finance and Investment Center at The University of Texas at Austin McCombs School of Business which is led by Dr. Jay C. Hartzell, Chair of the Department of Finance and Executive Director of the Real Estate Finance and Investment Center.

The purpose of this study is to assess the performance of nontraded REITs that have provided shareholders with full liquidity. Full-cycle events in the nontraded REIT industry occur when a REIT completes a listing of its common stock on a public exchange, is acquired by or merges with another entity, or liquidates its real estate portfolio. A full-cycle event provides shareholders with the opportunity to completely liquidate their common stock holdings in arms-length transactions for the first time. While nontraded REITs typically offer above-average distribution yields, one cannot fully assess their performance until their shareholders experience a full-cycle exit event that provides them with liquidity.

The second annual Nontraded REIT Full-Cycle Performance Study not only updated results from the 2012 study but also attempts to provide answers to new questions such as:

- In addition to the custom benchmarks based on traded (FTSE NAREIT) and institutional (NCREIF) portfolios, how did the nontraded REITs perform relative to the actual indices over the life of the REIT?
- How did the performance of nontraded REITs compare to traditional benchmarks such as those for stocks and bonds?
- What differences were observed in the returns to investors for full-cycle events that were public listings vs. mergers with other firms?
- Is there information in observable index values (e.g. FTSE NAREIT Price Index) that would be useful in forecasting full-cycle share values?

Executive Summary

- Since March 31, 2012 and through October 31, 2013, ten nontraded REITs have experienced full-cycle events, providing investors with full liquidity for their common shares. This brings the total number of nontraded REITs that have completed measurable results to 27*.
    - The 27 full-cycle events include larger firms. Average asset values were $1.45 billion vs. $1.00 billion in the first study.
    - The 27 full-cycle REITs include international assets for the first time.
    - Total returns for the 27 full-cycle events were lower (median 8.59%) compared to first study's 17 events (median 10.85%).
    - There was considerably more variation in average returns in the updated full-cycle REITs (from 18.34% to -4.13%), with three REITs experiencing negative returns among the 27 events (vs. none in the previous 17 events study).

- Twelve of the full-cycle events were listings on public exchanges, five were acquired by publicly traded firms, seven were acquired by or merged with nontraded REITs that ultimately had their own full-cycle events, and three were acquired by a private firm for cash.

- For each nontraded REIT, an internal rate of return (IRR), or average compounded rate of return experienced by investors was calculated in two ways. The first calculation assumes that all distributions were reinvested at the then-prevailing price (including DRIP discounts). The second IRR calculation assumes no reinvestment of distributions.

- Realized common shareholder returns for the 27 full-cycle REITs assuming reinvestment of distributions ranged from -4.13% to 18.34% with an average of 8.27% and a median of 8.59%. Assuming no reinvestment of distributions, the average IRR was 7.73% and the median was 8.12%.

- The average annual distribution yield for the 27 REITs in the updated study was 7.26%, using quarters in which distributions were paid and based upon the initial offering prices.

- As in the first full-cycle study, the updated study constructs unique custom benchmark return comparisons for each REIT, utilizing NCREIF appraisal-based quarterly returns as reported by institutional investors and FTSE NAREIT indices for the returns of publicly-traded REITs.

- In the updated study, adjustments for the effects of leverage differences between the unlevered NCREIF indices and the average leverage of traded REITs in the FTSE NAREIT indices were made using more accurate leverage and interest expense estimates for the full-cycle REITs, which has resulted in revised custom benchmarks for the 17 REITs in the initial study. The change in leverage calculations did not materially change our overall conclusions.

- The average IRRs for the custom benchmarks constructed by matching location and property type data for each REIT and the appropriately weighted and levered NCREIF indices was 11.21% with a median of 10.60%, 2.01% higher than the actual median IRRs for the 27 REITs.

- The average IRRs for the custom benchmarks constructed by weighting returns on the FTSE NAREIT indices for each property type to match the nontraded REIT's portfolio over time, again adjusting for differences in leverage, was 10.45% with a median of 10.73%, 2.14% higher than the actual median IRRs for the 27 REITs.

**See page 8 for information regarding three nontraded REITs that have been excluded from this study.*

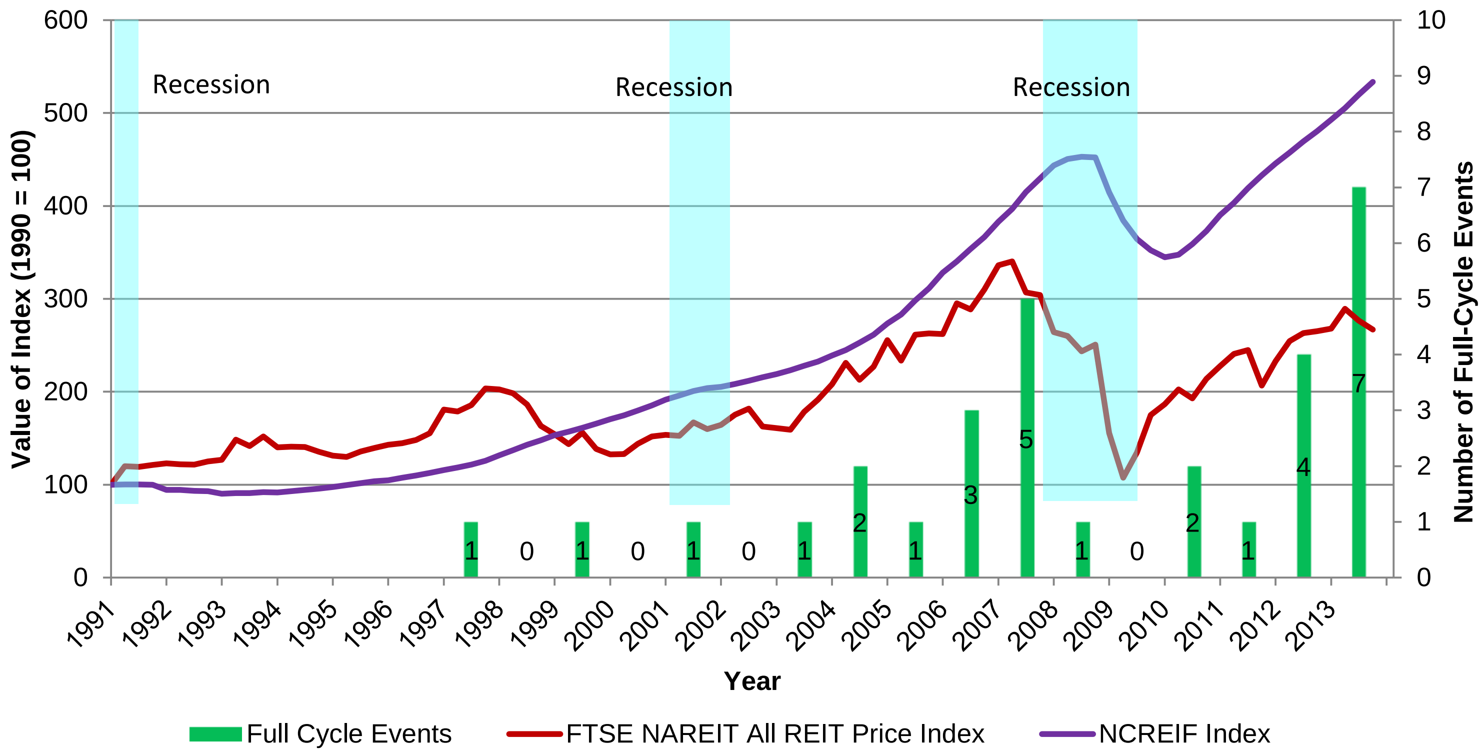
Executive Summary

- When comparing the full-cycle IRRs of the 27 nontraded REITs to the custom benchmarks, we find that 14 of 27 REITs (52%) outperformed one or both of their respective custom benchmarks. Nine outperformed the private (NCREIF) benchmark and nine outperformed the publicly-traded (FTSE NAREIT) benchmark, while four outperformed both.
- Comparisons of returns for the full-cycle REITs to the NCREIF and FTSE NAREIT benchmark returns over time show generally higher correlations with the publicly-traded index returns.
- When comparing nontraded REIT full-cycle returns to traditional investment market indices, the average annualized returns for nontraded REITs in the study was 8.27% compared to an average return for the S&P 500 Stock Index of 6.08% over matched holding periods. The Intermediate-Term Treasury Fund benchmark provided average returns of 6.22% over matched holding periods. Two thirds of the full-cycle REITs outperformed the S&P 500 Index and 20 of 27 outperformed Intermediate-Term U.S. Treasury Bonds.
- The higher average rates of return and the low correlations in quarterly returns between nontraded REITs and the S&P 500 Index and the Intermediate-Term U.S. Treasury Bond Index suggest potential for diversification benefits within a context of well-diversified portfolios.
- Removing the effects of a hypothetical 12% front-end load for all REITs in the sample, the average nontraded REIT achieved a 10.70% average annual return on its real estate portfolio, apart from the impact of fees or loads. Adjusted for fees, the full-cycle returns are comparable to the benchmark returns (unloaded nontraded REITs average 10.70% vs. FTSE NAREIT publicly traded benchmark average 10.45%).
- In terms of investment timing, our results showed no significant differences between the average returns to early, middle or late investors during the offering periods.
- For the 27 full-cycle nontraded REITs, distributions provided an average of 85.0% of the total returns while capital gains provided 15.0%. The average capital gain (full-cycle price minus initial offering price) for the 27 REITs was 5.54%, with 19 REITs showing capital gains and 7 capital losses.
- Eleven sponsors out of a current total of 32 had at least one nontraded REIT that completed a full-cycle event over the study period.
- Using price returns on the FTSE NAREIT All REITs index and recently reported NAVs to forecast a final full-cycle exit price was found to be, on average, unbiased but ineffective.
- The average full-cycle price was $0.48 higher than the average most recently filed NAV or share price, with 15 REITs out of 27 exceeding that reported value.

Historical Overview

Market Trends in Commercial Real Estate and Full-Cycle Events
The chart below relates the occurrence of full-cycle events in this study to the valuation trends in the commercial real estate market as represented by the FTSE NAREIT All REIT Price Index and the NCREIF Index. Both of these indices measure the valuations of component portfolios, not the total returns on those portfolios. The valuations in the commercial real estate markets were impacted by the three recessions since the inception of the first non-traded REITs in our sample in 1990. Clearly, there appears to be a relationship between the occurrence of full-cycle events and market conditions. The timing of a REIT's inception, property portfolio investments and full-cycle event relative to these market trends will play a dominant role in determining investor returns.

The 10 full-cycle events that have been added to the sample for this updated study experienced market conditions, on average, that were less favorable in terms of price appreciation. The average annual increase in the FTSE NAREIT Price Index over the holding periods of the latest 10 full-cycle REITs was 3.30% vs. 6.40% for the earlier 17 REITs sample in the original study. The following chart shows full-cycle events in the years they took place, but our study uses the date of full liquidity for common shareholders, which may be later for some REITs.



Sample Description

The goal of the 2013 full-cycle performance study is to provide an assessment of performance for those nontraded REITs that have experienced a full-cycle event since the inception of the industry. While a total of 30 nontraded REITs have experienced liquidity events during this time frame, performance for only 27 nontraded REITs are included in the 2013 study and are listed on the next page. We note that three nontraded REITs were excluded from the sample because their shareholders have not yet achieved full liquidity as explained below.

For the following reasons, the nontraded REITs below were excluded from the sample:

G REIT, Inc.: Board and shareholders approved full liquidation in 2006. Because the REIT did not complete a full liquidation within a 24 month time frame, the REIT transferred its remaining assets into a liquidating trust in 2008. An extension was approved to allow for a complete liquidation by 2014.

Healthcare Trust of America, Inc. (HTA) listed its Class A shares on the NYSE on June 6, 2012. Prior to the listing, shareholders had their shares split evenly into four tranches[1]. The remaining tranches of Class B-1, B-2 and B-3 shares were converted into listed shares at six-month intervals with the final tranche expected to be converted to Class A shares in December 2013. This final conversion will constitute the full-cycle liquidity event date by our definition.

T REIT, Inc.: Board and shareholders approved full liquidation in 2005. Because the REIT did not complete a full liquidation within a 24 month time frame, the REIT transferred its remaining assets into a liquidating trust in 2007. An extension was approved to allow for a complete liquidation by 2013. On October 23, 2012, the T REIT Liquidating Trust closed on the sale of its only remaining real estate asset, an interest in the Congress Center, for cash and other considerations. As of October 31, 2013, the liquidating trust has yet to file a report showing the distribution of remaining REIT assets to shareholders.

To be considered a full-cycle liquidity event, shareholders must have had the ability to convert their entire investment to cash. The qualifying means of conversion include an acquisition of the REIT's shares by another firm in exchange for cash, a merger with a private entity or an entity that is or ultimately becomes publicly traded, or the REIT's listing on a stock exchange. For those nontraded REITs that were acquired by another nontraded REIT, we keep track of the number of shares involved and use the subsequent liquidity event for the acquirer as the final liquidity event date for the acquired REIT.

Our assumption is to consider the first date at which a shareholder could receive cash as the liquidity event. In other words, for acquisitions where shareholders had the option of receiving cash or shares, we assume that the shareholders received cash. For nontraded REITs that were acquired by publicly-traded firms, we use the first date at which the nontraded REIT's shareholders could sell their holdings in the public market on the liquidity event date. For several REITs, common shares were converted into different classes of shares via a stock distribution and over time a portion of the outstanding shares became exchange tradeable. For those REITs, we consider the date when all shares had the ability to be traded on an exchange as the full cycle date. We define the date of inception as the date that the REIT "broke escrow" and began to raise and invest external capital.

[1] *The term "tranche" is used in finance to represent a portion or "slice" of a number of related securities offered as part of the same transaction*

Sample Description

The tables on the following pages describe the nontraded REITs in the 2013 sample in more detail. As you review those tables, please note the following:

- Dates of inception range from June 1990 to June 2011, while the full-cycle liquidity events range from April 1997 through October 2013.
- For each nontraded REIT, we collected several pieces of information from their quarterly and annual filings. First among these are the data needed to compute returns – prices with and without a discount for any distribution Reinvestment Program (DRIP) and quarterly distributions to shareholders.
- Next, we collected for each quarter the fraction of each REIT's portfolio (i.e., the weight) that is invested across eight different regions of the US and internationally, and across six property types (apartment, office, industrial, retail, hotel, and other). These regional and property-type weights both sum to 100%, where book value is used to determine the relative size of each investment.
- Finally, we collected the total assets and leverage for each nontraded REIT during all quarters along with the amount of capital that was raised and reinvested each quarter throughout the REIT's lifecycle.

Sample Description

Nontraded REIT	Date of Inception	Date of Full Liquidity Event	Liquidity Event Type
American Realty Capital Trust III, Inc.	3/31/2011	2/28/2013	Merged with American Realty Capital Properties
American Realty Capital Trust, Inc.	1/25/2008	3/1/2012	Listed on NASDAQ
Apple Hospitality Five, Inc.	12/3/2002	10/11/2007	Acquired by Inland American Real Estate Trust
Apple Hospitality Two, Inc.	5/1/2001	5/23/2007	Acquired by Lion ES Hotels, LP (ING Clarion Partners)
Apple REIT Six, Inc.	1/23/2004	5/14/2013	Acquired by BRE Select Hotels
Apple Residential Income Trust, Inc.	11/19/1996	4/14/2005	Merged with Cornerstone Realty Income Trust, Inc.
Apple Suites, Inc.	7/26/1999	1/31/2003	Merged with Apple Hospitality Two
Carey Institutional Properties, Inc.	8/1/1991	8/25/2004	Merged with Corporate Property Associates 15
Chambers Street Properties (CB Richard Ellis Realty Trust)	10/24/2006	5/21/2013	Listed on NYSE
CNL Hotels & Resorts, Inc. (CNL Hospitality)	7/9/1997	4/12/2007	Acquired by MS Resort Purchaser MSREF, Ashford Hospitality Trust
CNL Restaurant Properties, Inc. (CNL American)	4/29/1995	2/25/2005	Merged with U.S. Restaurant Properties
CNL Retirement Properties, Inc.	9/18/1998	10/5/2006	Acquired by Health Care Property Investors
Cole Credit Property Trust II, Inc.	6/27/2005	7/18/2013	Listed on NYSE
Cole Credit Property Trust III, Inc.	10/1/2008	6/20/2013	Listed on NYSE
Columbia Property Trust, Inc. (Wells REIT II)	12/1/2003	10/10/2013	Listed on NYSE
Cornerstone Realty Income Trust, Inc.	12/31/1992	4/18/1997	Listed on NYSE
Corporate Property Associates 10, Inc.	6/20/1990	8/25/2004	Merged with Carey Institutional Properties Inc.
Corporate Property Associates 12, Inc.	2/18/1994	12/1/2006	Merged with Corporate Property Associates 14
Corporate Property Associates 14, Inc.	12/11/1997	5/2/2011	Merged with Corporate Property Associates 16 - Global
Corporate Property Associates 15, Inc.	11/30/2001	9/28/2012	Merged with W.P. Carey, Inc.
DCT Industrial Trust, Inc. (Dividend Capital Trust)	7/17/2002	12/13/2006	Listed on NYSE
Independence Realty Trust, Inc.	6/10/2011	8/13/2013	Listed on NYSE
Inland Real Estate Corporation	10/14/1994	6/9/2004	Listed on NYSE
Inland Retail Real Estate Trust, Inc.	2/11/1999	3/14/2007	Acquired by Developers Diversified Realty Corp.
Piedmont Office Realty Trust, Inc. (Wells REIT)	1/30/1998	1/30/2011[1]	Listed on NYSE
Retail Properties of America, Inc. (Inland Western Retail)	9/15/2003	10/7/2013[2]	Listed on NYSE
Whitestone REIT	9/15/2004	6/27/2012[3]	Listed on NYSE AMEX

1. Nontraded shares became listed Class A shares in four tranches beginning on February 10, 2010 with the last tranche converting to Class A on January 30, 2011.
2. Nontraded shares became listed Class A shares in four tranches beginning on April 5, 2012 with the last tranche converting to Class A on October 7, 2013.
3. Nontraded Class A shares converted to Class B shares in three tranches beginning on August 2010 with the last tranche converting to Class B on June 27, 2012.

Sample Description

Geographic Diversity

This table lists the average weights of regions based upon gross book value of the REIT's property portfolio, averaged over time.

Nontraded REIT	Average Regional Weights									
	Northeast	Mideast	Southeast	East North Central	West North Central	Southwest	Mountain	Pacific	Europe	Asia
American Realty Capital Trust III, Inc.	14.79%	3.46%	16.42%	29.04%	9.43%	10.41%	10.57%	5.87%	0.00%	0.00%
American Realty Capital Trust, Inc.	45.29%	6.41%	9.82%	12.41%	7.94%	9.88%	3.88%	4.06%	0.00%	0.00%
Apple Hospitality Five, Inc.	22.80%	3.60%	5.80%	3.00%	0.00%	32.80%	23.20%	8.20%	0.00%	0.00%
Apple Hospitality Two, Inc.	13.58%	7.42%	19.67%	10.17%	3.50%	9.08%	7.17%	29.00%	0.00%	0.00%
Apple REIT Six, Inc.	10.70%	4.98%	17.82%	0.00%	0.00%	12.70%	9.60%	44.20%	0.00%	0.00%
Apple Residential Income Trust, Inc.	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
Apple Suites, Inc.	8.87%	18.33%	26.07%	3.53%	4.20%	19.33%	12.27%	7.80%	0.00%	0.00%
Carey Institutional Properties, Inc.	13.47%	12.51%	7.14%	18.55%	4.22%	15.32%	9.72%	19.08%	0.00%	0.00%
Chambers Street Properties (CB Richard Ellis Realty Trust)	12.74%	10.43%	31.95%	11.24%	3.63%	9.42%	3.72%	6.66%	10.21%	0.00%
CNL Hotels & Resorts, Inc. (CNL Hospitality)	17.05%	7.74%	15.38%	4.67%	1.85%	19.95%	8.62%	25.41%	0.00%	0.00%
CNL Restaurant Properties, Inc. (CNL American)	7.75%	8.65%	20.13%	22.83%	8.80%	16.75%	6.33%	9.10%	0.00%	0.00%
CNL Retirement Properties, Inc.	8.26%	11.23%	17.16%	13.03%	1.81%	35.48%	3.48%	8.52%	0.00%	0.00%
Cole Credit Property Trust II, Inc.	8.23%	7.42%	22.52%	19.76%	14.33%	14.60%	11.02%	2.12%	0.00%	0.00%
Cole Credit Property Trust III, Inc.	7.91%	11.39%	14.31%	14.09%	5.07%	25.31%	14.04%	7.87%	0.00%	0.00%
Columbia Property Trust, Inc. (Wells REIT II)	21.23%	18.47%	18.72%	16.19%	0.58%	7.26%	3.48%	13.71%	0.36%	0.00%
Cornerstone Realty Income Trust, Inc.	0.00%	97.06%	2.94%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Property Associates 10, Inc.	8.63%	6.36%	8.12%	35.98%	3.38%	11.73%	6.89%	18.97%	0.00%	0.00%
Corporate Property Associates 12, Inc.	13.27%	5.41%	3.22%	17.16%	4.37%	26.78%	2.86%	26.94%	0.00%	0.00%
Corporate Property Associates 14, Inc.	3.77%	7.21%	9.59%	19.40%	7.25%	8.20%	9.45%	35.12%	0.00%	0.00%
Corporate Property Associates 15, Inc.	17.01%	4.60%	10.99%	5.93%	5.47%	7.35%	7.81%	4.05%	36.79%	0.00%
DCT Industrial Trust, Inc. (Dividend Capital Trust)	3.25%	3.75%	32.50%	24.00%	1.75%	23.50%	4.25%	6.75%	0.00%	0.00%
Independence Realty Trust, Inc.	0.00%	9.20%	22.12%	7.02%	0.00%	11.88%	49.79%	0.00%	0.00%	0.00%
Inland Real Estate Corporation	0.00%	0.00%	0.00%	90.84%	9.16%	0.00%	0.00%	0.00%	0.00%	0.00%
Inland Retail Real Estate Trust, Inc.	7.56%	18.06%	70.38%	2.94%	0.00%	1.19%	0.00%	0.00%	0.00%	0.00%
Piedmont Office Realty Trust, Inc. (Wells REIT)	19.49%	20.15%	5.86%	26.11%	6.42%	8.31%	3.40%	10.27%	0.00%	0.00%
Retail Properties of America, Inc. (Inland Western Retail)	15.35%	13.24%	11.31%	15.59%	3.71%	20.90%	8.80%	11.05%	0.00%	0.04%
Whitestone REIT	0.00%	0.00%	0.00%	2.14%	0.00%	86.94%	10.93%	0.00%	0.00%	0.00%

Sample Description

Property Types

This table gives the average weights for the REIT's portfolio based upon property types and gross book values averaged over time.

Nontraded REIT	Average Property Type Weight*					
	Apt	Office	Indust	Retail	Hotels	Other
American Realty Capital Trust III, Inc.	0%	11%	29%	60%	0%	0%
American Realty Capital Trust, Inc.	0%	2%	18%	79%	0%	0%
Apple Hospitality Five, Inc.	0%	0%	0%	0%	100%	0%
Apple Hospitality Two, Inc.	0%	0%	0%	0%	100%	0%
Apple REIT Six, Inc.	0%	0%	0%	0%	100%	0%
Apple Residential Income Trust, Inc.	0%	0%	0%	0%	100%	0%
Apple Suites, Inc.	0%	0%	0%	0%	100%	0%
Carey Institutional Properties, Inc.	0%	23%	22%	45%	0%	10%
Chambers Street Properties (CB Richard Ellis Realty Trust)	0%	47%	48%	5%	0%	0%
CNL Hotels & Resorts, Inc. (CNL Hospitality)	0%	0%	0%	0%	100%	0%
CNL Restaurant Properties, Inc. (CNL American)	0%	0%	0%	100%	0%	0%
CNL Retirement Properties, Inc.	92%	8%	0%	0%	0%	0%
Cole Credit Property Trust II, Inc.	0%	3%	3%	93%	0%	0%
Cole Credit Property Trust III, Inc.	0%	0%	0%	100%	0%	0%
Columbia Property Trust, Inc. (Wells REIT II)	0%	100%	0%	0%	0%	0%
Cornerstone Realty Income Trust, Inc.	99%	0%	0%	0%	1%	0%
Corporate Property Associates 10, Inc.	0%	48%	9%	22%	16%	5%
Corporate Property Associates 12, Inc.	0%	41%	16%	29%	0%	14%
Corporate Property Associates 14, Inc.	0%	28%	46%	14%	0%	11%
Corporate Property Associates 15, Inc.	0%	32%	28%	12%	0%	28%
DCT Industrial Trust, Inc. (Dividend Capital Trust)	0%	0%	100%	0%	0%	0%
Independence Realty Trust, Inc.	100%	0%	0%	0%	0%	0%
Inland Real Estate Corporation	0%	0%	0%	100%	0%	0%
Inland Retail Real Estate Trust, Inc.	0%	0%	0%	100%	0%	0%
Piedmont Office Realty Trust, Inc. (Wells REIT)	0%	90%	3%	0%	0%	7%
Retail Properties of America, Inc. (Inland Western Retail)	0%	5%	0%	94%	0%	0%
Whitestone REIT	0%	24%	24%	52%	0%	0%

**May not total to 100% due to rounding.*

Sample Description

Summary Statistics

This table summarizes the performance results based on “Early Stage Investment” for each of the nontraded REITs in the sample.

Nontraded REIT	Total Assets[1] (in Millions)	Leverage[2] (Debt/Total Assets)	Conventional Internal Rate of Return (Does Not Include Reinvestment of Distribution)[3]	Annual Internal Rate of Return (Includes Reinvestment of Distribution)	Conditional Annual Distribution Yield[4]	Initial Price	Exit Price
American Realty Capital Trust III, Inc.	$709.72	10.48%	14.63%	18.34%	6.23%	$10.00	$12.57
American Realty Capital Trust, Inc.	$812.15	65.73%	7.35%	8.59%	6.63%	$10.00	$10.49
Apple Hospitality Five, Inc.	$391.39	1.45%	13.49%	15.13%	8.17%	$10.50	$14.05
Apple Hospitality Two, Inc.	$598.28	54.99%	13.40%	13.67%	10.43%	$9.50	$11.20
Apple REIT Six, Inc.	$733.66	9.13%	8.04%	8.12%	7.94%	$10.50	$11.10
Apple Residential Income Trust, Inc.	$271.27	10.55%	7.96%	6.89%	9.15%	$9.00	$7.82
Apple Suites, Inc.	$160.73	48.10%	11.63%	12.75%	10.21%	$9.00	$10.00
Carey Institutional Properties, Inc.	$342.34	47.78%	9.41%	9.65%	8.10%	$10.00	$13.90
Chambers Street Properties (CB Richard Ellis Realty Trust)	$1,392.16	33.21%	5.92%	6.39%	5.82%	$10.00	$10.00
CNL Hotels & Resorts, Inc. (CNL Hospitality)	$2,702.67	38.11%	6.65%	7.29%	6.58%	$10.00	$10.25
CNL Restaurant Properties, Inc. (CNL American)	$917.42	37.59%	6.33%	6.13%	7.21%	$10.00	$8.70
CNL Retirement Properties, Inc.	$1,587.59	34.25%	9.76%	11.74%	6.56%	$10.00	$13.89
Cole Credit Property Trust II, Inc.	$2,423.93	56.03%	5.31%	5.97%	6.45%	$10.00	$9.32
Cole Credit Property Trust III, Inc.	$3,842.11	38.16%	6.12%	7.14%	6.63%	$10.00	$10.90
Columbia Property Trust, Inc. (Wells REIT II)	$4,124.65	43.68%	1.25%	0.20%	5.48%	$10.00	$5.65
Cornerstone Realty Income Trust, Inc.	$141.40	9.15%	11.08%	12.11%	9.48%	$9.50	$10.50
Corporate Property Associates 10, Inc.	$206.79	56.34%	8.39%	8.94%	7.57%	$10.00	$11.74
Corporate Property Associates 12, Inc.	$349.10	41.83%	9.61%	10.85%	8.05%	$10.00	$13.49
Corporate Property Associates 14, Inc.	$1,160.45	47.73%	7.99%	8.25%	7.48%	$10.00	$11.50
Corporate Property Associates 15, Inc.	$2,469.86	61.97%	8.13%	8.75%	6.79%	$10.00	$12.65
DCT Industrial Trust, Inc. (Dividend Capital Trust)	$1,197.18	33.86%	11.14%	13.08%	6.40%	$10.00	$12.35
Independence Realty Trust, Inc.	$132.08	64.31%	-1.24%	-1.98%	5.60%	$10.00	$8.45
Inland Real Estate Corporation	$718.13	43.83%	10.35%	11.34%	8.85%	$10.00	$11.95
Inland Retail Real Estate Trust, Inc.	$2,387.64	53.80%	12.07%	13.95%	8.46%	$10.00	$14.00
Piedmont Office Realty Trust, Inc. (Wells REIT)	$3,075.70	26.95%	5.88%	5.29%	6.22%	$10.00	$6.59
Retail Properties of America, Inc. (Inland Western Retail)	$6,131.76	58.65%	-0.19%	-1.04%	4.36%	$10.00	$5.50
Whitestone REIT	$189.72	67.98%	-2.98%	-4.13%	5.28%	$10.00	$4.47
Average	$1,450.74	40.58%	7.68%	8.27%	7.26%	$9.93	$10.48
Median	$812.15	43.68%	8.04%	8.59%	6.79%	$10.00	$10.90

1. *Mean of annual total assets.*
2. *Mean value of book value of total liabilities to book value of total assets, across all quarters.*
3. *Does not include distribution reinvestment.*
4. *Based on offering prices and distributions in those quarters where distributions were actually paid.*

Return Calculation Methodologies

Unless otherwise noted, annual internal rates of return (IRR) were calculated based on a reinvestment of distributions using the discounted reinvestment price for each individual nontraded REIT.

The methodology used to calculate these returns assumes:

- ❖ The initial price paid for shares was the offering price available to shareholders on the first day of the first public offering.
- ❖ Quarterly distributions were paid at the end of each subsequent quarter and immediately reinvested when paid into additional shares, including any discount for Distribution Reinvestment Plans (DRP) if applicable.
- ❖ All of the shareholder's additional shares from reinvested distributions subsequently received the same quarterly percentage distribution yields as the original shares.
- ❖ At the actual date of the full-cycle event, the calculation uses the total accumulated value of the shareholder's investment (including the amount of the earliest possible cash payout per share at the date of the full-cycle event) relative to the original investment to find the equivalent quarterly geometric average rate of return over the n-quarters holding period.
- ❖ In the cases of reverse stock splits, all distributions and other per share cash payments were adjusted to reflect the effects of the splits.

Formula:

$$\text{Quarterly IRR} = \left[\frac{\textit{Ending Account Value per Share}}{\textit{Initial Share Price}}\right]^{1/n} - 1$$

$$\textit{Annual IRR} = (1 + \textit{Quarterly IRR})^4 - 1$$

Example:

If the shareholder's original investment is \$10.00 per share and the ending account value is \$18.00, which includes both an ending share price paid to shareholders of \$10.50 and \$7.50 of reinvested distributions over the 24 quarters of the full-cycle REIT, then the IRR calculation would be:

$$\text{Quarterly IRR} = \left[\frac{\$18.00}{\$10.00}\right]^{1/24} - 1 = .0248 = 2.48\%$$

$$\textit{Annual IRR} = (1 + \textit{Quarterly IRR})^4 - 1 = 10.295\%$$

Custom Benchmark Construction

Having documented the IRRs to investors, assuming they held their shares for the entire life of the REIT and reinvested all distributions, we now focus on several means of analyzing these returns. We begin with the question of appropriate benchmarks for assessing performance. Given that nontraded REITs represent a hybrid between privately-held commercial real estate and publicly-traded REITs, we use both private and publicly-traded real estate returns to arrive at two different benchmarks for each REIT.

REIT-Specific Custom Benchmark (Institutional Real Estate Investment model):

Our first benchmark starts with data from the National Council of Real Estate Investment Fiduciaries (NCREIF)[1]. These data are based on appraisal-based quarterly returns (both income and capital gains) as reported by institutional investors. The advantage of these returns is that they are reported by location and property type, enabling us to construct a benchmark return that corresponds to each REIT along these dimensions. The disadvantages are that the benchmarks are not investible (individual investors cannot buy shares of these institutionally-held properties), they are based on appraisals, and they are unlevered. The last of these we account for by "levering" the NCREIF-based returns using each REIT's quarterly leverage. Thus, our benchmark returns match each REIT's leverage level.

To construct the NCREIF benchmark return, we first construct the returns on two portfolios of NCREIF assets[2]. The first is weighted by region (for all property types), where the weights are chosen to match the individual REIT's geographic weights for that year. The second is weighted by property type (for all regions), where the weights are similarly chosen to match the individual REIT's property-type weights for that year. The final NCREIF benchmark is an equal-weighted average of these two portfolios – one based on regional returns and one based on property-type returns. Thus, each REIT has a benchmark constructed to match its chosen leverage, and degree of diversification across both regions and property types.

The final step in constructing this benchmark is to adjust for the timing of distributions and capital gains. The nontraded REITs have initial phases where the share price is held constant (typically at $10), while distributions are paid out to investors. Eventually, the price is marked to market, implying that all of the "pent up" capital gains or losses are realized in the share price. Of course, this marked-to-market value is still not a price at which investors can sell – their ultimate return depends on the final liquidation value.

In order to construct benchmarks that are similar in terms of this timing, the return to our benchmark is defined as only the income portion of the reported NCREIF return for all quarters until the REIT's price is marked to market. At that point, the benchmark return is the combination of the income return and the compounded capital gains (or losses) to date. From that point forward, the benchmark returns consist of both income and capital gains for each particular quarter.

[1]For October, 2013, the NCREIF 4Q 2013 index is not available at the time of our study. We estimate the index value for 7 and 10-day portion of the quarter for two REITs based upon a pro-rated extrapolation of the previous quarter's returns in order to benchmark the 7 and 10-day returns.
[2] For properties in Europe and Asia, we used FTSE EPRA/NAREIT global index to construct benchmarks.

Custom Benchmark Construction

The formula for the leverage adjustment is: Levered Return = (Unlevered return)*(Firm value/Equity value) – (Cost of debt)*(Debt value/Equity value). Values are based on each firm's books, and the cost of debt is the historical average for the particular REIT, calculated using the average liabilities on the REIT's balance sheet during a quarter and the interest expense during the quarter. This method takes into account accrued interest expense which will include items such as amortization of debt premiums and discounts, as well as gains and losses from early retirement of debt. We consider this method a more accurate measure of the firm's cost of borrowing than averages of the weighted average costs of debt based upon estimates from quarterly reports of outstanding debt.

REIT-Specific Custom Benchmark (Publicly-Traded REIT model):

Our second benchmark uses the returns of publicly-traded REITs, specifically the FTSE NAREIT indices for each property type, as reported on REIT.com. We use the FTSE NAREIT Equity Apartment, Office, Industrial, Retail, and Lodging/Resort indices, weighted by each nontraded REIT's (annual) allocations across each property type. For the "other" property-type category, we equally weight the FTSE NAREIT Self Storage and Health Care indices. For the few early quarters prior to the inception of the FTSE NAREIT property-type indices in December 1993, we use the broad FTSE NAREIT Equity REIT index for all property types.

This benchmark has the advantage of being investible by individuals (thus representing a better measure of their opportunity costs of investing in a nontraded REIT), with the drawback that it is not tailored by region due to the difficulty in decomposing all publicly-traded REITs' returns into regional components. Publicly-traded REITs can also have different degrees of leverage relative to their nontraded counterparts. We adjust for these differences by "unlevering" the publicly-traded returns using the average leverage of all publicly-traded REITs, and then "re-levering" using the individual nontraded REITs' quarterly leverage (as done for the NCREIF-based benchmark). Finally, as with the NCREIF-based benchmark, we include only the dividend yield for the publicly-traded REITs until the nontraded REIT in question is marked to market. At that point, we include the compound capital gains or losses on the index since the REIT's inception, and for later quarters, both distributions and capital gains are included.

To assess the reasonableness of these benchmarks, we calculated the correlation between the benchmarks' returns and those of each nontraded REIT. These correlations are often quite large in magnitude (either positive or negative) due to the fact that capital gains (or losses) are postponed until at or near the liquidation event for both the nontraded REITs and the benchmarks, and in many cases the cumulative capital gains or losses are large relative to the annual distribution returns. Still, for the typical REIT, the benchmarks appear reasonable.

Performance Relative to Benchmarks

Performance Relative to Custom Benchmarks

The following table compares the return calculations for the individual full-cycle REITs and their respective custom benchmarks. Benchmark returns are unique for each REIT, based upon the full-cycle investor holding periods (assuming investment in the first quarter of the first public offering), geographic diversification and property types in the property portfolios for each year. Each benchmark is also adjusted for leverage to match the REIT's use of leverage on an annual basis.

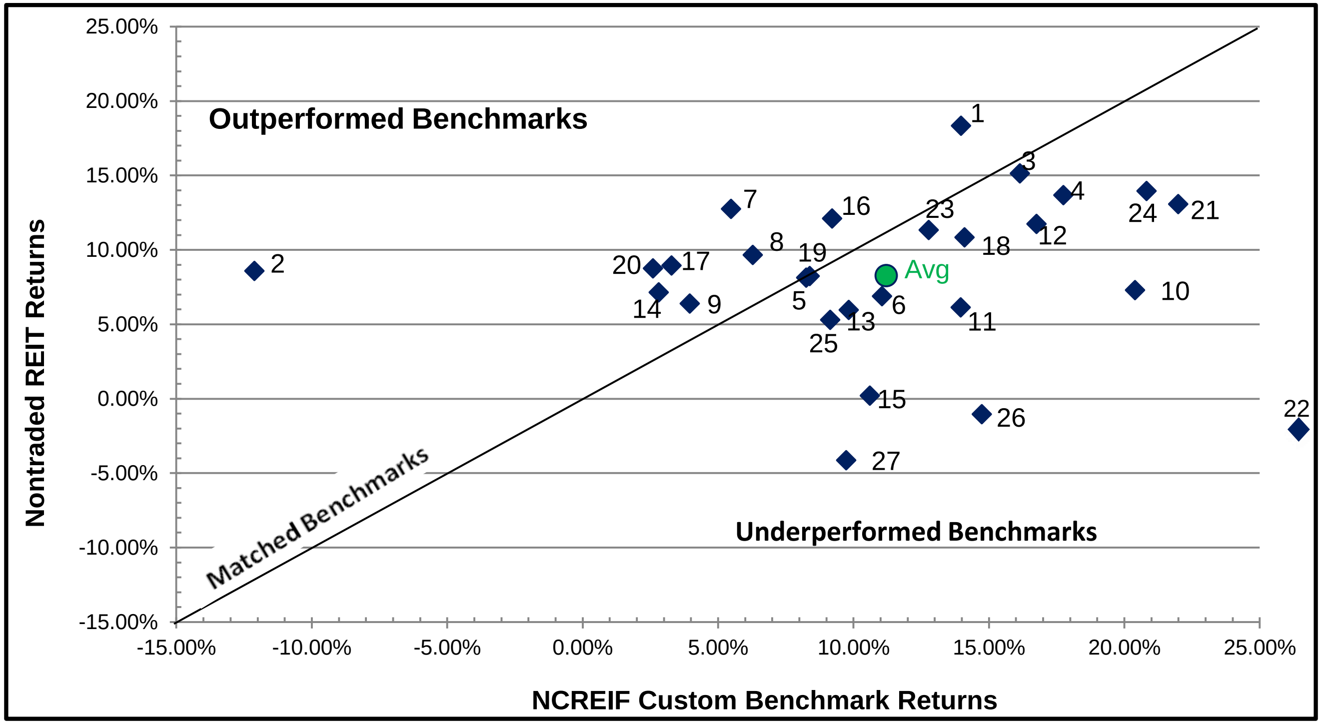
Chart Key	Nontraded REIT	Individual REIT Internal Rate of Return[1]	Custom Benchmarks* NCREIF-Based	Custom Benchmarks* FTSE-NAREIT-Based[2]
1	American Realty Capital Trust III, Inc.	18.34%	13.96%	13.83%
2	American Realty Capital Trust, Inc.	8.59%	-12.12%	2.79%
3	Apple Hospitality Five, Inc.	15.13%	16.14%	9.68%
4	Apple Hospitality Two, Inc.	13.67%	17.75%	10.95%
5	Apple REIT Six, Inc.	8.12%	8.25%	6.47%
6	Apple Residential Income Trust, Inc.	6.89%	11.05%	5.97%
7	Apple Suites, Inc.	12.75%	5.47%	-4.05%
8	Carey Institutional Properties, Inc.	9.65%	6.28%	13.95%
9	Chambers Street Properties (CB Richard Ellis Realty Trust)	6.39%	3.95%	2.85%
10	CNL Hotels & Resorts, Inc. (CNL Hospitality)	7.29%	20.39%	3.28%
11	CNL Restaurant Properties, Inc. (CNL American)	6.13%	13.95%	15.15%
12	CNL Retirement Properties, Inc.	11.74%	16.75%	16.84%
13	Cole Credit Property Trust II, Inc.	5.97%	9.82%	7.63%
14	Cole Credit Property Trust III, Inc.	7.14%	2.81%	8.14%
15	Columbia Property Trust, Inc. (Wells REIT II)	0.20%	10.60%	8.47%
16	Cornerstone Realty Income Trust, Inc.	12.11%	9.20%	14.09%
17	Corporate Property Associates 10, Inc.	8.94%	3.28%	14.95%
18	Corporate Property Associates 12, Inc.	10.85%	14.10%	12.95%
19	Corporate Property Associates 14, Inc.	8.25%	8.38%	10.22%
20	Corporate Property Associates 15, Inc.	8.75%	2.59%	12.84%
21	DCT Industrial Trust, Inc. (Dividend Capital Trust)	13.08%	21.99%	19.27%
22	Independence Realty Trust, Inc.	-1.98%	30.95%	12.55%
23	Inland Real Estate Corporation	11.34%	12.77%	15.35%
24	Inland Retail Real Estate Trust, Inc.	13.95%	20.82%	22.32%
25	Piedmont Office Realty Trust, Inc. (Wells REIT)	5.29%	9.14%	10.51%
26	Retail Properties of America, Inc. (Inland Western Retail)	-1.04%	14.73%	10.73%
27	Whitestone REIT	-4.13%	9.72%	4.50%
	Average	8.27%	11.21%	10.45%
	Median	8.59%	10.60%	10.73%

1. *Assumes reinvestment of distributions.*
2. *Benchmark returns for the 17 REITs in the first study are updated for revised leverage calculations.*

Performance Relative to Benchmarks

Performance Relative to Custom NCREIF Benchmarks

Average annualized returns for full-cycle REITs compared to their respective NCREIF benchmarks. Full-cycle REIT returns plotting above the diagonal represent those which outperformed their NCREIF custom benchmark. The average performance for all 27 REITs is also plotted.

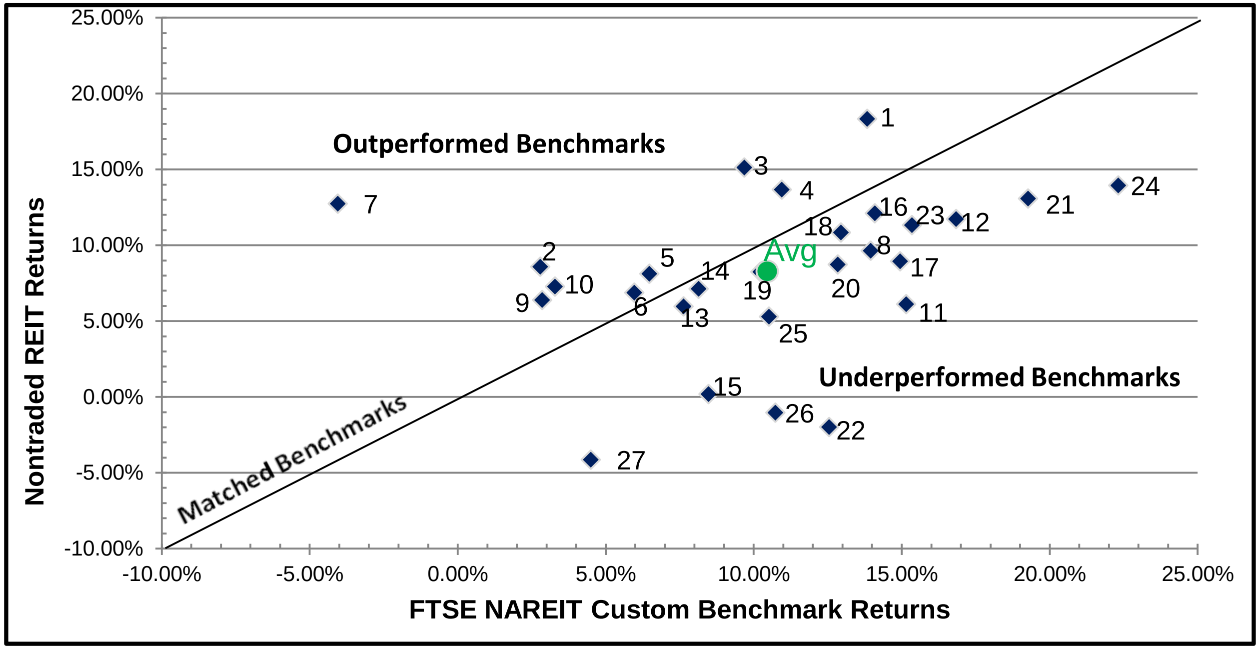


1	American Realty Capital Trust III	10	CNL Hotels & Resorts	19	Corporate Property Associates 14
2	American Realty Capital Trust	11	CNL Restaurant Properties	20	Corporate Property Associates 15
3	Apple Hospitality Five	12	CNL Retirement Properties	21	DCT Industrial Trust
4	Apple Hospitality Two	13	Cole Credit Property Trust II	22	Independence Realty Trust
5	Apple REIT Six	14	Cole Credit Property Trust III	23	Inland Real Estate Corporation
6	Apple Residential Income Trust	15	Columbia Property Trust	24	Inland Retail Real Estate Trust
7	Apple Suites	16	Cornerstone Realty Income Trust	25	Piedmont Office Realty Trust
8	Carey Institutional Properties	17	Corporate Property Associates 10	26	Retail Properties of America
9	Chambers Street Properties	18	Corporate Property Associates 12	27	Whitestone REIT

Performance Relative to Benchmarks

Performance Relative to Custom FTSE NAREIT Benchmarks

Average annualized returns for full-cycle REITs compared to their respective FTSE NAREIT benchmarks. Full-cycle REIT returns plotting above the diagonal represent those which outperformed their publicly-traded custom benchmark. The average performance for all 27 REITs is also plotted.

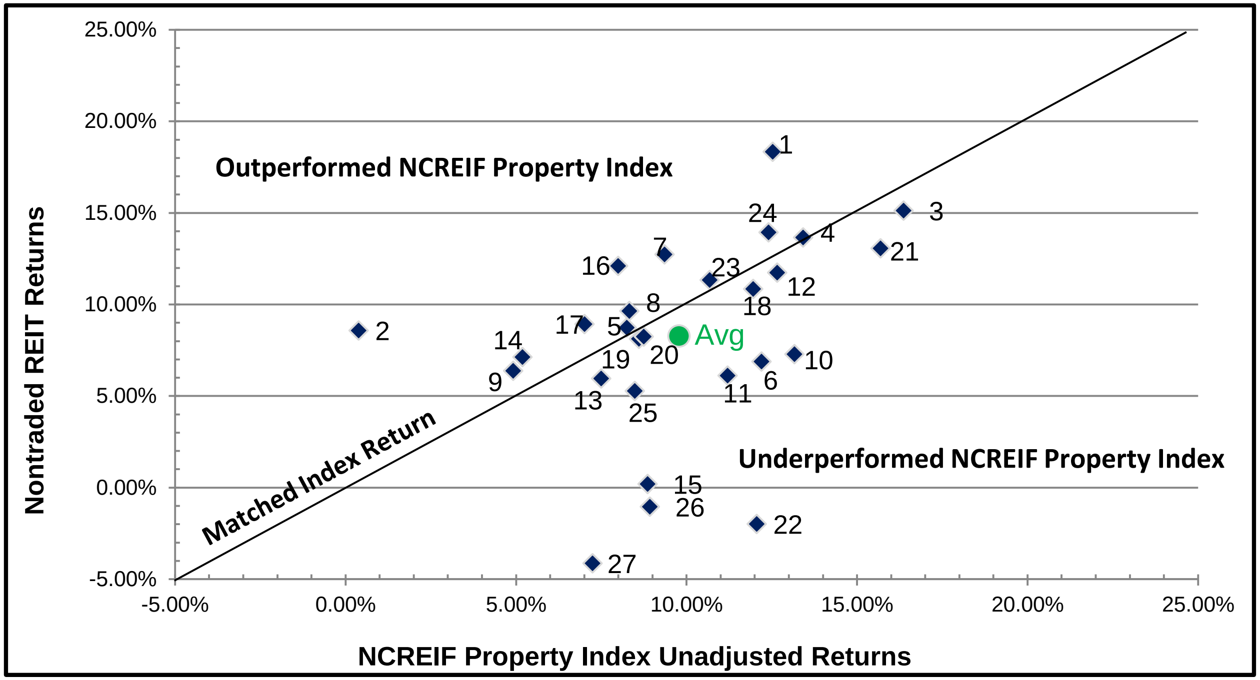


1	American Realty Capital Trust III	10	CNL Hotels & Resorts	19	Corporate Property Associates 14
2	American Realty Capital Trust	11	CNL Restaurant Properties	20	Corporate Property Associates 15
3	Apple Hospitality Five	12	CNL Retirement Properties	21	DCT Industrial Trust
4	Apple Hospitality Two	13	Cole Credit Property Trust II	22	Independence Realty Trust
5	Apple REIT Six	14	Cole Credit Property Trust III	23	Inland Real Estate Corporation
6	Apple Residential Income Trust	15	Columbia Property Trust	24	Inland Retail Real Estate Trust
7	Apple Suites	16	Cornerstone Realty Income Trust	25	Piedmont Office Realty Trust
8	Carey Institutional Properties	17	Corporate Property Associates 10	26	Retail Properties of America
9	Chambers Street Properties	18	Corporate Property Associates 12	27	Whitestone REIT

Performance Relative to Benchmarks

Performance Relative to Unadjusted NCREIF Property Index

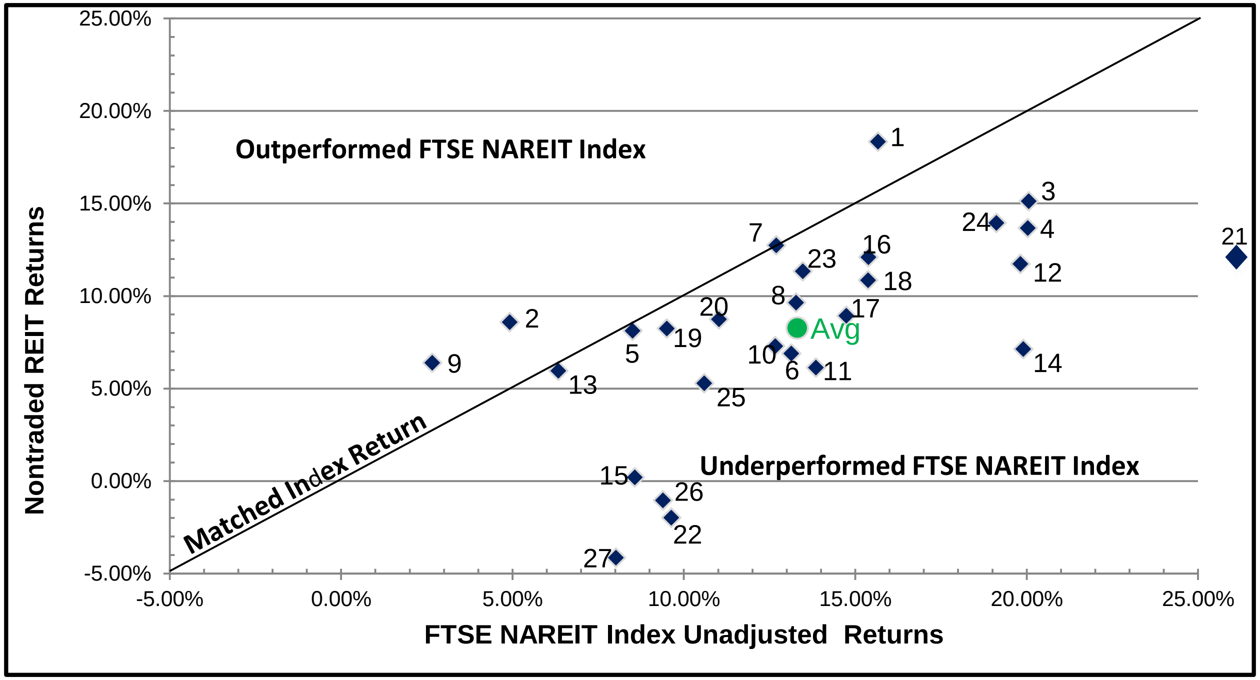
We also compared the investor returns for the full-cycle REITs to the returns on the NCREIF Property Index (NPI), unadjusted and unweighted for regional or property type differences between REIT portfolios.



1	American Realty Capital Trust III	10	CNL Hotels & Resorts	19	Corporate Property Associates 14
2	American Realty Capital Trust	11	CNL Restaurant Properties	20	Corporate Property Associates 15
3	Apple Hospitality Five	12	CNL Retirement Properties	21	DCT Industrial Trust
4	Apple Hospitality Two	13	Cole Credit Property Trust II	22	Independence Realty Trust
5	Apple REIT Six	14	Cole Credit Property Trust III	23	Inland Real Estate Corporation
6	Apple Residential Income Trust	15	Columbia Property Trust	24	Inland Retail Real Estate Trust
7	Apple Suites	16	Cornerstone Realty Income Trust	25	Piedmont Office Realty Trust
8	Carey Institutional Properties	17	Corporate Property Associates 10	26	Retail Properties of America
9	Chambers Street Properties	18	Corporate Property Associates 12	27	Whitestone REIT

Performance Relative to Benchmarks

Performance Relative to Unadjusted FTSE NAREIT Index
We also compared the investor returns for the full-cycle REITs to the returns on the FTSE NAREIT Index, unadjusted and unweighted for property type differences between REIT portfolios.



1 American Realty Capital Trust III
2 American Realty Capital Trust
3 Apple Hospitality Five
4 Apple Hospitality Two
5 Apple REIT Six
6 Apple Residential Income Trust
7 Apple Suites
8 Carey Institutional Properties
9 Chambers Street Properties
10 CNL Hotels & Resorts
11 CNL Restaurant Properties
12 CNL Retirement Properties
13 Cole Credit Property Trust II
14 Cole Credit Property Trust III
15 Columbia Property Trust
16 Cornerstone Realty Income Trust
17 Corporate Property Associates 10
18 Corporate Property Associates 12
19 Corporate Property Associates 14
20 Corporate Property Associates 15
21 DCT Industrial Trust
22 Independence Realty Trust
23 Inland Real Estate Corporation
24 Inland Retail Real Estate Trust
25 Piedmont Office Realty Trust
26 Retail Properties of America
27 Whitestone REIT

Performance Relative to Benchmarks

Performance vs. the S&P 500 Stock Index and Intermediate-Term U.S. Treasury Total Returns

We compared the early investor IRRs for the 27 full-cycle REITs to the average annualized total returns for the most commonly referenced publicly-traded common stock index, the Standard & Poor's 500 Index, over identical holding periods. This type of broad index would provide an investor with a more readily-calculated comparison to returns on other common stocks available for investment. As a value-weighted index of 500 large publicly traded corporations (including both NYSE and NASDAQ exchanges), the index serves as a proxy for a typical, very well-diversified common stock portfolio.

The results of these comparisons are shown in the table on page 23. Compared to the average compounded quarterly returns on the S & P 500 Index, for the 27 full-cycle REITS, early investors in 18 REITs outperformed the index over their holding periods. The average total return (capital gains and dividend yield) on the S&P 500 Index over the life cycles of the 27 full-cycle REITs was 6.08% compared to an average IRR for the REITs of 8.27%. %. (It should be noted that these raw differences in average returns do not include any adjustment for differences in risk, and are not meant to indicate that one class of investments performed better than another on a risk-adjusted basis.)

Another comparison for evaluating the returns on full-cycle REITs is the total returns on Intermediate-Term Treasury Bonds[1]. Bond yields consist of both interest payments and capital gains and losses, as the prices of bonds rise and fall inversely with increases and decreases in market interest rates represented by bond yields. The total returns on Intermediate-Term Treasury Bonds include both interest payments and capital gains and losses over the holding period. The Intermediate-Term Treasury Bond is a reasonable benchmark to select given the typical life-cycle of nontraded REITs of 6 to 10 years.

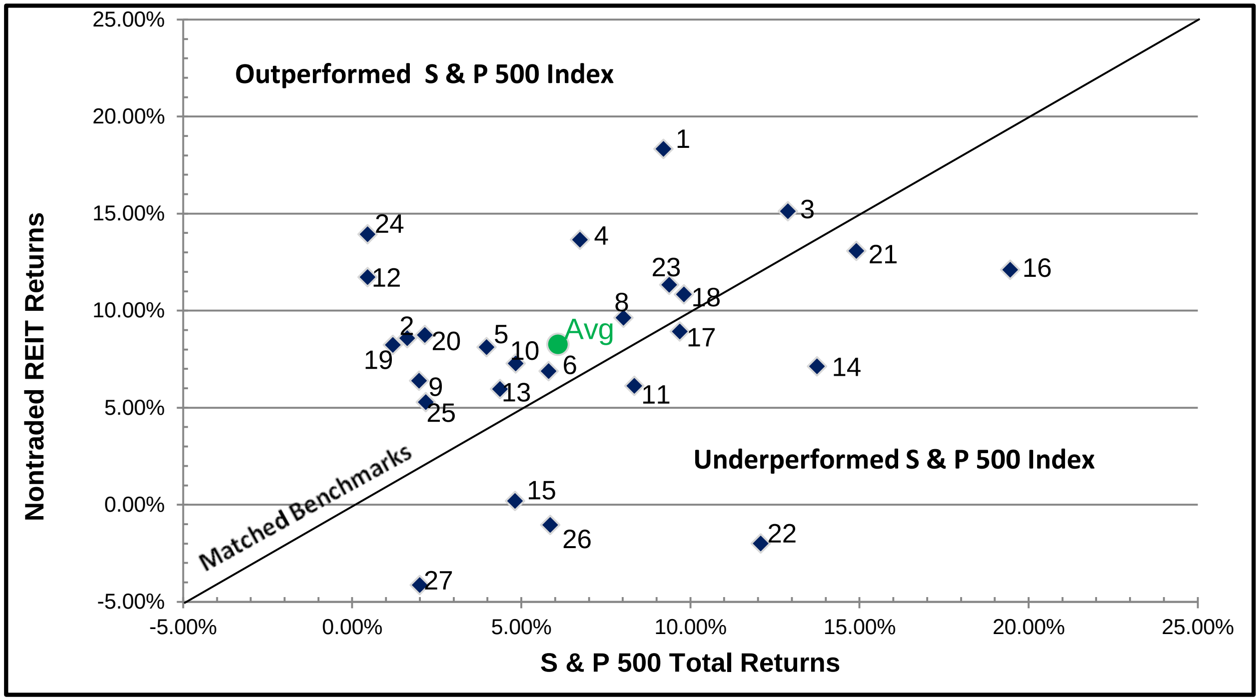
The results of the comparison between nontraded REIT IRRs and total returns on Intermediate-Term U.S. Treasuries are shown on page 24. The average total return on the Intermediate-Term U.S. Treasuries over the life cycles of the 27 nontraded REITs was 6.22% compared to an average IRR for the REITs of 8.27%. For the 27 REITs, 20 outperformed the Intermediate-Term U.S. Treasuries returns over their life cycles.

[1] *The Intermediate-Term Treasury Bond return is based upon the quarterly total returns on 10-year U.S. Treasury notes from Wharton Research Data Services from 1990-2012 and the Vanguard Intermediate-Term Treasury Fund Investor Shares (VFITX) for 2013.*

Performance Relative to Benchmarks

Performance Relative to S&P 500 Index

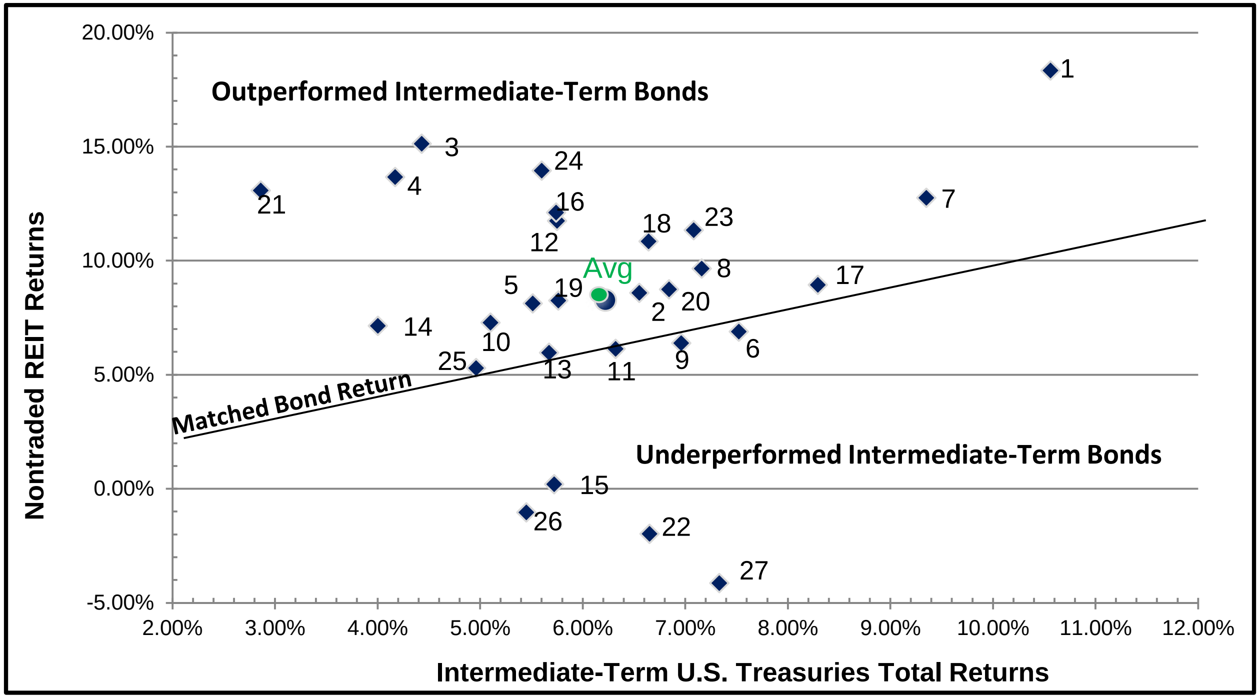
We compare the annualized returns of the 27 full-cycle REITs to total returns on the S & P 500 Index over holding periods which match the life cycle of the nontraded REITs. Those 18 REITs whose average shareholder returns plot above the diagonal outperformed the S & P 500 Index. The average return for the 27 REITs outperformed the S & P 500 Index also (8.27% to 6.08%).



1	American Realty Capital Trust III	10	CNL Hotels & Resorts	19	Corporate Property Associates 14
2	American Realty Capital Trust	11	CNL Restaurant Properties	20	Corporate Property Associates 15
3	Apple Hospitality Five	12	CNL Retirement Properties	21	DCT Industrial Trust
4	Apple Hospitality Two	13	Cole Credit Property Trust II	22	Independence Realty Trust
5	Apple REIT Six	14	Cole Credit Property Trust III	23	Inland Real Estate Corporation
6	Apple Residential Income Trust	15	Columbia Property Trust	24	Inland Retail Real Estate Trust
7	Apple Suites	16	Cornerstone Realty Income Trust	25	Piedmont Office Realty Trust
8	Carey Institutional Properties	17	Corporate Property Associates 10	26	Retail Properties of America
9	Chambers Street Properties	18	Corporate Property Associates 12	27	Whitestone REIT

Performance Relative to Benchmarks

Performance Relative to Intermediate-Term U.S. Treasury Bond Portfolio
We compare the annualized returns of the 27 full-cycle REITs to total returns on a portfolio of Intermediate-Term U.S. Treasury Bonds over holding periods which match the life cycle of the nontraded REITs. Those 20 REITs whose average shareholder returns plot above the diagonal outperformed Intermediate-Term U.S. Treasury Index. The average return for the 27 REITs outperformed the Bond Index also (8.27% to 6.22%).



1	American Realty Capital Trust III	10	CNL Hotels & Resorts	19	Corporate Property Associates 14
2	American Realty Capital Trust	11	CNL Restaurant Properties	20	Corporate Property Associates 15
3	Apple Hospitality Five	12	CNL Retirement Properties	21	DCT Industrial Trust
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8	Carey Institutional Properties	17	Corporate Property Associates 10	26	Retail Properties of America
9	Chambers Street Properties	18	Corporate Property Associates 12	27	Whitestone REIT

Performance Relative to Benchmarks

Correlation of Nontraded REIT Full-Cycle Returns with Index Returns

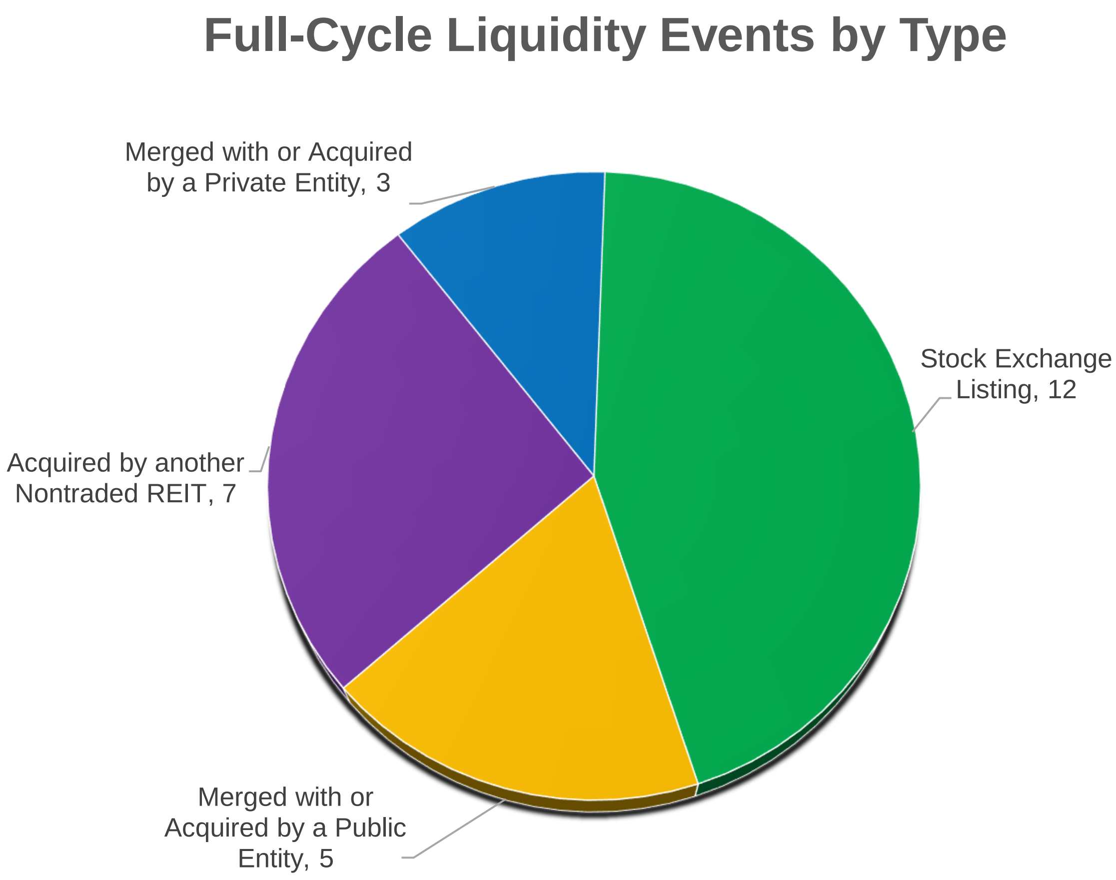
Correlations measure the tendency of the returns of one asset class to be related to returns of other asset classes. Given the difficulties in calculating a full time-series of returns for all nontraded REITs, we examine the cross-sectional correlations to shed light on the relationship of returns between nontraded REITs and other asset classes. That is, we measure the degree to which the average for the 27 nontraded REIT returns are related to returns on other assets over their holding periods. Correlation coefficients much greater than zero show a positive relationship, meaning the two sets of returns tend to vary together, while correlations near zero show no significant relationship.

The returns on full-cycle nontraded REITs show positive cross-sectional correlations with both the private portfolios in the NCREIF Property index (0.367) and the publicly traded REIT portfolios in the FTSE NAREIT index (0.577). Interestingly, the cross-sectional correlation of full-cycle nontraded REIT returns with the S&P 500 index is very low (0.095), indicating these REITs could provide diversification benefits within a portfolio context with well-diversified common stocks. Further, the cross-sectional correlation of nontraded REIT returns with the Intermediate-Term Bond index is also very low, indicating no significant relationship with returns on Treasury bonds, which also demonstrates a potential diversification benefit when a group of nontraded REITs are combined with bonds in a portfolio.

Cross-Sectional Correlation Matrix	Nontraded REIT Returns	NCREIF Property Index Returns	FTSE NAREIT Index Returns	Intermediate-Term Bond Index Returns	S&P 500 Index Returns
Nontraded REIT Return		0.367	0.577	0.073	0.095
NCREIF Return	0.367		0.671	-0.210	0.242
FTSE NAREIT Return	0.577	0.671		-0.390	0.428
Intermediate Treasury Bond Returns	0.073	-0.210	-0.390		-0.338
S & P 500 Index Returns	0.095	0.242	0.428	-0.338	

Performance by Full-Cycle Type

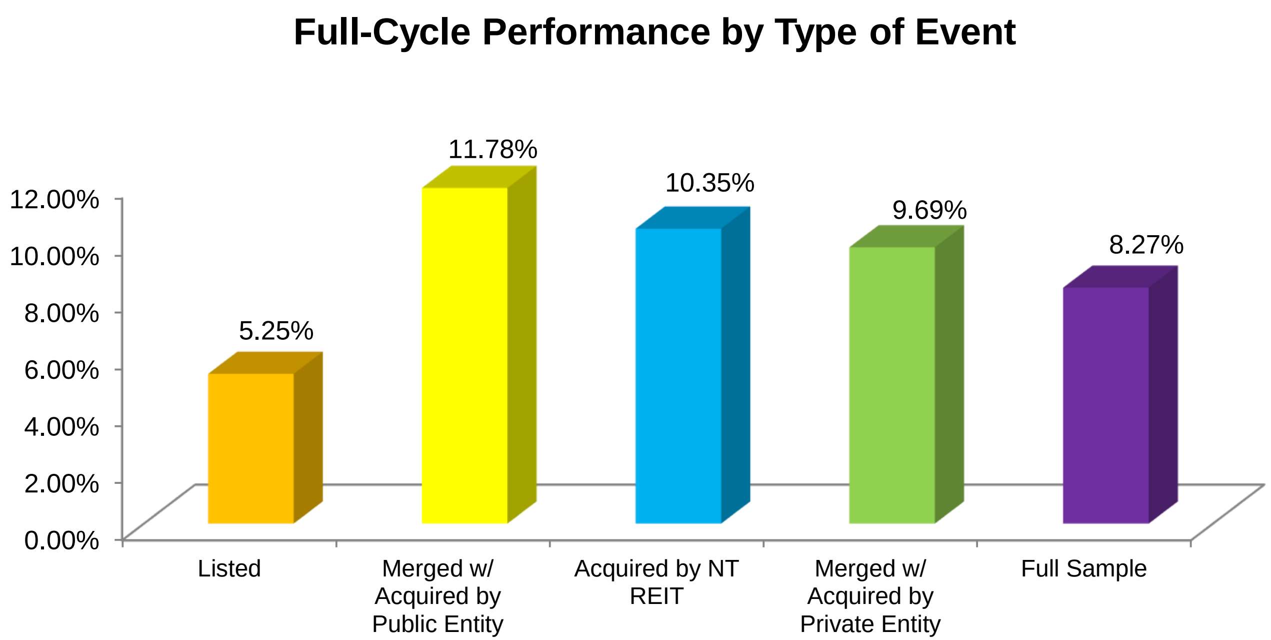
Within the 27 nontraded REITs that experienced full-cycle events, there were differences in average investor rates of return depending upon the nature of the full-cycle event.



Performance by Full-Cycle Type

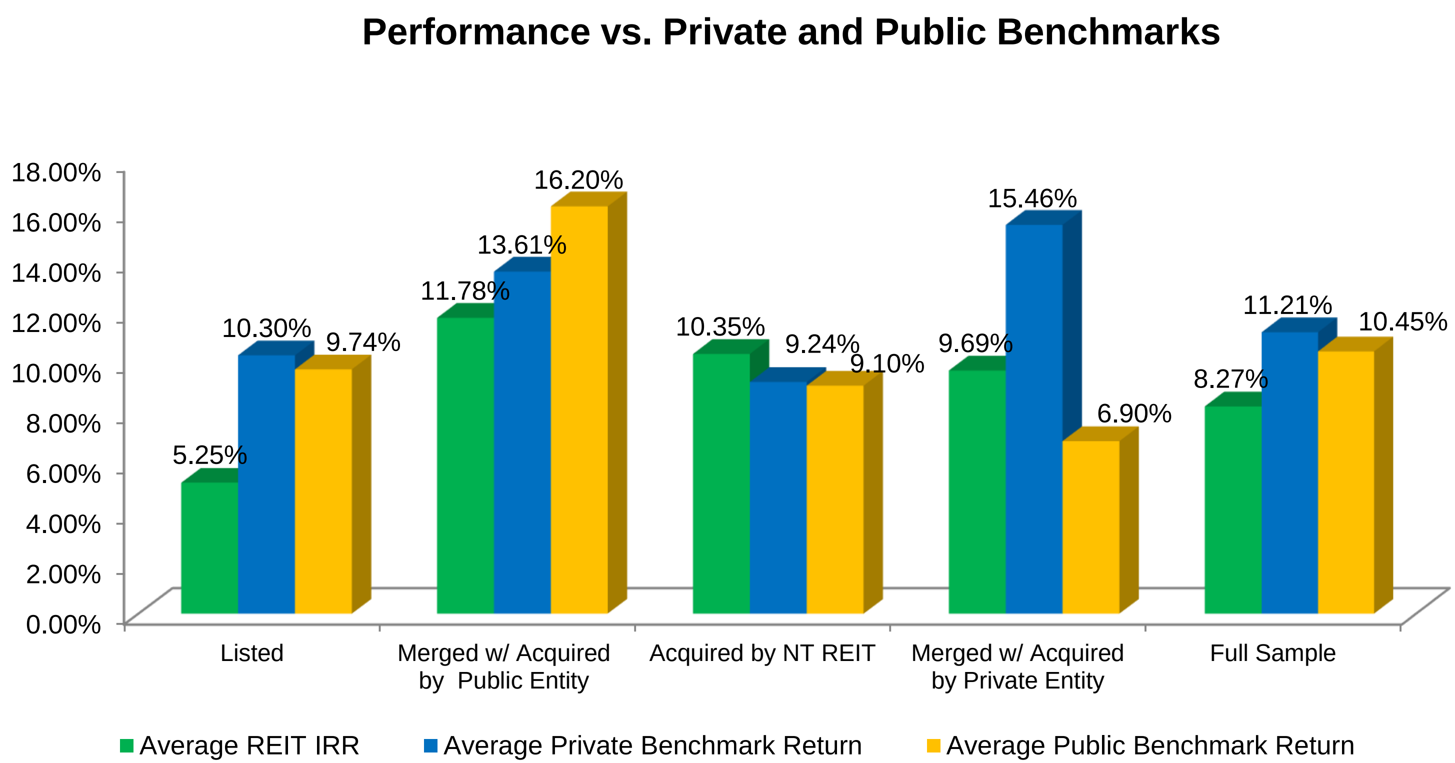
Average returns to nontraded REIT shareholders varied significantly across the four types of full-cycle events. Those five REITs which merged with or were acquired by publicly traded firms performed best at 11.78% while those 12 REITs which directly listed their shares on an exchange averaged 5.25%. The seven REITs which were acquired by or merged with another nontraded REIT and then subsequently experienced a full-cycle event had shareholder returns averaging 10.35%.

While these differences in performance are of interest, given the relatively small sub-samples of REITs within each category of full-cycle event types, it would be unwise to generalize these results and attribute difference in performance to the difference in the methods of achieving liquidity for investors.



Performance by Full-Cycle Type

The seven nontraded REITs that were acquired by or merged with another nontraded REIT which subsequently had a full-cycle event outperformed both their private and public custom benchmarks by over 1%. The three REITs which were merged or acquired by an unlisted firm outpeformed their public benchmarks but underperformed their private benchmarks significantly. Given the wide discrepancy between the private and publicly-traded benchmarks, this may indicate a higher value placed on the REIT’s portfolio (as indicated by the appraisal-based benchmark) than available in the publicly traded REIT market valuations. Again, with the relatively small sub-samples of REITs within each category of full-cycle event types, it would be unwise to generalize these results and attribute difference in performance to the difference in the methods of achieving liquidity for investors.



Performance by Sponsor

Eleven different sponsors had nontraded REITs that completed a full-cycle event between 1990 and 2013. Apple REITs had six full-cycle events with an average annual shareholder return of 11.45%. Next was W.P. Carey with five REITs with an average annual shareholder return of 9.29%. American Realty Capital had two full-cycle events providing an average annual shareholder return of 13.47%.

Sponsor	Full-Cycle REITS	Average Total Assets (Mill)	Average Leverage	Average Annual IRR (Includes Reinvestment of Distribution	Average Conditional Annual Distribution Yield	Average Capital Gain
Apple	6	$382.79	22.23%	11.45%	8.77%	10.99%
ARC	2	$760.93	38.11%	13.47%	6.62%	15.30%
CBRE	1	$1,392.16	33.21%	6.39%	5.82%	0.00%
CNL	3	$1,735.89	36.65%	8.39%	6.78%	9.47%
Cole	2	$3,133.02	47.10%	6.55%	6.54%	-3.40%
Dividend Capital	1	$1,197.18	33.86%	13.08%	6.40%	23.50%
Hartman (Whitestone REIT)	1	$189.72	67.98%	-4.13%	5.28%	-55.30%
Inland	3	$3,079.18	52.09%	8.08%	7.25%	4.83%
RAIT (Independence Realty Trust)	1	$132.09	64.17%	-1.98%	5.94%	-15.50%
W.P. Carey	5	$905.71	51.13%	9.29%	7.60%	26.56%
Wells	2	$3,600.17	35.32%	2.74%	5.90%	-38.80%
Mean		$1,450.74	40.58%	8.27%	7.26%	5.03%
Median		$812.15	43.68%	8.59%	6.79%	10.53%

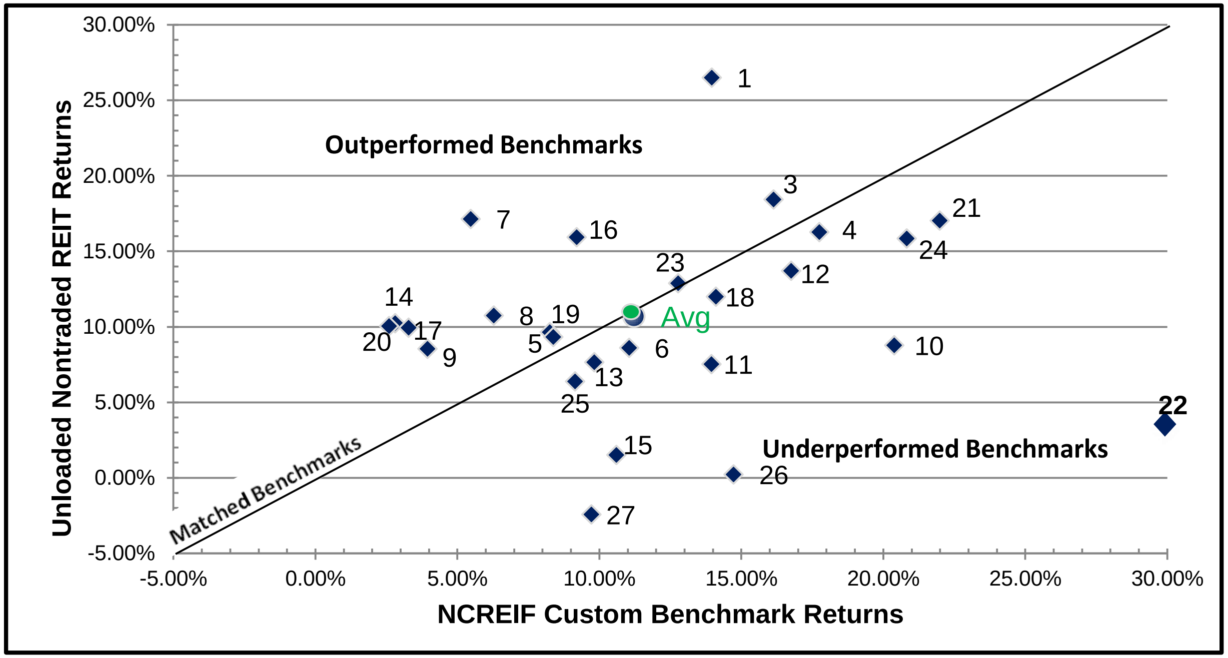
Impact of Fees on Performance

Nontraded REIT	Annualized IRRs					
	Nontraded REIT IRR[1]	Unloaded Nontraded REIT IRR[2]	NCREIF-based Benchmark	Diff (Unloaded NT REIT-NCREIF Benchmark)	FTSE-NAREIT-based Benchmark	Diff (Unloaded NT REIT - FTSE-NAREIT Benchmark)
American Realty Capital Trust III, Inc.	18.34%	26.51%	13.96%	12.55%	13.83%	12.68%
American Realty Capital Trust, Inc.	8.59%	12.19%	-12.12%	24.31%	2.79%	9.40%
Apple Hospitality Five, Inc.	15.13%	18.43%	16.14%	2.29%	9.68%	8.75%
Apple Hospitality Two, Inc.	13.67%	16.28%	17.75%	-1.47%	10.95%	5.33%
Apple REIT Six, Inc.	8.12%	9.65%	8.25%	1.40%	6.47%	3.18%
Apple Residential Income Trust, Inc.	6.89%	8.61%	11.05%	-2.44%	5.97%	2.64%
Apple Suites, Inc.	12.75%	17.15%	5.47%	11.68%	-4.05%	21.20%
Carey Institutional Properties, Inc.	9.65%	10.76%	6.28%	4.48%	13.95%	-3.19%
Chambers Street Properties (CB Richard Ellis Realty Trust)	6.39%	8.54%	3.95%	4.59%	2.85%	5.69%
CNL Hotels & Resorts, Inc. (CNL Hospitality)	7.29%	8.78%	20.39%	-11.61%	3.28%	5.50%
CNL Restaurant Properties, Inc. (CNL American)	6.13%	7.54%	13.95%	-6.41%	15.15%	-7.61%
CNL Retirement Properties, Inc.	11.74%	13.72%	16.75%	-3.03%	16.84%	-3.12%
Cole Credit Property Trust II, Inc.	5.97%	7.67%	9.82%	-2.15%	7.63%	0.04%
Cole Credit Property Trust III, Inc.	7.14%	10.24%	2.81%	7.43%	8.14%	2.10%
Columbia Property Trust, Inc. (Wells REIT II)	0.20%	1.51%	10.60%	-9.09%	8.47%	-6.96%
Cornerstone Realty Income Trust, Inc.	12.11%	15.95%	9.20%	6.75%	14.09%	1.86%
Corporate Property Associates 10, Inc.	8.94%	9.94%	3.28%	6.66%	14.95%	-5.01%
Corporate Property Associates 12, Inc.	10.85%	12.00%	14.10%	-2.10%	12.95%	-0.95%
Corporate Property Associates 14, Inc.	8.25%	9.33%	8.38%	0.95%	10.22%	-0.89%
Corporate Property Associates 15, Inc.	8.75%	10.05%	2.59%	7.46%	12.84%	-2.79%
DCT Industrial Trust, Inc. (Dividend Capital Trust)	13.08%	17.05%	21.99%	-4.94%	19.27%	-2.22%
Independence Realty Trust, Inc.	-1.98%	4.11%	30.95%	-26.84%	12.55%	-8.44%
Inland Real Estate Corporation	11.34%	12.90%	12.77%	0.13%	15.35%	-2.45%
Inland Retail Real Estate Trust, Inc.	13.95%	15.85%	20.82%	-4.97%	22.32%	-6.47%
Piedmont Office Realty Trust, Inc. (Wells REIT)	5.29%	6.38%	9.14%	-2.76%	10.51%	-4.13%
Retail Properties of America, Inc. (Inland Western Retail)	-1.04%	0.23%	14.73%	-14.50%	10.73%	-10.50%
Whitestone REIT	-4.13%	-2.43%	9.72%	-12.15%	4.50%	-6.93%
Mean	8.27%	10.70%	11.21%	-0.51%	10.45%	0.25%
Median	8.59%	10.05%	10.60%	-1.47%	10.73%	-0.95%

1. *Annual rate of return assumes reinvestment of distributions.*
2. *Unloaded by adding back hypothetical front-end fees of 12%.*

Impact of Fees on Performance

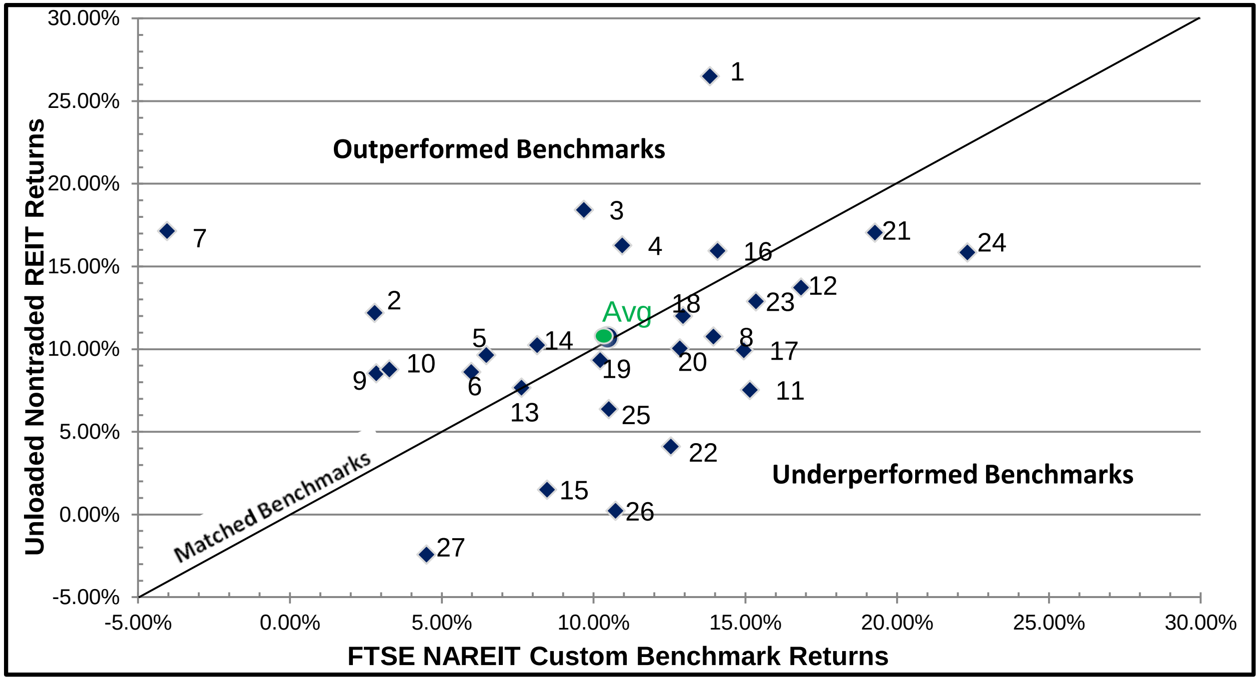
To assess the impact of fees or loads on nontraded REIT performance, we present calculations of nontraded REIT returns based upon an assumed 12 percent front-end load for all REITs in the sample, a number we believe to be in the ballpark and perhaps conservative for some sample firms. By adding back the assumed load, we can begin to gauge the degree to which the nontraded REIT's relative performance can be attributed to the performance of their real estate holdings themselves, apart from the impact of fees or loads. After adding back a plausible front-end load, the mean and median returns increase from 8.27% and 8.59% to 10.70% and 10.05%, a 2.43% difference in the mean returns for the typical REIT in the sample.



1	American Realty Capital Trust III	10	CNL Hotels & Resorts	19	Corporate Property Associates 14
2	American Realty Capital Trust	11	CNL Restaurant Properties	20	Corporate Property Associates 15
3	Apple Hospitality Five	12	CNL Retirement Properties	21	DCT Industrial Trust
4	Apple Hospitality Two	13	Cole Credit Property Trust II	22	Independence Realty Trust
5	Apple REIT Six	14	Cole Credit Property Trust III	23	Inland Real Estate Corporation
6	Apple Residential Income Trust	15	Columbia Property Trust	24	Inland Retail Real Estate Trust
7	Apple Suites	16	Cornerstone Realty Income Trust	25	Piedmont Office Realty Trust
8	Carey Institutional Properties	17	Corporate Property Associates 10	26	Retail Properties of America
9	Chambers Street Properties	18	Corporate Property Associates 12	27	Whitestone REIT

Impact of Fees on Performance

Illustrated below are the returns for each individual nontraded REIT in the sample adjusted for the affect of a front-end load and compared to their respective custom FTSE NAREIT benchmarks.

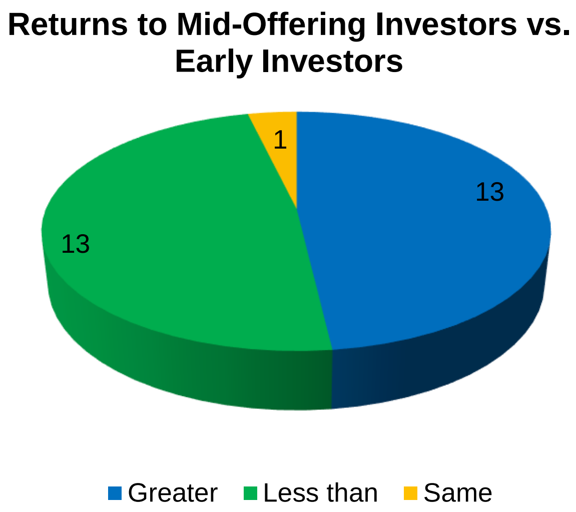


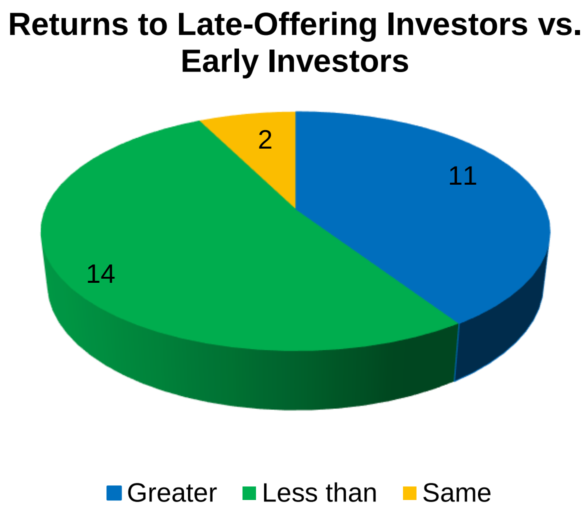
1	American Realty Capital Trust III	10	CNL Hotels & Resorts	19	Corporate Property Associates 14
2	American Realty Capital Trust	11	CNL Restaurant Properties	20	Corporate Property Associates 15
3	Apple Hospitality Five	12	CNL Retirement Properties	21	DCT Industrial Trust
4	Apple Hospitality Two	13	Cole Credit Property Trust II	22	Independence Realty Trust
5	Apple REIT Six	14	Cole Credit Property Trust III	23	Inland Real Estate Corporation
6	Apple Residential Income Trust	15	Columbia Property Trust	24	Inland Retail Real Estate Trust
7	Apple Suites	16	Cornerstone Realty Income Trust	25	Piedmont Office Realty Trust
8	Carey Institutional Properties	17	Corporate Property Associates 10	26	Retail Properties of America
9	Chambers Street Properties	18	Corporate Property Associates 12	27	Whitestone REIT

Investment Timing

The average annualized returns to investors will vary depending upon the timing of their investment in nontraded REIT shares during the offering period. For REITs that experience larger capital gains at the full-cycle events, investors who invest later in the capital-raising period will generally have higher average rates of return than those who invest earlier, as the same capital gain is earned over a shorter holding period. If an investor could correctly anticipate the exit price relative to the investment price, then the investment could be timed to maximize the realized IRR. For the 27 full-cycle nontraded REITs in the study, there appears to be no tendency for investors who purchased shares in the middle or late stages of the offering period to outperform those who purchased during the initial quarter of fund-raising.

Mid-offering period investors outperformed early investors in 13 of 27 REITs, but underperformed early investors in 13 of 27 REITs. Early-stage investors outperformed late-stage investors for 14 out of 27 REITs. These results indicate no meaningful advantages exist for timing investments in nontraded REIT offerings.





Investment Timing

Nontraded REIT	(a) If invested in the first fund raising quarter			(b) If invested in the middle fund raising quarter			(c) If invested in the last fund raising quarter		
	Nontraded REIT IRR*	NCREIF-based Benchmark	FTSE-NAREIT-based Benchmark	Nontraded REIT IRR*	NCREIF-based Benchmark	FTSE-NAREIT-based Benchmark	Nontraded REIT IRR*	NCREIF-based Benchmark	FTSE-NAREIT-based Benchmark
American Realty Capital Trust III, Inc.	18.34%	13.96%	13.83%	18.34%	12.93%	12.68%	18.34%	13.96%	13.83%
American Realty Capital Trust, Inc.	8.59%	-12.12%	2.79%	9.82%	13.28%	17.52%	13.18%	18.02%	13.28%
Apple Hospitality Five, Inc.	15.13%	16.14%	9.68%	14.30%	16.70%	10.34%	15.13%	17.92%	8.22%
Apple Hospitality Two, Inc.	13.67%	17.75%	10.95%	12.87%	21.63%	11.59%	13.14%	23.12%	17.58%
Apple REIT Six, Inc.	8.12%	8.25%	6.47%	7.64%	7.66%	5.54%	7.56%	5.95%	5.24%
Apple Residential Income Trust, Inc.	6.89%	11.05%	5.97%	5.22%	9.46%	5.02%	4.75%	8.16%	8.73%
Apple Suites, Inc.	12.75%	5.47%	-4.05%	9.96%	2.27%	-1.07%	9.62%	-0.40%	-8.73%
Carey Institutional Properties, Inc.	9.65%	6.28%	13.95%	9.97%	9.74%	13.70%	10.14%	11.48%	12.71%
Chambers Street Properties (CB Richard Ellis Realty Trust)	6.39%	3.95%	2.85%	6.62%	10.49%	19.17%	6.92%	14.98%	16.70%
CNL Hotels & Resorts, Inc. (CNL Hospitality)	7.29%	20.39%	3.28%	7.47%	19.71%	13.45%	6.51%	40.52%	20.41%
CNL Restaurant Properties, Inc. (CNL American)	6.13%	13.95%	15.15%	5.97%	16.71%	14.25%	5.46%	16.32%	16.58%
CNL Retirement Properties, Inc.	11.74%	16.75%	16.84%	16.67%	20.82%	20.27%	65.41%	31.47%	33.20%
Cole Credit Property Trust II, Inc.	5.97%	9.82%	7.63%	6.03%	2.16%	3.32%	5.47%	4.74%	18.48%
Cole Credit Property Trust III, Inc.	7.14%	2.81%	8.14%	10.25%	20.45%	19.35%	14.82%	18.78%	12.30%
Columbia Property Trust, Inc. (Wells REIT II)	0.20%	10.60%	8.47%	-2.28%	4.29%	4.26%	-9.66%	18.35%	8.50%
Cornerstone Realty Income Trust, Inc.	12.11%	9.20%	14.09%	8.18%	13.02%	17.09%	4.90%	18.46%	28.37%
Corporate Property Associates 10, Inc.	8.94%	3.28%	14.95%	9.11%	4.93%	16.54%	9.13%	5.48%	15.07%
Corporate Property Associates 12, Inc.	10.85%	14.10%	12.95%	11.36%	15.58%	13.97%	11.85%	16.17%	12.62%
Corporate Property Associates 14, Inc.	8.25%	8.38%	10.22%	8.48%	6.61%	12.89%	8.76%	4.74%	11.27%
Corporate Property Associates 15, Inc.	8.75%	2.59%	12.84%	8.94%	2.83%	12.46%	9.16%	2.47%	11.86%
DCT Industrial Trust, Inc. (Dividend Capital Trust)	13.08%	21.99%	19.27%	16.37%	28.30%	19.39%	26.52%	29.37%	22.36%
Independence Realty Trust, Inc.	-1.98%	30.95%	12.55%	-6.16%	27.18%	-1.21%	-32.73%	36.49%	-12.15%
Inland Real Estate Corporation	11.34%	12.77%	15.35%	11.89%	15.00%	15.23%	10.70%	15.38%	18.54%
Inland Retail Real Estate Trust, Inc.	13.95%	20.82%	22.32%	15.76%	24.36%	24.94%	19.61%	31.32%	26.23%
Piedmont Office Realty Trust, Inc. (Wells REIT)	5.29%	9.14%	10.51%	4.79%	7.53%	11.23%	3.83%	8.38%	11.93%
Retail Properties of America, Inc. (Inland Western Retail)	-1.04%	14.73%	10.73%	-1.58%	13.75%	8.84%	-2.56%	10.95%	6.02%
Whitestone REIT	-4.13%	9.72%	4.50%	-5.41%	3.88%	2.99%	-6.95%	-0.33%	0.23%
Mean	8.27%	11.21%	10.45%	8.17%	13.01%	11.99%	9.22%	15.64%	12.94%
Median	8.59%	10.60%	10.73%	8.94%	13.02%	12.89%	9.13%	15.38%	12.71%

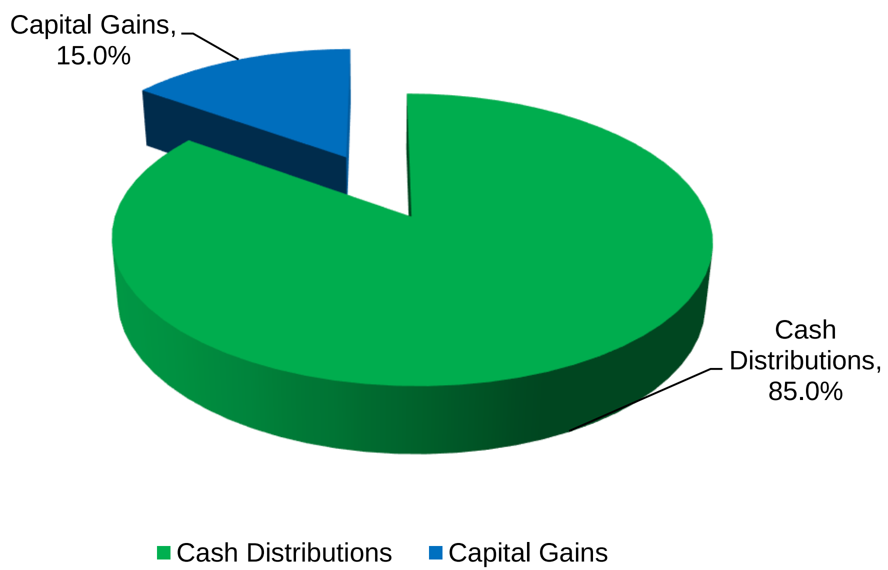
*Includes distributions reinvestment.

Performance Attribution Analysis

The discussion of the impact of relative magnitudes of distributions and capital gains on realized returns of investors who buy shares at different times raises the question of the degree to which realized returns in our sample are driven by distributions or capital gains. We decompose each REIT's returns into distributions and capital gains.

We calculate the present value of distributions and the present value of capital gains using the realized IRRs as the discount rate. Next, these respective present values are divided by the initial investment in order to calculate the percentage of total return that is attributable to each source. By using the IRR as the discount rate, these percentages will sum to 100%. For the REITs with capital losses, these calculations are not as meaningful, so we instead report that distributions comprised 100% of the (positive) cash flow that investors received. For the benchmark portfolios, we do not delay capital gains until the nontraded REIT marks to market, but rather capital gains are realized in the quarter they initially occur. The table represents the results of these calculations.

For the 27 full-cycle REITs, distribution income provided 85.0% of the total returns and capital gains provided 15.0%. The average capital gain (full-cycle price minus initial offering price) for the 27 REITs was 5.54%, with 19 REITs showing capital gains, 7 with capital losses and one with neither gains nor losses.



Performance Attribution Analysis

Nontraded REIT	Conventional IRR*			Fraction from Cash Distributions		
	Nontraded REIT IRR*	NCREIF-based Benchmark	FTSE-NAREIT-based Benchmark	Nontraded REIT IRR*	NCREIF-based Benchmark	FTSE-NAREIT-based Benchmark
American Realty Capital Trust III, Inc.	14.63%	12.23%	11.58%	28.51%	55.36%	17.96%
American Realty Capital Trust, Inc.	7.35%	-0.77%	4.73%	86.08%	100.00%	100.00%
Apple Hospitality Five, Inc.	13.49%	13.81%	8.52%	61.70%	56.32%	29.09%
Apple Hospitality Two, Inc.	13.40%	15.95%	8.69%	84.11%	74.83%	40.17%
Apple REIT Six, Inc.	8.04%	7.94%	6.48%	94.73%	88.90%	87.56%
Apple Residential Income Trust, Inc.	7.96%	10.52%	5.84%	100.00%	90.34%	100.00%
Apple Suites, Inc.	11.63%	5.66%	-0.07%	78.24%	100.00%	100.00%
Carey Institutional Properties, Inc.	9.41%	8.16%	10.11%	82.44%	100.00%	48.18%
Chambers Street Properties (CB Richard Ellis Realty Trust)	5.92%	5.97%	4.91%	100.00%	100.00%	100.00%
CNL Hotels & Resorts, Inc. (CNL Hospitality)	6.65%	22.60%	4.96%	97.14%	87.25%	100.00%
CNL Restaurant Properties, Inc. (CNL American)	6.33%	12.95%	11.41%	100.00%	88.72%	47.12%
CNL Retirement Properties, Inc.	9.76%	15.32%	13.58%	63.22%	74.06%	34.92%
Cole Credit Property Trust II, Inc.	5.31%	9.52%	6.75%	100.00%	86.28%	76.88%
Cole Credit Property Trust III, Inc.	6.12%	4.12%	8.55%	72.41%	100.00%	65.90%
Columbia Property Trust, Inc. (Wells REIT II)	1.25%	10.41%	8.56%	100.00%	82.90%	73.52%
Cornerstone Realty Income Trust, Inc.	11.08%	9.37%	12.17%	81.31%	100.00%	40.05%
Corporate Property Associates 10, Inc.	8.39%	5.73%	8.00%	91.92%	100.00%	50.35%
Corporate Property Associates 12, Inc.	9.61%	12.70%	10.44%	84.29%	84.24%	40.32%
Corporate Property Associates 14, Inc.	7.99%	9.54%	6.75%	91.52%	92.12%	89.31%
Corporate Property Associates 15, Inc.	8.13%	7.62%	11.75%	80.57%	89.24%	60.54%
DCT Industrial Trust, Inc. (Dividend Capital Trust)	11.14%	21.99%	19.00%	55.29%	63.01%	18.83%
Independence Realty Trust, Inc.	-1.24%	28.02%	9.13%	100.00%	54.32%	73.19%
Inland Real Estate Corporation	10.35%	15.83%	16.66%	87.41%	97.03%	63.25%
Inland Retail Real Estate Trust, Inc.	12.07%	20.87%	18.57%	73.11%	77.07%	31.65%
Piedmont Office Realty Trust, Inc. (Wells REIT)	5.88%	9.70%	8.93%	100.00%	94.49%	76.57%
Retail Properties of America, Inc. (Inland Western Retail)	-0.19%	12.18%	9.93%	100.00%	77.84%	57.65%
Whitestone REIT	-2.98%	10.29%	6.55%	100.00%	85.82%	100.00%
Mean	7.68%	11.79%	9.35%	84.96%	85.19%	63.82%
Median	8.04%	10.41%	8.69%	87.41%	88.72%	63.25%

*Includes distributions reinvestment.

Forecasting Full-Cycle Performance

Nontraded REIT investors may be interested in the question: Can the full-cycle price be predicted by adjusting recent non-traded REIT share prices or net asset values (NAVs) for recent changes in the publicly traded REIT price indices? For example, if a nontraded REIT has announced an NAV in a prior quarter, would that value, if adjusted for subsequent changes in a traded REIT index such as the FTSE NAREIT All REIT Price Index, be useful in forecasting the full-cycle price? To attempt to answer that question, we adjusted the most recent stated share prices or announced NAVs by the subsequent change in the FTSE NAREIT All REIT Price Index and compared the results to the actual full-cycle prices. Our findings are as follows:

- Using the most recent NAV or nominal share price to forecast the full-cycle price results in an average absolute value forecast error of $1.16.
- On average, the full-cycle price was $0.48 higher than the REIT's most recent NAV or stated share price value.
- The full-cycle price exceeded the last NAV or stated price for 15 out of 27 observations, and was less than the last NAV or stated price for 9 out of 27, with three identical.
- Using the Quarterly NAREIT All REIT Price Index to improve forecasts of full-cycle prices does not improve the forecast, with an average forecast error of $1.31.
- Using the Monthly NAREIT All REIT Price Index to improve forecasts of full-cycle prices does improve the forecasts very slightly, with an average forecast error of $1.14.
- Using the Monthly NAREIT All REIT Price Index to make forecasts of full-cycle prices based upon the most recent NAV or stated price resulted in 14 positive surprises and 13 negative surprises.

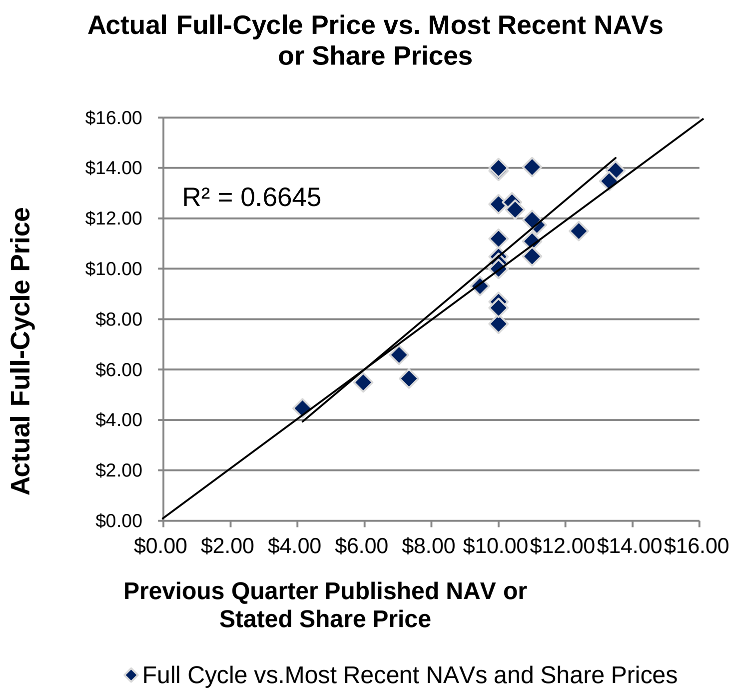
Conclusion:
Using the most recent NAV or nominal share price to forecast the full-cycle price is not very accurate, and using the FTSE-NAREIT All REIT Index to improve forecasts is not helpful.

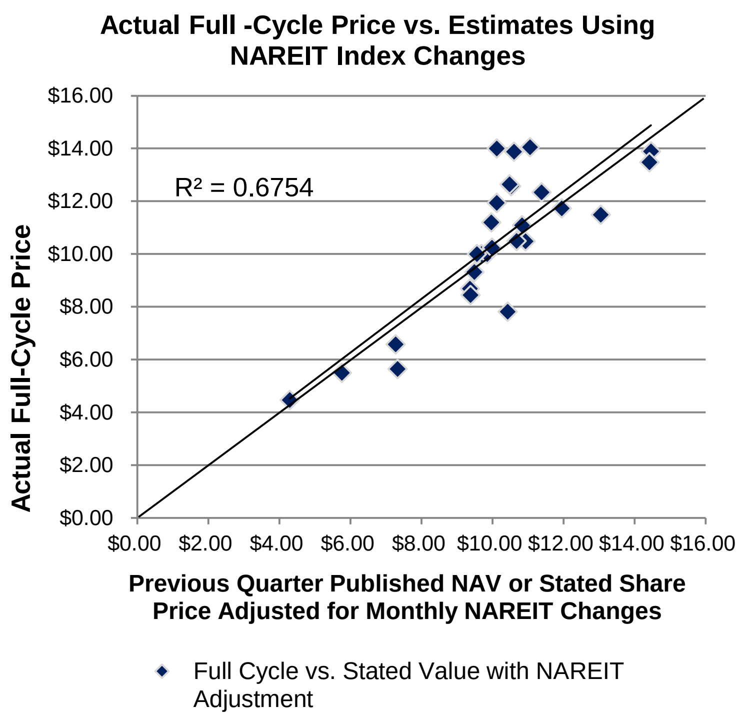
The average full-cycle price for the 27 REITs was $0.48 higher than the most recent NAV or stated value for shares.
An investor in the 27 REITs that experienced full cycle events would be equally likely to underestimate and overestimate the full-cycle price using reported NAVs or stated share prices.

Forecasting Full-Cycle Performance

In the scatter plots below, the published NAV (net asset value per share) or stated share prices in the quarter immediately preceding the full-cycle event are plotted on the horizontal (X) axes. The first plot shows the relationship between the most recently published NAVs or stated share prices and the actual full-cycle event share value. The second plot shows the results of using the changes in the FTSE-NAREIT All REIT price index to adjust the published NAV or stated share price to improve the estimate of the subsequent full-cycle price.

The diagonal lines represent a perfect match between the NAV or stated share price, with and without adjustment for changes in the FTSE-NAREIT All REIT price index, and the full-cycle values. Using the publicly-traded index to forecast full-cycle values from reported NAVs or stated share prices does not result in improved estimates.





Supplemental Information

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**Compensation was provided to these participants for their assistance with this study however, neither have any financial or other interests in nontraded REITs.*