



# BLUEVAULT™

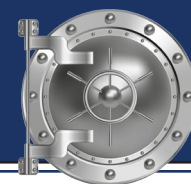
TERRY COLLEGE OF BUSINESS,  
UNIVERSITY OF GEORGIA

## Fourth Edition Nontraded REIT Full-Cycle Performance Study

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Dr. Richard Martin, Terry College of Business, University of Georgia,  
James Stevens, Terry College of Business, University of Georgia,  
James Sprow and Maria Smorgonskaya, Blue Vault

# Fourth Edition Nontraded REIT Full-Cycle Performance Study



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# Fourth Edition REIT Full-Cycle Performance Study



## Introduction

In June, 2012, Blue Vault published the first comprehensive study of full-cycle events in the nontraded REIT industry. In this updated study, with the addition of 10 full-cycle events that were completed between November 11, 2014 through October 1, 2015, the sample size analyzed totals 45 REITs. This study was prepared in collaboration with Dr. Richard Martin of the Real Estate Program, Terry College of Business, University of Georgia.

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.

In February 2016, the release of the 4th Edition Nontraded REIT Full-Cycle Performance Study will update results from the 2014 study and will again utilize custom benchmarks designed to match the individual REIT portfolios in regard to asset type and geographic diversification, and will answer the following questions:

- How did the average returns to shareholders in all nontraded REITs that have completed full-cycle events compare to the returns to shareholders in traded REITs over matched holding periods, adjusted for asset types, leverage and costs of debt?
- How did the average returns to shareholders in all nontraded REITs that have completed full-cycle events compare to the returns to private commercial real estate portfolios over matched holding periods, adjusted for asset types, regional diversification, leverage and costs of debt?
- How did the average returns to shareholders in all nontraded REITs that have completed full-cycle events compare to the returns to the unweighted NCREIF Total Index and unweighted FTSE-NAREIT All Equity REIT Index over matched holding periods?
- How did the average returns to shareholders in all nontraded REITs that have completed full-cycle events compare to total returns on the S&P 500 Index and Intermediate Term Treasury Bonds over matched holding periods?
- Did the average returns to nontraded REIT shareholders differ significantly depending upon the timing of their investments made during their respective public offering periods?
- How would the average nontraded REIT shareholder returns from full-cycle events compare to custom benchmark returns when adjusted for a hypothetical average front-end load of 12%?
- How did those shareholders who redeemed shares via share redemption programs fare compared to investors who held shares until the full-cycle event?
- How did those shareholders who tendered shares to third parties prior to the full-cycle events fare compared to investors who held shares until the full-cycle event?
- Was there a significant relation between the annualized returns of the full-cycle REITs and the changes in interest rates over the life cycles of the REITs as represented by changes in yields on 10-Year U.S. Treasury Bonds?

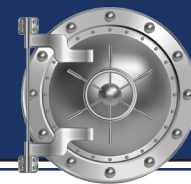
# Fourth Edition Nontraded REIT Full-Cycle Performance Study



## Executive Summary

- Between April, 1997 and October 1, 2015, 45 nontraded REITs have experienced full-cycle events, providing investors with full liquidity for their common shares.
- Two additional nontraded REITs as referenced in the Appendix I on page 48 have not yet provided full liquidity to their common shareholders due to the fact that they have created “tranches” of common share types that are not, as yet, exchange trade-able or have not yet reported terminal cash payouts to common shareholders upon total liquidation of portfolios.
- The 10 most recent full-cycle events that took place between November 2014 and October 2015 consist of firms with average asset values of approximately \$1.34 billion vs. \$1.01 billion in the first study published in 2012. The average asset value for all 45 REITs over their lives was \$1.36 billion.
- The latest set of full-cycle REITs includes a self-storage REIT and a timberland REIT for the first time (SmartStop Self Storage, Inc. and CatchMark Timber Trust, Inc. respectively).
- The 10 REITs with full-cycle events since November, 2014 had average full-cycle returns of 4.43% and median returns of 5.80%, and two experienced negative returns.
- For the full sample of 45 nontraded REITs, 23 listed on public exchanges, 11 were acquired by publicly-traded firms, eight were acquired by or merged with nontraded REITs, and three were acquired by a private firm for cash.
- For each nontraded REIT, we calculate an internal rate of return (IRR), or average compounded rate of return experienced by investors in two ways. The first IRR calculation assumes no reinvestment of distributions. The second calculation assumes that all distributions were reinvested at the then-prevailing price for reinvestments (which may include DRIP discounts).
- Realized common shareholder returns for the 45 full-cycle REITs assuming reinvestment of distributions ranged from -7.75% to 20.52%, with an average of 7.50% and a median of 8.13%. Assuming no reinvestment of distributions, the average IRR was 6.92% and the median was 7.35%.
- The average annual distribution yield over the lives of the 45 REITs in this study was 6.90%, using quarters in which distributions were paid and based upon the initial offering prices.
- Consistent with prior studies, this updated study also 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.
- The average IRR for the custom benchmarks constructed by matching location and property type data for each REIT and the appropriately weighted and levered NCREIF indices was 11.60% with a median of 11.05%, 2.92% higher than the actual median IRR, with DRIP, for the 45 nontraded REITs.
- The average IRR for the custom benchmarks constructed by weighting returns on the FTSE NAREIT indices for each property type to match the nontraded REITs’ portfolios over time, again adjusting for differences in leverage, was 11.28% with a median of 11.29%, 3.16% higher than the actual median IRR for the 45 nontraded REITs.
- When comparing the full-cycle IRRs of the 45 nontraded REITs to the custom benchmarks, we find that 20 of 45 REITs (44%) outperformed one or both of their respective custom benchmarks. Of the 45 REITs, 14 (31.1%) outperformed the private (NCREIF) benchmark and 12 (26.7%) outperformed the publicly-traded (FTSE NAREIT) benchmark, while six (13.3%) outperformed both.
- Utilizing custom benchmarks for return comparisons controls for differences in timing, leverage, portfolio property types and geographic concentrations. Thus, an annualized full-cycle return of 6.39% (Chambers Street Properties) compares favorably to its custom benchmarks while an average return of 11.74% (CNL Retirement Properties) does not, because of the relative differences in performance of the NCREIF and FTSE NAREIT indices over those REIT lives.
- Time series correlations of nontraded REIT returns with indices are less meaningful due to

# Fourth Edition REIT Full-Cycle Performance Study



the infrequent valuation changes of the REIT shares and the exaggerated impacts that full-cycle valuations have on the quarterly returns series.

- When comparing nontraded REIT full-cycle returns to traditional investment market indices, the average annualized returns on nontraded REITs in the study were 6.92% (without DRIP) and 7.50% (with DRIP), compared to an average total return for the S&P 500 Stock Index of 8.35% over matched holding periods. The Intermediate-Term Treasury Fund benchmark provided average returns of 5.44% over matched holding periods. 21 of the full-cycle REITs (47%) outperformed the S&P 500 Index and 33 of 45 (73%) outperformed Intermediate-Term U.S. Treasury Bonds.
- Removing the effects of a hypothetical 12% front-end load for all REITs in the sample, the average nontraded REIT achieved a 10.35% average annual return on its real estate portfolio, apart from the impact of fees or loads. Adjusted for fees, the full-cycle returns are more comparable to the benchmark returns (NCREIF-based benchmark average of 11.60% and FTSE NAREIT publicly-traded benchmark average of 11.28%).
- The updated study shows insignificant differences in cross-sectional average returns to early, middle or late investors during the offering periods. For 23 of 45 REITs, mid-offering investors outperformed early investors over their respective holding periods. For 20 of 45 REITs, late-offering investors outperformed early investors over their respective holding periods. The median returns for early investors (8.13%), middle investors (8.58%) and late investors (8.18%) did not show significant differences due to investment timing. However, there were large variations across REITs due to capital gains or losses, and the greater impacts those realized gains or losses have on the returns of later investors compared to early investors.
- For the 45 full-cycle REITs, dividend income provided an average of 86.1% of the total returns and capital gains provided 13.9%. The average capital gain [(full-cycle price minus initial offering price)/initial price] for the 45 REITs was just 1.2% compared to 5.28% in the previous study, with 27 REITs showing capital gains and 17 showing capital losses.
- Seventeen different sponsors had nontraded REITs experiencing full-cycle events over the

study period. Apple REITs had nine full-cycle events with an average annual shareholder return (with DRIP) of 9.38%. W.P. Carey had six REITs with an average annual shareholder return of 9.06%. American Realty Capital had six full-cycle events providing an average annual shareholder return of 11.53%.

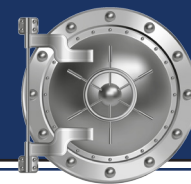
- Those shareholders who redeemed their shares in the last available period for redemptions prior to the full-cycle event had average returns of 6.10% over their respective holding periods compared to the average full-cycle returns for the same REITs of 7.56% (not including DRIP).
- For a sample of those shareholders who tendered shares to third-party tender offers prior to the full-cycle event had average holding period returns of approximately -2.5% compared to an average IRR for the full-cycle events of those REITs in the sample of 3.6%, a difference in average returns of negative 6.1%. The tender offer prices in the sample averaged 33% less than the full-cycle prices.
- The performance of the 45 full-cycle nontraded REITs does not appear to be significantly related to the changes in interest rates that occurred during the life cycles of the respective REITs.

## History of the Nontraded REIT Industry

Nontraded Real Estate Investment Trusts (REITs) were authorized by legislation in 1960, but did not become widely available as investments until the 1990s. A nontraded REIT is a direct investment that uses capital raised from individual investors to purchase and manage income-producing properties, or in some cases, mortgages on properties. A nontraded REIT may invest in a variety of property types, including but not limited to: office, retail space, multi-family housing, industrial property, hospitality and leisure, healthcare facilities, self-storage, timberland or a combination of property types. It may invest in a subtype within a larger property type or invest across several types. Recently, nontraded REITs have invested in mortgage debt and other real-estate related securities. A REIT may concentrate its investments in a limited geographic region or invest nationwide or even internationally.

As of September 30, 2015, there were 69 nontraded REIT programs, of which 30 were effective

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(raising equity), 39 were closed, and these REITs collectively managed over \$78 billion in total assets. The nontraded REIT industry raised a record \$19.9 billion in equity in 2013, a total of \$15.8 billion in 2014, and through the third quarter had raised \$7.8 billion in 2015. There were 25 nontraded REIT sponsors active in the industry as of September 30, 2015.

A nontraded REIT goes through different stages in its life cycle that make it a unique asset. The first stage is capital raising via a public offering of its common shares. The second stage is property acquisition, using capital raised to purchase properties. The third stage is the asset management phase when the REIT manages the assets it owns to increase cash flow and value. The final stage is the disposition phase during which an exit strategy is implemented to return the investors' original investment and any capital gains or losses in a liquidity or "full-cycle" event.

In reality, the stages of the REIT's life overlap, with acquisitions occurring throughout the capital raising phase and active management of the property portfolio while it is being assembled.

FINRA published a regulatory notice in September 2009 that required nontraded REITs to use current estimated share values in their customer account statements 18 months after the initial public offering. Before this valuation was issued, shares were normally reported on a shareholder's account statement at the initial purchase price, of \$10 per share. This practice of delaying the reporting of share values has an effect on shareholder return calculations, as the impacts of capital gains or losses are not known during much of the REIT's life, making time series comparisons with other investment returns impossible, except for matched full-cycle holding periods.

Effective in April, 2016, FINRA and the SEC have changed the reporting requirements for investor account statements to require a nontraded REIT to report an independently determined NAV per share within 180 days of the close of their offering that they have reason to believe is reliable. The firm can choose between two SEC-approved methodologies to calculate valuations (Net Investment Methodology or Appraised Value Methodology). These more timely reports of share valuations should make return calculations more meaningful and readily available.

## Market Trends in Commercial Real Estate and Full-Cycle Events

The following chart 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 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 that have occurred since the inception of the first nontraded REITs in our sample in 1990. Clearly, there appears to be a relation 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 critical role in determining investor returns.

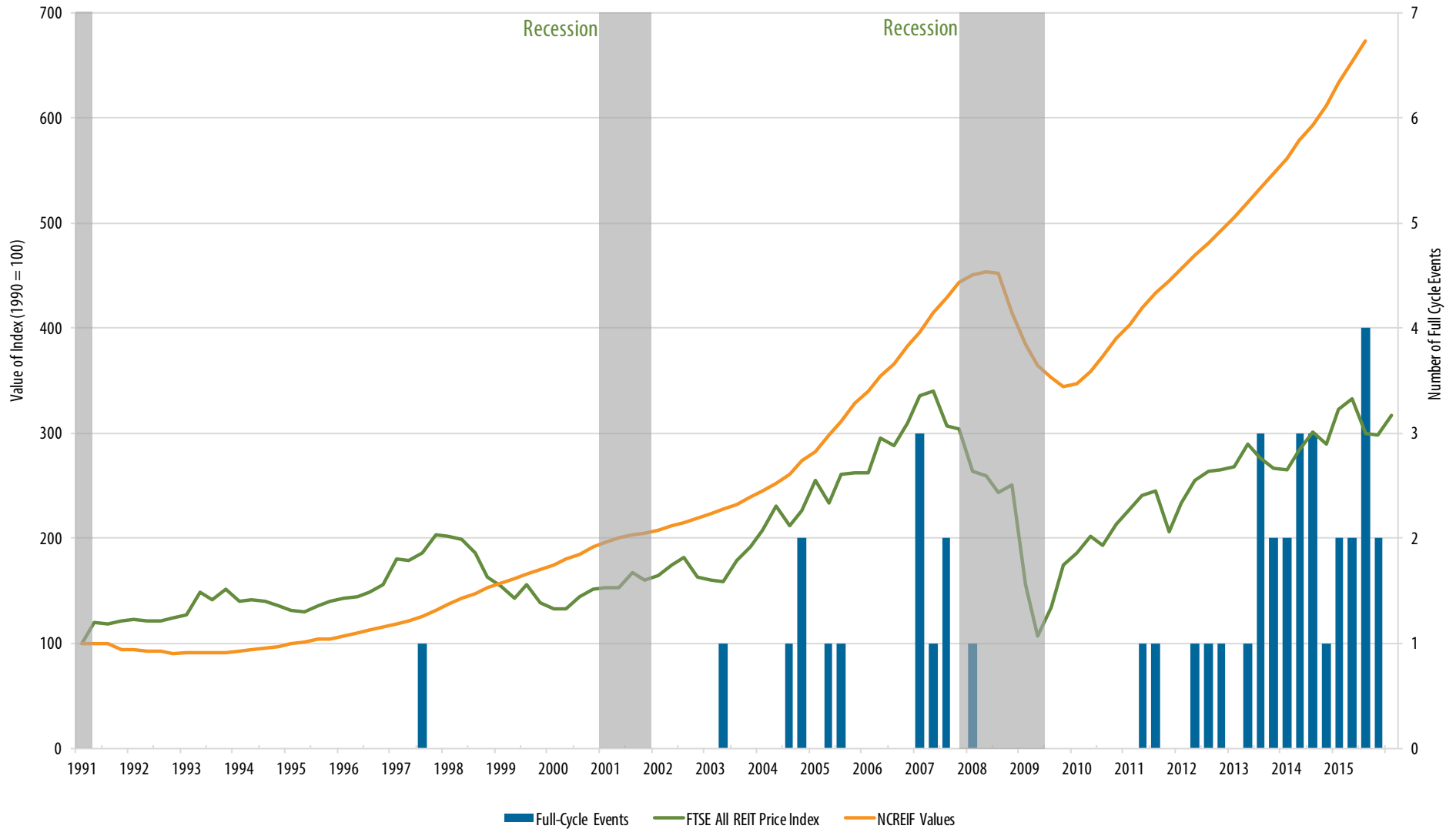
The 10 full-cycle events that have been added to the sample for this updated study had inception dates ranging from February 19, 2003 to April 20, 2012 and experienced market conditions, on average, more favorable in terms of price appreciation compared to their counterparts in the earlier studies. The average annual return in the FTSE NAREIT All Equity Index over the total holding periods of the latest 10 full-cycle REITs was 11.1%. The average annual increase in the NCREIF National Index over the total holding periods of the latest 10 full-cycle REITs was 9.2%. The following chart illustrates the cycles experienced by the commercial real estate markets over the life of the nontraded REITs in this study. Recessions are shaded.



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Full-Cycle Events to the Valuation Trends in the Commercial Real Estate Market as Represented by the FTSE All REIT Price Index and NCREIF Index



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## Sample Description

In this updated study, we analyze the performance of 45 nontraded REITs whose investors have experienced a full-cycle liquidity event between April 1997 and October 2015. 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 of all of its common shares 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 as 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 trade-able. For those REITs, we consider the date when all shares could be traded on an exchange as the full-cycle date. We define the date of inception as the date that the REIT began to raise external capital.

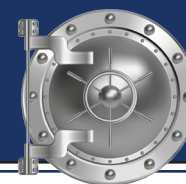
The table on the following page describes the nontraded REITs in the 2015 sample in more detail. Dates of inception range from June 1990 to June 2012, while the full-cycle liquidity events range from April 1997 through October 2015. For each nontraded REIT, we collected several pieces of information 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 was invested across eight different regions of the US and internationally, and across 10 property types (apartment, office, industrial, retail, hotel, self storage, timberland, other, healthcare and mortgages/CRE debt). These regional and property-type weights both sum to 100%, where we used book values to determine the relative size of each investment. Finally, we collected the total assets

and leverage for each nontraded REIT during all quarters (again, using book values), along with the amount of capital that was raised and reinvested each quarter throughout the REIT's lifecycle.

The goal of the 4th Edition 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 more than 45 nontraded REITs have experienced liquidity events during this time frame, performance for only 45 nontraded REITs are included in the 2015 study, as 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 in Appendix I. As of January 17, 2016, there have been no other full-cycle events by nontraded REITs after the latest such event in our sample (September 29, 2015).



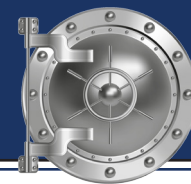
# Fourth Edition REIT Full-Cycle Performance Study



## Sample Description Table

Nontraded REIT*	Date of Inception	Date of Full Liquidity Event	Liquidity Event Type
American Realty Capital Global Trust, Inc.	4/20/2012	6/2/2015	Listed NYSE
American Realty Capital Healthcare, Inc.	2/18/2011	4/7/2014	Listed on NASDAQ
American Realty Capital NY Recovery, Inc.	9/2/2010	4/15/2014	Listed on the NYSE (NYRT)
American Realty Capital Trust, Inc.	1/25/2008	3/1/2012	Listed on NASDAQ
American Realty Capital Trust III, Inc.	3/31/2011	2/28/2013	Merged with American Realty Capital Properties, Inc. (ARCP)
American Realty Capital Trust IV, Inc.	6/8/2012	1/3/2014	Merged with American Realty Capital Properties, Inc. (ARCP)
Apple Hospitality Five, Inc.	12/3/2002	10/11/2007	Acquired by Inland American Real Estate Trust
Apple Hospitality REIT, Inc.	4/25/2008	5/18/2015	Listed NYSE
Apple Hospitality Two, Inc.	5/1/2001	5/23/2007	Acquired by Lion ES Hotels, LP (ING Clarion Partners)
Apple REIT Eight, Inc.	7/19/2007	5/18/2015	Listed NYSE (merged with Apple Hospitality)
Apple REIT Seven, Inc.	7/28/2006	5/18/2015	Listed NYSE (merged with Apple Hospitality)
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
CatchMark Timber Trust, Inc.	8/14/2006	2/27/2015	Class B-3 shares converted to Class A, eligible to trade on NYSE
Chambers Street Properties	10/24/2006	5/21/2013	Listed on NYSE
CNL Hotels & Resorts, Inc.	7/9/1997	4/12/2007	Acquired by MS Resort Purchaser MSREF, Ashford Hospitality Trust
CNL Restaurant Properties, Inc.	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
Cole Corporate Income Trust, Inc.	2/10/2011	1/29/2015	Merger with SIR
Columbia Property Trust, Inc.	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

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## Sample Description Table

Nontraded REIT*	Date of Inception	Date of Full Liquidity Event	Liquidity Event Type
Corporate Property Associates 15, Inc.	11/30/2001	9/28/2012	Merged with W.P. Carey, Inc.
Corporate Property Associates 16 Global, Inc.	12/1/2003	1/31/2014	Merged with W.P. Carey, Inc.
DCT Industrial Trust Inc.	7/17/2002	12/13/2006	Listed on NYSE
Griffin-American Healthcare REIT II, Inc.	8/24/2009	12/3/2014	Merger with NorthStar
Healthcare Trust of America, Inc.	9/20/2006	11/8/2013	Class B-3 shares converted to listed Class A shares
Independence Realty Trust, Inc.	6/10/2011	8/13/2013	Listed on NYSE
Inland Diversified Real Estate Trust, Inc.	8/24/2009	7/1/2014	Merged with Kite Realty Group (KRG)
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.
Inland Western Retail Real Estate Trust, Inc.	9/15/2003	10/7/2013	Class B-3 common shares converted to listed Class A shares
Monogram Residential Trust, Inc.	9/5/2008	11/21/2014	Listed on NYSE
Paladin Realty Income Properties, Inc.	2/25/2005	1/31/2014	Acquired by Resource Real Estate Opportunity REIT for cash
Piedmont Office Realty Trust, Inc.	1/30/1998	1/30/2011	Listed on NYSE (2/10/2010)
SmartStop Self Storage, Inc.	3/17/2008	9/29/2015	Merger with EXR
TIER REIT, Inc.	2/19/2003	7/23/2015	Listed NYSE
United Development Funding IV	11/12/2009	6/4/2014	Listed on NASDAQ Global Select Market
Whitestone REIT	9/15/2004	6/27/2012	Class A unlisted common shares converted to listed Class B shares

\*See Appendix IV for a list of REIT name changes.

## Market Environments and Full-Cycle REIT Life Cycles

The following charts illustrate the lives of the 45 full-cycle REITs in this study, along with real estate prices over time. The earliest REIT was Corporate Properties Associates 10, which was started in 2Q 1990. The most recent was American Realty Capital Global Trust, which launched in 2Q 2012. The FTSE Relative Price Index (Base Year 1990 = 100) shown as an overlay illustrate the different valuation environments in which the nontraded REITs were raising funds, deploying investments, and achieving liquidity, all of which can have a significant effect on full-cycle return.

On the chart, the colored bars represent the life of each REIT. The outlined periods represent approximately the equity offering quarters. Red represents the lowest relative FTSE NAREIT Price Index values within the REIT's life. Green represents the relatively highest price index values within the REIT's life.

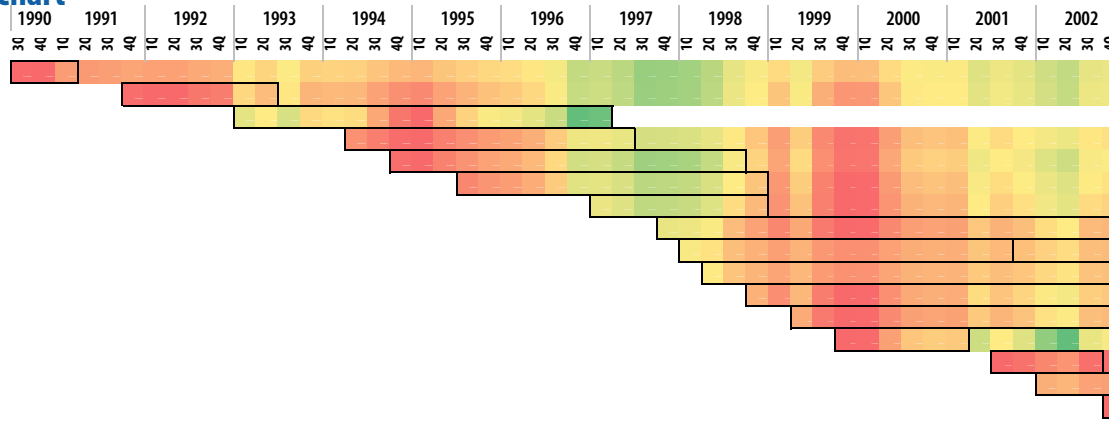
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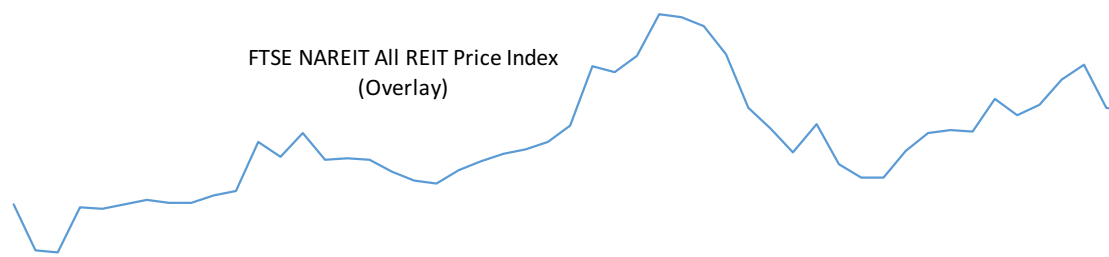
## Performance Life Chart

### Full-Cycle REIT

- Corporate Property Associates 10
- Carey Institutional Properties
- Cornerstone Realty Income Trust
- Corporate Property Associates 12
- Inland Real Estate Corporation
- CNL Restaurant Properties
- Apple Residential Income Trust
- CNL Hotels & Resorts
- Corporate Property Associates 14
- Piedmont Office Realty Trust
- CNL Retirement Properties
- Inland Retail Real Estate Trust
- Apple Suites
- Apple Hospitality Two
- Corporate Property Associates 15
- DCT Industrial Trust
- Apple Hospitality Five
- Inland Western Retail
- TIER REIT, Inc.
- Columbia Property Trust
- Corporate Property Associates 16
- Apple REIT Six
- Whitestone REIT
- Paladin Realty Income Properties
- Cole Credit Property Trust II
- Apple REIT Seven, Inc.
- Healthcare Trust of America
- Chambers Street Properties
- Apple REIT Eight, Inc.
- CatchMark Timber Trust, Inc.
- American Realty Capital Trust
- Apple Hospitality REIT, Inc.
- SmartStop Self Storage, Inc.
- Cole Credit Property Trust III
- Monogram Residential Trust, Inc.
- Inland Diversified Real Estate Trust
- Griffin-American Healthcare REIT II, Inc.
- United Development Funding IV
- American Realty Capital NY Recovery
- American Realty Capital Healthcare
- American Realty Capital Trust III
- Cole Corporate Income Trust, Inc.
- Independence Realty Trust
- American Realty Capital Trust IV
- American Realty Capital Global Trust, Inc.

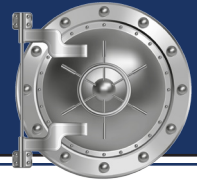


FTSE NAREIT All REIT Price Index  
(Overlay)



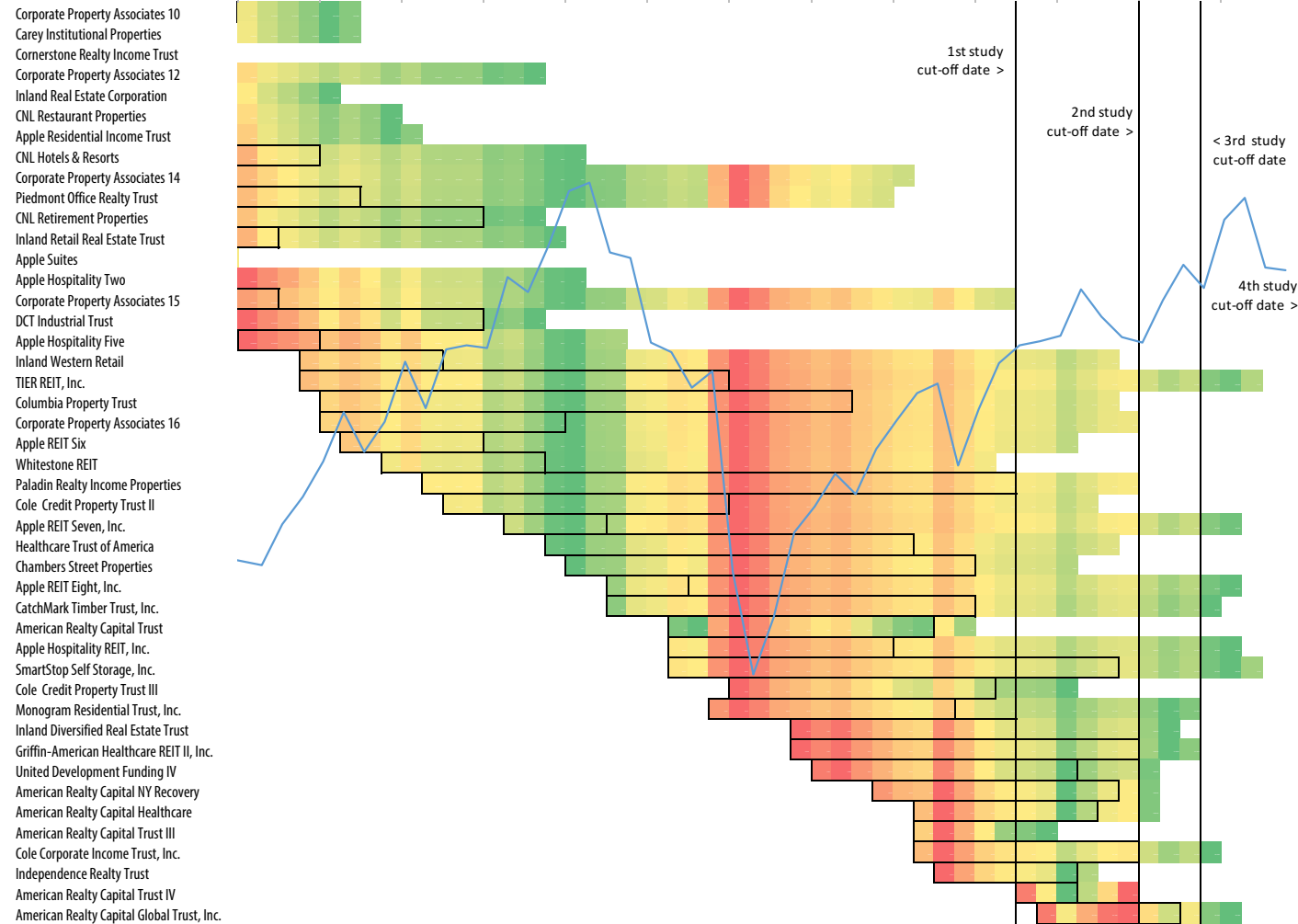
***The REITs that were raising funds and deploying assets in times of relatively low real estate values (red) and having full-cycle events in relatively higher valued environments (green) would be expected to have higher average returns, other things equal.***

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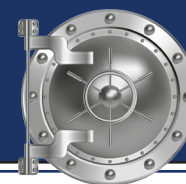
## Performance Life Chart Continued

### Full-Cycle REIT



**The REITs that were raising funds and deploying assets in times of relatively low real estate values (red) and having full-cycle events in relatively higher valued environments (green) would be expected to have higher average returns, other things equal.**

# Fourth Edition REIT Full-Cycle Performance Study

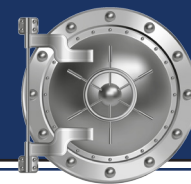


## Average Regional Weights\* (averaged across quarters)

Name	Northeast	Mideast	Southeast	East North		West North		Pacific	Europe	Asia	Mexico	Canada
				Central	Central	Southwest	Mountain					
American Realty Capital Global Trust, Inc.	10.5%	4.3%	8.6%	12.1%	3.8%	12.9%	1.5%	7.7%	38.6%	0.0%	0.0%	0.0%
American Realty Capital Healthcare Trust, Inc.	5.1%	2.9%	13.7%	26.5%	2.4%	27.3%	17.5%	4.7%	0.0%	0.0%	0.0%	0.0%
American Realty Capital NY Recovery REIT, Inc.	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
American Realty Capital Trust III, Inc.	14.8%	3.5%	16.4%	29.0%	9.4%	10.4%	10.6%	5.9%	0.0%	0.0%	0.0%	0.0%
American Realty Capital Trust IV, Inc.	25.8%	9.0%	17.5%	22.6%	5.6%	13.1%	4.7%	1.8%	0.0%	0.0%	0.0%	0.0%
American Realty Capital Trust, Inc.	45.3%	6.4%	9.8%	12.4%	7.9%	9.9%	3.9%	4.1%	0.0%	0.0%	0.0%	0.0%
Apple Hospitality Five, Inc.	22.8%	3.6%	5.8%	3.0%	0.0%	32.8%	23.2%	8.2%	0.0%	0.0%	0.0%	0.0%
Apple Hospitality REIT, Inc.	6.6%	8.5%	17.0%	8.0%	3.5%	36.3%	8.6%	11.4%	0.1%	0.0%	0.0%	0.0%
Apple Hospitality Two, Inc.	13.6%	7.4%	19.7%	10.2%	3.5%	9.1%	7.2%	29.0%	0.0%	0.0%	0.0%	0.0%
Apple REIT Eight, Inc.	16.0%	29.9%	13.5%	1.7%	5.8%	11.0%	2.4%	19.9%	0.0%	0.0%	0.0%	0.0%
Apple REIT Seven, Inc.	6.4%	5.3%	19.7%	27.2%	3.3%	19.9%	10.1%	8.0%	0.0%	0.0%	0.0%	0.0%
Apple REIT Six, Inc.	10.7%	5.0%	17.8%	0.0%	0.0%	12.7%	9.6%	44.2%	0.0%	0.0%	0.0%	0.0%
Apple Residential Income Trust, Inc.	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Apple Suites, Inc.	8.9%	18.3%	26.1%	3.5%	4.2%	19.3%	12.2%	7.8%	0.0%	0.0%	0.0%	0.0%
Carey Institutional Properties Inc.	13.5%	12.5%	7.1%	18.6%	4.2%	15.3%	9.7%	19.1%	0.0%	0.0%	0.0%	0.0%
CatchMark Timber Trust, Inc.	6.4%	5.3%	19.7%	27.2%	3.3%	19.9%	10.1%	8.0%	0.0%	0.0%	0.0%	0.0%
Chambers Street Properties	12.7%	10.4%	32.0%	11.2%	3.6%	9.4%	3.7%	6.7%	10.2%	0.0%	0.0%	0.0%
CNL Hotels & Resorts, Inc.	16.6%	7.7%	15.4%	4.7%	1.9%	20.0%	8.6%	25.4%	0.0%	0.0%	0.0%	0.0%
CNL Restaurant Properties, Inc.	7.7%	8.7%	20.1%	22.8%	8.8%	16.8%	6.3%	9.1%	0.0%	0.0%	0.0%	0.0%
CNL Retirement Properties, Inc.	8.4%	11.4%	17.3%	13.0%	1.8%	35.6%	3.6%	8.6%	0.0%	0.0%	0.0%	0.0%
Cole Credit Property Trust II, Inc.	8.2%	7.4%	22.5%	19.8%	14.3%	14.6%	11.0%	2.1%	0.0%	0.0%	0.0%	0.0%
Cole Credit Property Trust III, Inc.	7.9%	11.4%	14.3%	14.1%	5.1%	25.3%	14.0%	7.9%	0.0%	0.0%	0.0%	0.0%
Cole Corporate Income Trust, Inc.	14.5%	16.7%	8.2%	5.3%	10.1%	25.3%	4.0%	16.0%	0.0%	0.0%	0.0%	0.0%

\*See Appendix II for regional definitions.

# Fourth Edition Nontraded REIT Full-Cycle Performance Study



## Average Regional Weights\* (averaged across quarters)

Name	Northeast	Mideast	Southeast	East North		West North			Europe	Asia	Mexico	Canada
				Central	Central	Southwest	Mountain	Pacific				
Columbia Property Trust, Inc.	21.2%	18.5%	18.7%	16.2%	0.6%	7.3%	3.5%	13.7%	0.4%	0.0%	0.0%	0.0%
Cornerstone Realty Income Trust, Inc.	0.0%	97.1%	2.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Corporate Property Associates 10, Inc.	8.6%	6.4%	8.1%	36.0%	3.4%	11.7%	6.9%	19.0%	0.0%	0.0%	0.0%	0.0%
Corporate Property Associates 12, Inc.	13.3%	5.4%	3.2%	17.2%	4.4%	26.8%	2.9%	26.9%	0.0%	0.0%	0.0%	0.0%
Corporate Property Associates 14, Inc.	3.8%	7.2%	9.6%	19.4%	7.2%	8.2%	9.5%	35.1%	0.0%	0.0%	0.0%	0.0%
Corporate Property Associates 15, Inc.	17.0%	4.6%	11.0%	5.9%	5.5%	7.4%	7.8%	4.1%	36.8%	0.0%	0.0%	0.0%
Corporate Property Associates 16, Inc.	17.4%	4.6%	9.5%	11.2%	4.4%	8.9%	4.1%	4.3%	32.9%	0.9%	1.6%	0.2%
DCT Industrial Trust Inc.	3.3%	3.8%	32.5%	24.0%	1.8%	23.5%	4.3%	6.8%	0.0%	0.0%	0.0%	0.0%
Griffin-American Healthcare REIT II, Inc.	10.5%	8.3%	14.9%	17.7%	2.4%	26.4%	8.2%	11.2%	0.5%	0.0%	0.0%	0.0%
Healthcare Trust of America, Inc.	8.0%	8.9%	22.8%	19.8%	6.7%	14.8%	16.1%	2.9%	0.0%	0.0%	0.0%	0.0%
Independence Realty Trust, Inc.	0.0%	9.2%	22.1%	7.0%	0.0%	11.9%	49.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Inland Diversified Real Estate Trust, Inc.	23.4%	9.8%	26.0%	8.9%	2.8%	14.5%	11.8%	2.9%	0.0%	0.0%	0.0%	0.0%
Inland Real Estate Corporation	0.0%	0.0%	0.0%	90.8%	9.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Inland Retail Real Estate Trust, Inc.	7.6%	18.1%	70.4%	2.9%	0.0%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Inland Western Retail Real Estate Trust, Inc.	15.4%	13.2%	11.3%	15.6%	3.7%	20.9%	8.8%	11.1%	0.0%	0.0%	0.0%	0.0%
Monogram Residential Trust, Inc.	9.1%	16.1%	11.0%	4.0%	0.0%	17.0%	13.5%	29.4%	0.0%	0.0%	0.0%	0.0%
Paladin Realty Income Properties, Inc.	3.5%	22.2%	12.8%	14.5%	20.1%	22.5%	0.0%	4.5%	0.0%	0.0%	0.0%	0.0%
Piedmont Office Realty Trust, Inc.	19.5%	20.1%	5.9%	26.1%	6.4%	8.3%	3.4%	10.3%	0.0%	0.0%	0.0%	0.0%
SmartStop Self Storage, Inc.	9.1%	16.4%	30.3%	2.2%	0.0%	10.1%	7.7%	18.3%	0.0%	0.0%	0.0%	6.0%
TIER REIT, Inc.	16.6%	3.7%	8.1%	3.1%	24.9%	32.0%	8.1%	3.5%	0.0%	0.0%	0.0%	0.0%
United Development Funding IV	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Whitestone REIT	0.0%	0.0%	0.0%	2.1%	0.0%	86.9%	10.9%	0.0%	0.0%	0.0%	0.0%	0.0%

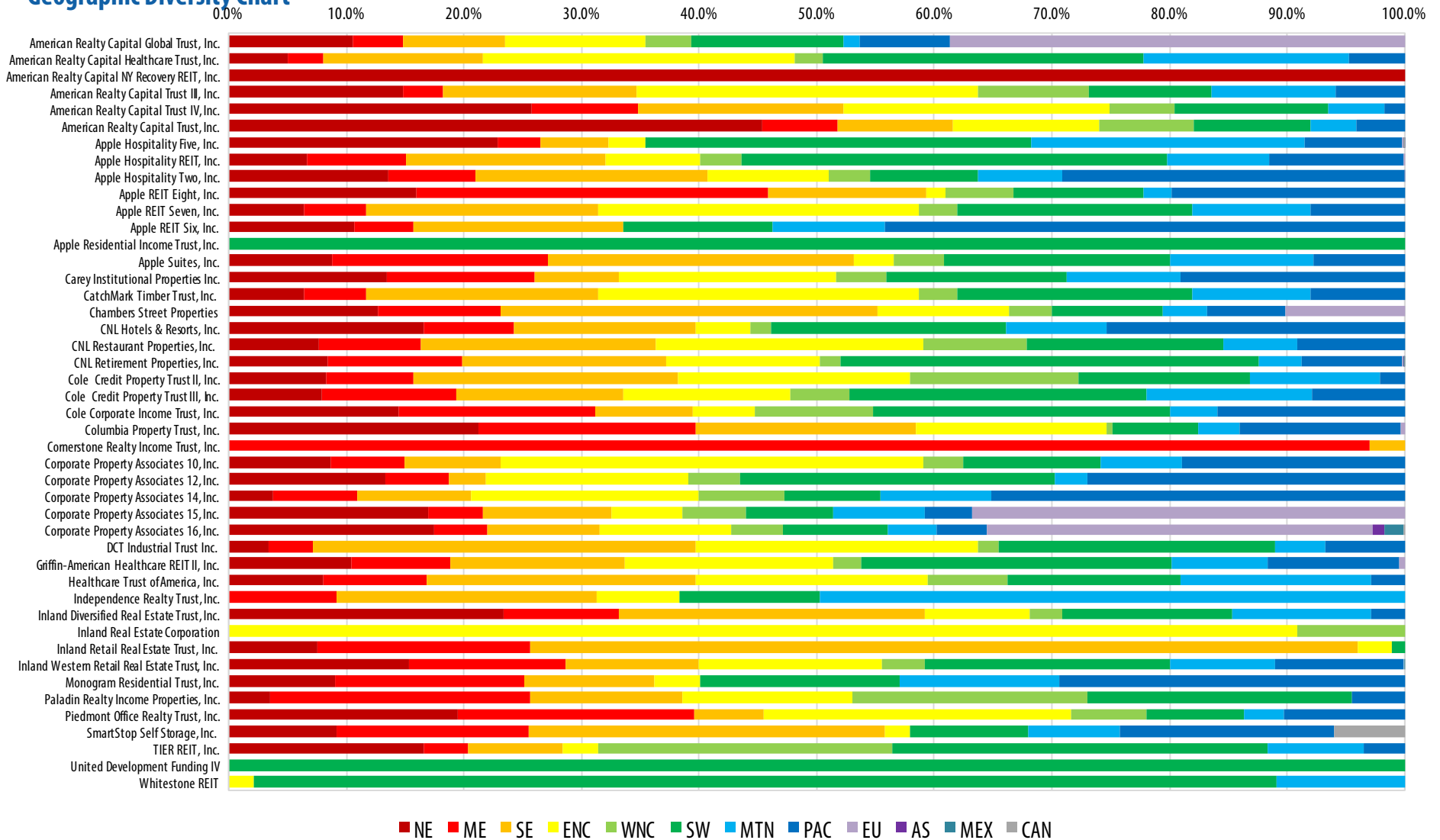
\*See Appendix II for regional definitions.



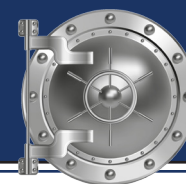
# Fourth Edition REIT Full-Cycle Performance Study



## Geographic Diversity Chart

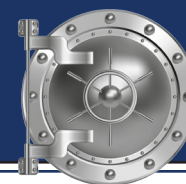


# Fourth Edition Nontraded REIT Full-Cycle Performance Study



Name	Average Property Type Weights (averaged across quarters)									
	Apt	Office	Indust	Retail	Hotels	Other	Healthcare	Mortgage	Self Stor	Timber
American Realty Capital Global Trust, Inc.	0.0%	58.4%	23.5%	16.8%	0.7%	0.0%	0.5%	0.0%	0.0%	0.0%
American Realty Capital Healthcare Trust, Inc.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
American Realty Capital NY Recovery REIT, Inc.	3.3%	50.5%	0.0%	40.2%	4.5%	1.5%	0.0%	0.0%	0.0%	0.0%
American Realty Capital Trust III, Inc.	0.0%	11.2%	31.2%	57.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
American Realty Capital Trust IV, Inc.	0.0%	1.3%	9.2%	89.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
American Realty Capital Trust, Inc.	0.0%	2.3%	18.3%	79.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Apple Hospitality Five, Inc.	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Apple Hospitality REIT, Inc.	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Apple Hospitality Two, Inc.	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Apple REIT Eight, Inc.	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Apple REIT Seven, Inc.	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Apple REIT Six, Inc.	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Apple Residential Income Trust, Inc.	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Apple Suites, Inc.	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Carey Institutional Properties Inc.	0.0%	23.0%	22.3%	44.6%	0.0%	10.1%	0.0%	0.0%	0.0%	0.0%
CatchMark Timber Trust, Inc.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Chambers Street Properties	0.0%	44.6%	49.3%	6.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CNL Hotels & Resorts, Inc.	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CNL Restaurant Properties, Inc.	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CNL Retirement Properties, Inc.	91.6%	8.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cole Credit Property Trust II, Inc.	0.0%	3.2%	3.3%	93.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cole Credit Property Trust III, Inc.	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cole Corporate Income Trust, Inc.	0.0%	61.0%	39.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Columbia Property Trust, Inc.	0.0%	99.1%	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Cornerstone Realty Income Trust, Inc.	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Corporate Property Associates 10, Inc.	0.0%	48.2%	8.6%	22.3%	15.9%	5.1%	0.0%	0.0%	0.0%	0.0%

# Fourth Edition REIT Full-Cycle Performance Study



Name	Average Property Type Weights (averaged across quarters)									
	Apt	Office	Indust	Retail	Hotels	Other	Healthcare	Mortgage	Self Stor	Timber
Corporate Property Associates 12, Inc.	0.0%	41.2%	16.0%	28.9%	0.0%	14.0%	0.0%	0.0%	0.0%	0.0%
Corporate Property Associates 14, Inc.	0.0%	27.9%	46.5%	14.2%	0.0%	11.4%	0.0%	0.0%	0.0%	0.0%
Corporate Property Associates 15, Inc.	0.0%	32.4%	29.7%	25.1%	0.0%	12.6%	0.0%	0.0%	0.0%	0.0%
Corporate Property Associates 16, Inc.	1.6%	13.5%	60.1%	19.8%	3.7%	1.3%	0.0%	0.0%	0.0%	0.0%
DCT Industrial Trust Inc.	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Griffin-American Healthcare REIT II, Inc.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Healthcare Trust of America, Inc.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Independence Realty Trust, Inc.	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Inland Diversified Real Estate Trust, Inc.	2.6%	4.2%	1.1%	92.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Inland Real Estate Corporation	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Inland Retail Real Estate Trust, Inc.	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Inland Western Retail Real Estate Trust, Inc.	0.0%	5.8%	0.2%	93.6%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%
Monogram Residential Trust, Inc.	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Paladin Realty Income Properties, Inc.	77.2%	4.5%	18.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Piedmont Office Realty Trust, Inc.	0.0%	90.3%	2.7%	0.0%	0.0%	7.0%	0.0%	0.0%	0.0%	0.0%
SmartStop Self Storage, Inc.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
TIER REIT, Inc.	0.0%	99.6%	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
United Development Funding IV	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Whitestone REIT	0.0%	24.5%	25.0%	50.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

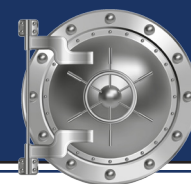
# Fourth Edition Nontraded REIT Full-Cycle Performance Study



## Average Real Estate Portfolios by Property Type Chart



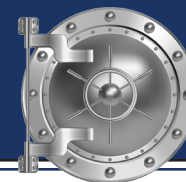
# Fourth Edition REIT Full-Cycle Performance Study



Sample Description Summary Statistics	Total Assets*	*Leverage (Debt/Total Assets)	Conventional IRR**	Annual IRR (Includes DRIP)	Conditional Annual Dividend Yield***	Initial Price	Exit Price	Capital Gain
Name	(in \$ Millions)							
American Realty Capital Global Trust, Inc.	\$1,104.27	35.75%	4.75%	4.90%	7.10%	\$10.00	\$9.32	-6.80%
American Realty Capital Healthcare Trust, Inc.	\$891.26	42.02%	7.00%	8.77%	6.47%	\$10.00	\$10.79	7.90%
American Realty Capital NY Recovery REIT, Inc.	\$612.57	51.03%	6.86%	8.06%	5.84%	\$10.00	\$10.75	7.50%
American Realty Capital Trust III, Inc.	\$709.72	10.48%	14.63%	18.34%	6.23%	\$10.00	\$12.57	25.70%
American Realty Capital Trust IV, Inc.	\$1,240.89	18.00%	14.46%	20.52%	5.40%	\$25.00	\$30.54	22.16%
American Realty Capital Trust, Inc.	\$812.15	65.73%	7.35%	8.59%	6.63%	\$10.00	\$10.49	4.90%
Apple Hospitality Five, Inc.	\$391.39	1.45%	13.49%	15.13%	8.17%	\$10.50	\$14.05	33.81%
Apple Hospitality REIT, Inc.	\$1,770.46	13.81%	7.71%	6.94%	8.48%	\$10.50	\$9.00	-14.29%
Apple Hospitality Two, Inc.	\$598.28	54.99%	13.40%	13.67%	10.43%	\$9.50	\$11.20	17.89%
Apple REIT Eight, Inc.	\$1,457.73	21.01%	3.79%	2.79%	6.26%	\$10.50	\$7.65	-27.14%
Apple REIT Seven, Inc.	\$1,321.81	18.17%	6.86%	5.99%	7.13%	\$10.50	\$9.00	-14.29%
Apple REIT Six, Inc.	\$733.66	9.13%	8.04%	8.12%	7.94%	\$10.50	\$11.10	5.71%
Apple Residential Income Trust, Inc.	\$271.27	10.55%	7.96%	6.90%	9.15%	\$9.00	\$7.82	-13.11%
Apple Suites, Inc.	\$160.73	48.10%	11.63%	12.75%	10.21%	\$9.00	\$10.00	11.11%
Carey Institutional Properties Inc.	\$342.34	47.78%	9.41%	9.65%	8.10%	\$10.00	\$13.90	39.00%
CatchMark Timber Trust, Inc.	\$424.51	55.94%	-7.75%	-7.75%	4.76%	\$10.00	\$4.85	-51.50%
Chambers Street Properties	\$1,392.16	33.21%	5.92%	6.39%	5.82%	\$10.00	\$10.00	0.00%
CNL Hotels & Resorts, Inc.	\$2,702.67	38.11%	6.65%	7.29%	6.58%	\$10.00	\$10.25	2.50%
CNL Restaurant Properties, Inc.	\$917.42	37.59%	6.33%	6.13%	7.21%	\$10.00	\$8.70	-13.00%
CNL Retirement Properties, Inc.	\$1,587.59	34.25%	9.76%	11.74%	6.56%	\$10.00	\$13.89	38.90%
Cole Credit Property Trust II, Inc.	\$2,423.93	56.03%	5.31%	5.97%	6.45%	\$10.00	\$9.32	-6.80%
Cole Credit Property Trust III, Inc.	\$3,842.11	38.16%	6.12%	7.14%	6.63%	\$10.00	\$10.90	9.00%
Cole Corporate Income Trust, Inc.	\$1,001.08	37.99%	8.25%	8.36%	6.50%	\$10.00	\$10.50	5.00%
Columbia Property Trust, Inc.	\$4,124.65	43.68%	1.25%	0.20%	5.48%	\$10.00	\$5.65	-43.50%

Footnotes: *\*Average of total assets and average leverage over the life of the REIT, excluding values after mergers with other nontraded REITs.  
 \*\* Without reinvestment of distributions.  
 \*\*\*Conditioning on quarters in which distributions were actually paid.*

# Fourth Edition Nontraded REIT Full-Cycle Performance Study



Summary Statistics Continued								
Name	Total Assets* (in \$ Millions)	*Leverage (Debt/Total Assets)	Conventional IRR**	Annual IRR (Includes DRIP)	Conditional Annual Dividend Yield***	Initial Price	Exit Price	Capital Gain
Cornerstone Realty Income Trust, Inc.	\$141.40	9.15%	11.08%	12.11%	9.48%	\$9.50	\$10.50	10.53%
Corporate Property Associates 10, Inc.	\$206.79	56.34%	8.39%	8.94%	7.57%	\$10.00	\$11.74	17.40%
Corporate Property Associates 12, Inc.	\$349.10	41.83%	9.61%	10.86%	8.05%	\$10.00	\$13.49	34.90%
Corporate Property Associates 14, Inc.	\$1,160.45	47.73%	7.99%	8.25%	7.48%	\$10.00	\$11.50	15.00%
Corporate Property Associates 15, Inc.	\$2,469.86	61.97%	8.13%	8.75%	6.79%	\$10.00	\$12.65	26.50%
Corporate Property Associates 16 Global, Inc.	\$2,376.91	54.40%	6.56%	7.90%	5.99%	\$10.00	\$11.25	12.50%
DCT Industrial Trust Inc.	\$1,197.18	33.86%	11.14%	13.08%	6.40%	\$10.00	\$12.35	23.50%
Griffin-American Healthcare REIT II, Inc.	\$1,223.59	25.19%	9.33%	9.95%	6.64%	\$10.00	\$11.50	15.00%
Healthcare Trust of America, Inc.	\$1,602.67	44.55%	7.14%	8.13%	6.71%	\$10.00	\$10.79	7.90%
Independence Realty Trust, Inc.	\$132.08	64.31%	-1.24%	-1.98%	5.60%	\$10.00	\$8.45	-15.50%
Inland Diversified Real Estate Trust, Inc.	\$1,310.33	49.77%	7.06%	8.13%	5.72%	\$10.00	\$10.92	9.20%
Inland Real Estate Corporation	\$718.13	43.83%	10.35%	11.34%	8.85%	\$10.00	\$11.95	19.50%
Inland Retail Real Estate Trust, Inc.	\$2,387.64	53.80%	12.07%	13.95%	8.46%	\$10.00	\$14.00	40.00%
Inland Western Retail Real Estate Trust, Inc.	\$6,131.76	58.65%	-0.19%	-1.04%	4.36%	\$10.00	\$5.50	-45.00%
Monogram Residential Trust, Inc.	\$1,765.64	36.91%	4.54%	4.46%	5.22%	\$10.00	\$9.25	-7.50%
Paladin Realty Income Properties, Inc.	\$124.87	54.40%	2.65%	2.06%	5.78%	\$10.00	\$7.25	-27.50%
Piedmont Office Realty Trust, Inc.	\$3,075.70	26.95%	5.88%	5.28%	6.22%	\$10.00	\$6.59	-34.10%
SmartStop Self Storage, Inc.	\$446.00	57.86%	10.96%	12.15%	7.00%	\$10.00	\$13.75	37.50%
TIER REIT, Inc.	\$2,897.10	68.00%	-4.18%	-6.06%	4.66%	\$10.00	\$3.04	-69.60%
United Development Funding IV	\$264.62	76.61%	7.99%	8.60%	8.66%	\$20.00	\$19.60	-2.00%
Whitestone REIT	\$189.72	67.98%	-2.98%	-4.13%	5.28%	\$10.00	\$4.47	-55.30%
<b>Full Sample Mean</b>	<b>\$1,355.69</b>	<b>41.27%</b>	<b>6.92%</b>	<b>7.50%</b>	<b>6.90%</b>	<b>\$10.54</b>	<b>\$10.73</b>	<b>1.19%</b>
<b>Full Sample Median</b>	<b>\$1,104.27</b>	<b>43.68%</b>	<b>7.35%</b>	<b>8.13%</b>	<b>6.63%</b>	<b>\$10.00</b>	<b>\$10.75</b>	<b>7.50%</b>

Footnotes:  
 \*Average of total assets and average leverage over the life of the REIT, excluding values after mergers with other nontraded REITs.  
 \*\* Without reinvestment of distributions.  
 \*\*\*Conditioning on quarters in which distributions were actually paid.



# Fourth Edition REIT Full-Cycle Performance Study



## Return Calculation Methodologies (Overview)

For each nontraded REIT, we calculate the internal rate of return (IRR) experienced by investors in two ways. In the first, we assume that all distributions are reinvested at the then-prevailing price (while considering any DRIP discount). Upon ultimate liquidation, we compute the quarterly IRR as the geometric mean (or compounded average rate of return) of the quarterly returns, which we then annualize for presentation. In the second, we assume no reinvestment of distributions. We compute the average annual distribution yield using the original IPO price (usually \$10) both for all quarters and conditioning on quarters where a distribution was actually paid.

Looking at the realized returns assuming reinvestment of distributions, the IRRs (including DRIP discounts) range from -7.75% to 20.52%, with an average of 7.50% and a median of 8.13%. Assuming no reinvestment of distributions decreases the estimated IRR for most of the sample firms, resulting in an average of 6.92% and median IRR of 7.35%. For those REITs that experienced a capital loss at the full-cycle event, the distribution reinvestment assumption can actually lower the estimated IRR in some cases.

Because the majority of full-cycle REITs in the study provided a capital gain, the use of the DRIP discount results in improving the annual IRR by approximately 58 basis points or 0.58% for the typical firm in our sample.

As indicated in the table, the bulk of these IRRs is delivered via the distribution yield. The arithmetic average annual distribution yield based upon the IPO stock price is 6.90% when one considers only those quarters where a distribution is paid. In terms of capital appreciation, the vast majority of the REITs have an initial price of \$10, with a median 7.5% capital gain over the life of the typical nontraded REIT in our sample. The arithmetic average capital gain for the full sample of 45 REITs was 1.2%, with a range of -70% to 40%. (Note that the exit stock prices relative to the IPO price are adjusted for stock splits as required.)

## Return Calculation Methodologies (Formulas and Example)

Annual internal rates of return (IRR) were calculated using two different assumptions: (1) conventional IRRs assume no reinvestment of distributions; (2) IRRs with DRIP assume a reinvestment of distributions using the discounted reinvestment price applicable in each

quarter 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 into additional shares, using any discount for a Distribution Reinvestment Plan (DRIP) where applicable. This simplifies cash flow assumptions for REITs that paid monthly distributions and for the many different payment dates which occur.
- 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, which is then annualized for presentation.
- 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:** 
$$\text{Quarterly IRR} = \left[ \frac{\text{Ending Account Value per Share}}{\text{Initial Share Price}} \right]^{1/n} - 1$$

For 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:

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

The annualized return uses the following adjustment:

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

# Fourth Edition Nontraded REIT Full-Cycle Performance Study



## Benchmark Construction

Having documented the IRRs to investors, assuming they held for the entire life of the REIT and reinvested all dividends, 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 custom 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)<sup>1</sup>. 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 average 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. The first is weighted by region (for all property types), where the weights are chosen to match the individual REIT’s geographic weights for each year.<sup>2</sup> 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 each 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 actual leverage, and degree of diversification across both regions and property types.

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.

<sup>1</sup> NCREIF uses eight regions of the U.S. and five property types for calculating average quarterly returns (Apartment, Office, Industrial, Retail, Hotels). For healthcare, mortgage, self storage and timber assets, we have used the NCREIF Total index or an appropriate traded REIT index where available.

<sup>2</sup> For properties in Europe and Asia, we used FTSE EPRA/NAREIT global index to construct benchmarks. For assets in Canada, we used the FTSE EPRA/NAREIT Canada index.

## Benchmark Construction (FTSE NAREIT Traded Benchmark construction)

### **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, Lodging/Resort, Health Care, Storage, Timber and Home Financing indices, weighted by each nontraded REIT’s (annual) allocations across each property type. 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 over matched holding periods, and then “re-levering” using the individual nontraded REITs’ quarterly leverage (as done for the NCREIF-based benchmark).

# Fourth Edition REIT Full-Cycle Performance Study



In previous studies, with both the NCREIF-based benchmark and the publicly-traded benchmarks, we included only the dividend yield for the publicly-traded REITs until the nontraded REIT in question was marked to market. At that point, we included the compound capital gains or losses on the index since the REIT's inception, and for later quarters, both dividends and capital gains were included.

Then, to assess the reasonableness of those benchmarks, we calculated the correlation between the benchmarks' returns and those of each nontraded REIT. On a time series basis, these correlations were of quite large magnitude (either positive or negative) due to the fact that capital gains (or losses) were 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 were large relative to the annual dividend returns. We concluded that the absence of reported NAVs or marked-to-market values for the nontraded REITs in the previous studies rendered such time series correlation calculations meaningless.

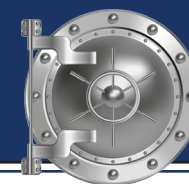
The cross-sectional correlation<sup>1</sup> between the nontraded REIT returns and those of the NCREIF-based benchmarks is 0.31 (using matched holding periods), while the cross-sectional correlation between the nontraded returns and their respective publicly-traded benchmark returns was higher at 0.35. These cross-sectional correlations indicate that both the private and publicly-traded benchmarks do explain a significant portion of the variation among the nontraded REIT individual returns. This provides validation for our approach of constructing customized return benchmarks.

<sup>1</sup>The correlation between the full-cycle returns on 45 nontraded REITs and the matched holding period returns on their respective custom benchmarks.

## Performance Relative to Custom Benchmarks

The following table gives the results of the return calculations for the individual full-cycle REITs and the 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 average leverage of the nontraded REIT.

# Fourth Edition Nontraded REIT Full-Cycle Performance Study



Nontraded REIT	Individual REIT Internal Rate of Return*	Benchmarks	
		NCREIF-Based	FTSE-NAREIT-Based
1 American Realty Capital Global Trust, Inc.	4.75%	16.83%	9.34%
2 American Realty Capital Healthcare Trust, Inc.	8.77%	19.82%	13.90%
3 American Realty Capital NY Recovery REIT, Inc.	8.06%	18.50%	18.03%
4 American Realty Capital Trust III, Inc.	18.34%	13.96%	13.86%
5 American Realty Capital Trust IV, Inc.	20.52%	19.29%	12.51%
6 American Realty Capital Trust, Inc.	8.59%	-12.12%	2.79%
7 Apple Hospitality Five, Inc.	15.13%	16.14%	9.68%
8 Apple Hospitality REIT, Inc.	7.71%	4.08%	7.79%
9 Apple Hospitality Two, Inc.	13.67%	17.75%	10.95%
10 Apple REIT Eight, Inc.	3.79%	4.16%	4.61%
11 Apple REIT Seven, Inc.	6.86%	6.51%	4.91%
12 Apple REIT Six, Inc.	8.12%	8.25%	6.47%
13 Apple Residential Income Trust, Inc.	6.90%	11.05%	5.97%
14 Apple Suites, Inc.	12.75%	5.47%	-4.05%
15 Carey Institutional Properties Inc.	9.65%	6.28%	13.95%
16 CatchMark Timber Trust, Inc.	-7.75%	5.47%	7.34%
17 Chambers Street Properties	6.39%	3.95%	2.86%
18 CNL Hotels & Resorts, Inc.	7.29%	20.39%	3.28%
19 CNL Restaurant Properties, Inc.	6.13%	13.95%	15.15%
20 CNL Retirement Properties, Inc.	11.74%	16.75%	16.84%
21 Cole Credit Property Trust II, Inc.	5.97%	9.82%	7.92%
22 Cole Credit Property Trust III, Inc.	7.14%	2.81%	8.13%
23 Cole Corporate Income Trust, Inc.	8.25%	16.07%	10.46%
24 Columbia Property Trust, Inc.	0.20%	10.58%	8.75%
25 Cornerstone Realty Income Trust, Inc.	12.11%	9.20%	14.09%
26 Corporate Property Associates 10, Inc.	8.94%	3.28%	14.95%

Nontraded REIT	Individual REIT Internal Rate of Return*	Benchmarks	
		NCREIF-Based	FTSE-NAREIT-Based
27 Corporate Property Associates 12, Inc.	10.86%	14.10%	12.95%
28 Corporate Property Associates 14, Inc.	8.25%	8.38%	10.22%
29 Corporate Property Associates 15, Inc.	8.75%	2.59%	12.84%
30 Corporate Property Associates 16, Inc.	7.90%	8.88%	8.36%
31 DCT Industrial Trust Inc.	13.08%	21.67%	18.96%
32 Griffin-American Healthcare REIT II, Inc.	9.33%	15.07%	11.29%
33 Healthcare Trust of America, Inc.	8.13%	7.03%	12.13%
34 Independence Realty Trust, Inc.	-1.98%	30.95%	11.74%
35 Inland Diversified Real Estate Trust, Inc.	8.13%	17.73%	33.74%
36 Inland Real Estate Corporation	11.34%	12.77%	15.35%
37 Inland Retail Real Estate Trust, Inc.	13.95%	20.82%	22.32%
38 Inland Western Retail Real Estate Trust, Inc.	-1.04%	14.71%	12.02%
39 Monogram Residential Trust, Inc.	4.54%	9.52%	16.90%
40 Paladin Realty Income Properties, Inc.	2.06%	14.22%	13.50%
41 Piedmont Office Realty Trust, Inc.	5.28%	9.14%	10.51%
42 SmartStop Self Storage, Inc.	10.96%	6.71%	20.02%
43 TIER REIT, Inc.	-4.18%	17.08%	11.35%
44 United Development Funding IV	8.60%	12.47%	8.37%
45 Whitestone REIT	-4.13%	9.72%	4.50%
Mean	7.55%	11.60%	11.28%
Median	8.13%	11.05%	11.29%
Minimum	-7.75%	-12.12%	-4.05%
Maximum	20.52%	30.95%	33.74%

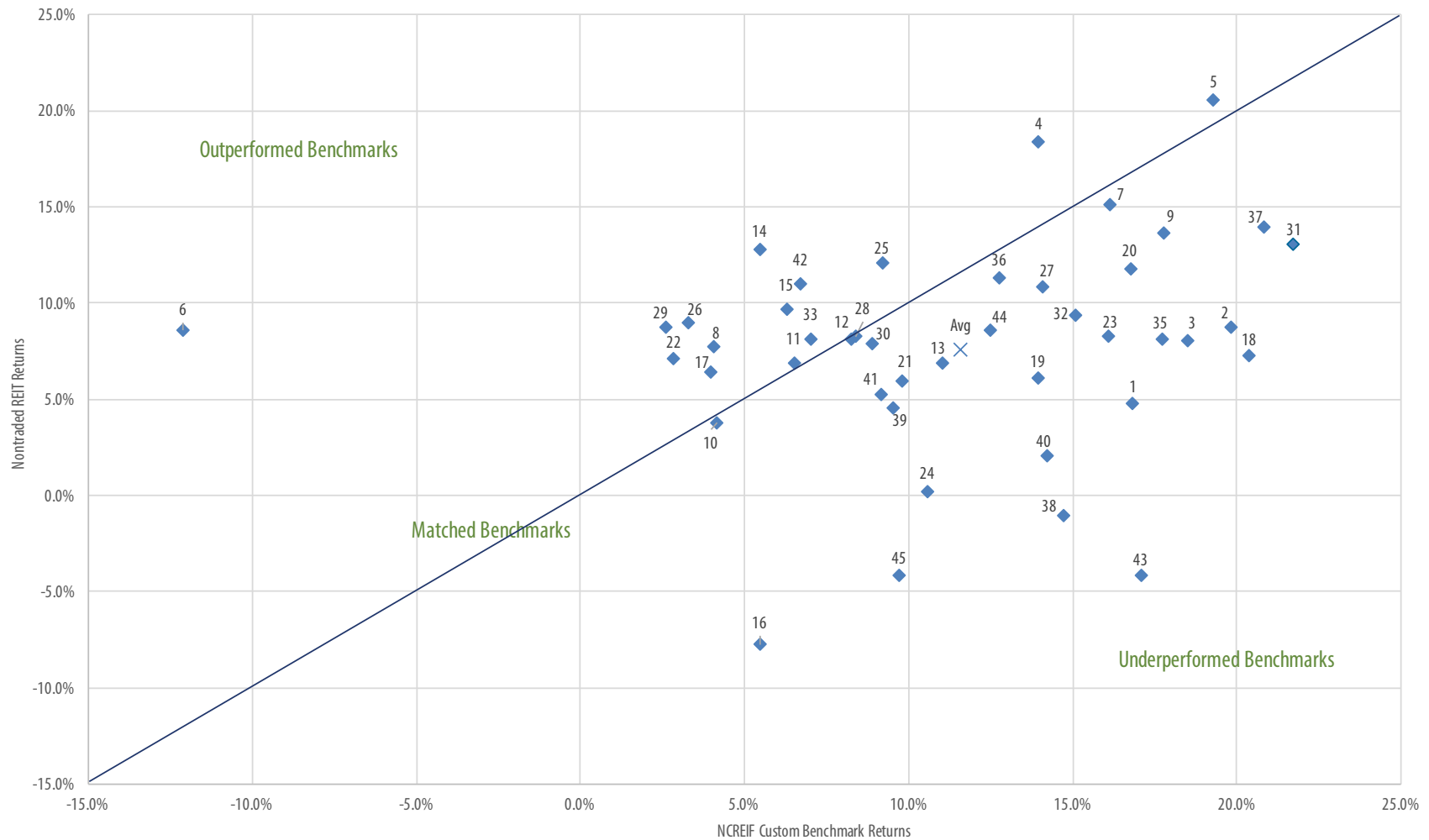
\*Assumes reinvestment of distributions.

# Fourth Edition REIT Full-Cycle Performance Study



## Performance Relative to Custom NCREIF Benchmarks

Average annualized returns for full-cycle REITs compared to their respective NCREIF (Private) benchmarks. Full-cycle REIT returns plotting above the diagonal represent those that outperformed their custom NCREIF benchmark. The average performance for all 45 REITs is also plotted (x). (See Appendix III for scatter chart key.)

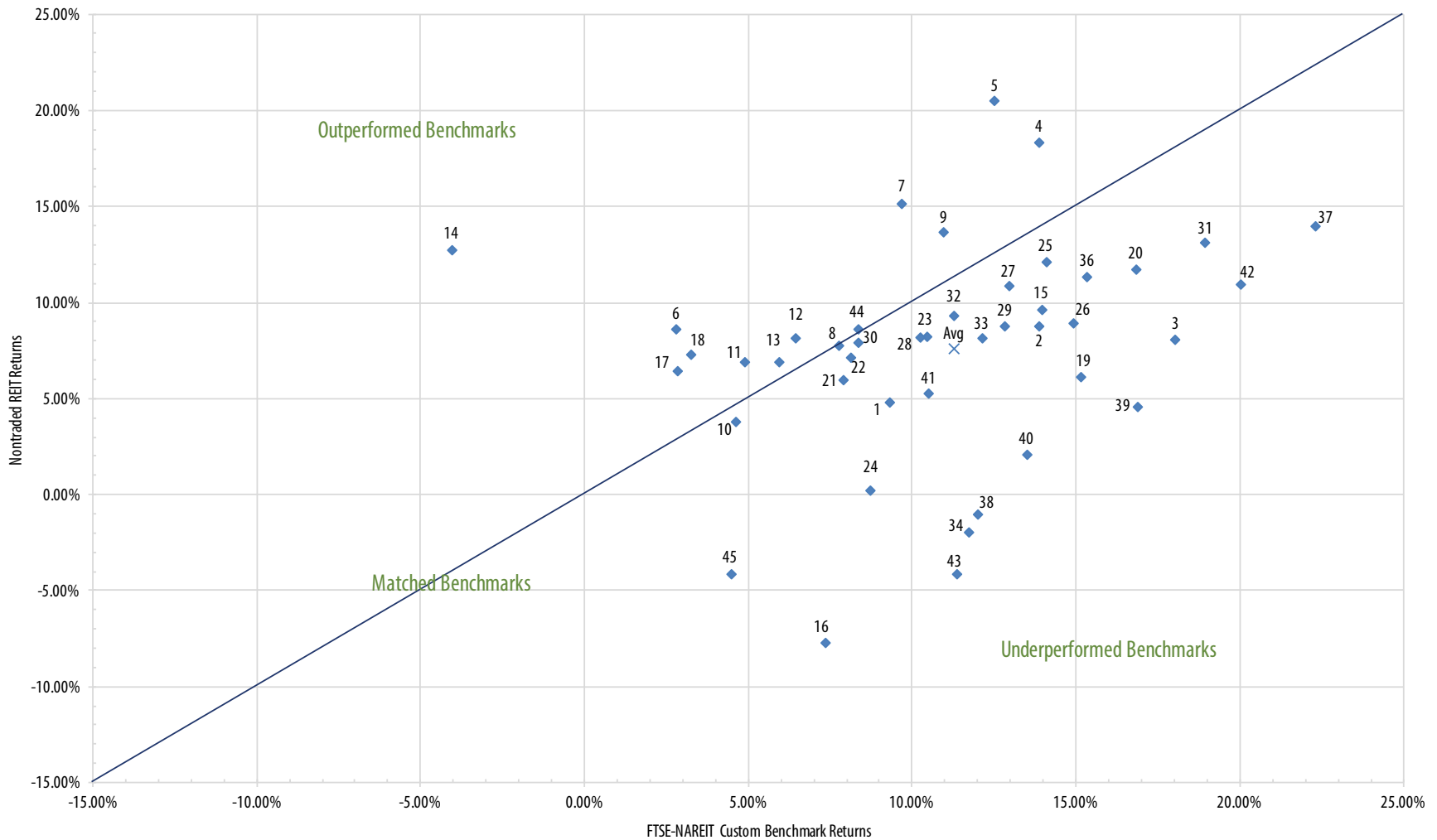


# Fourth Edition Nontraded REIT Full-Cycle Performance Study



## Performance Relative to Custom FTSE NAREIT Benchmarks

Average annualized returns for full-cycle REITs compared to their respective FTSE NAREIT (public) benchmarks. Full-cycle REIT returns plotting above the diagonal represent those that outperformed their publicly-traded custom benchmark. The average performance for all 45 REITs is also plotted (x). (See Appendix III for scatter chart key.)



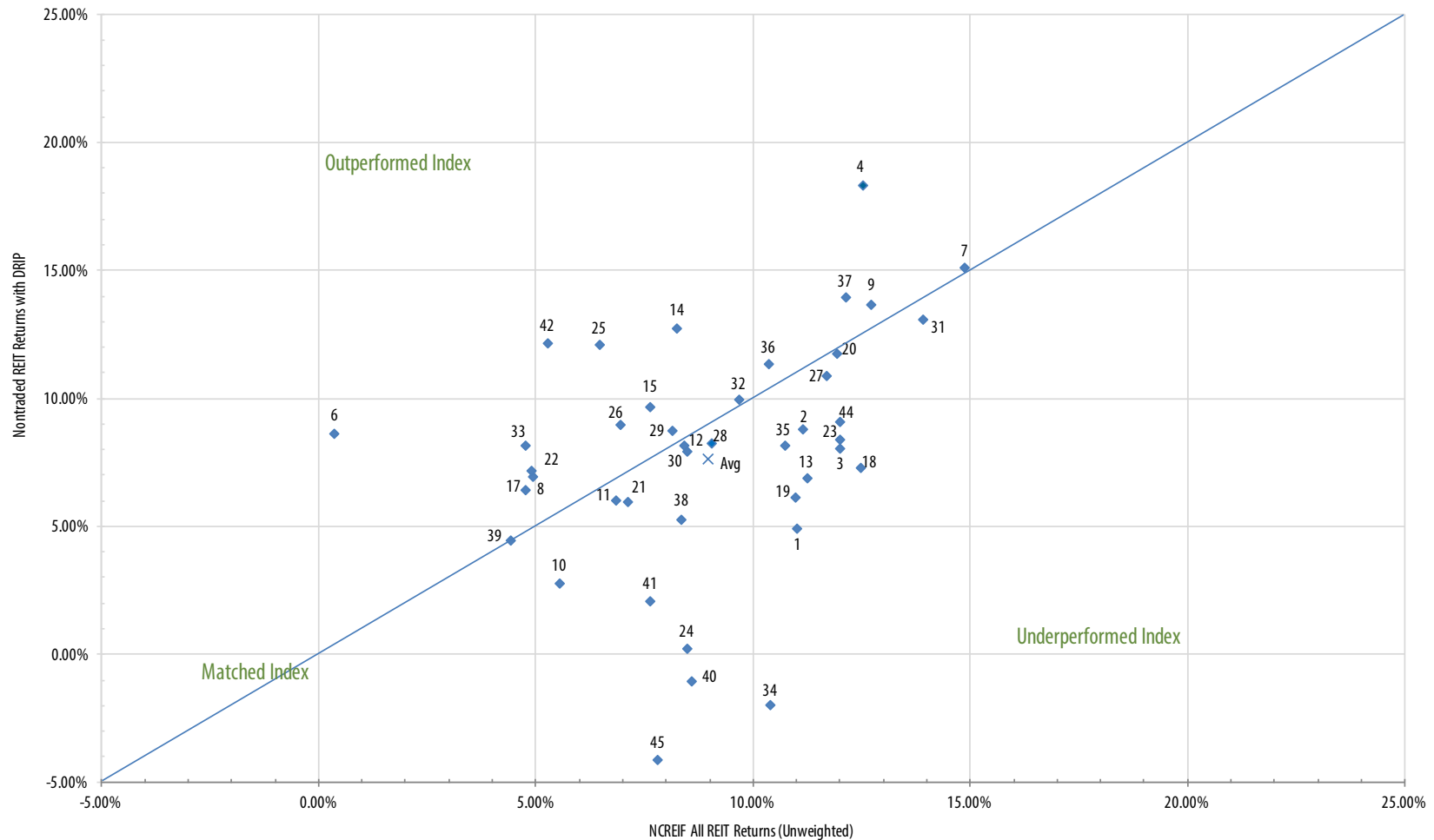


# Fourth Edition REIT Full-Cycle Performance Study

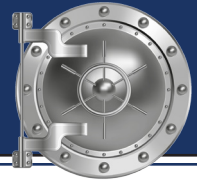


## Performance Relative to the NCREIF Index (without customized weightings)

We also compared the investor returns for the full-cycle REITs to the returns on the NCREIF Total Index, unadjusted and unweighted for regional or property type differences between REIT portfolios. Full-cycle REIT returns plotting above the diagonal represent those that outperformed the NCREIF Index. The average performance for all 45 REITs and the NCREIF Index is also plotted for the matched holding periods (x). (See Appendix III for scatter chart key.)

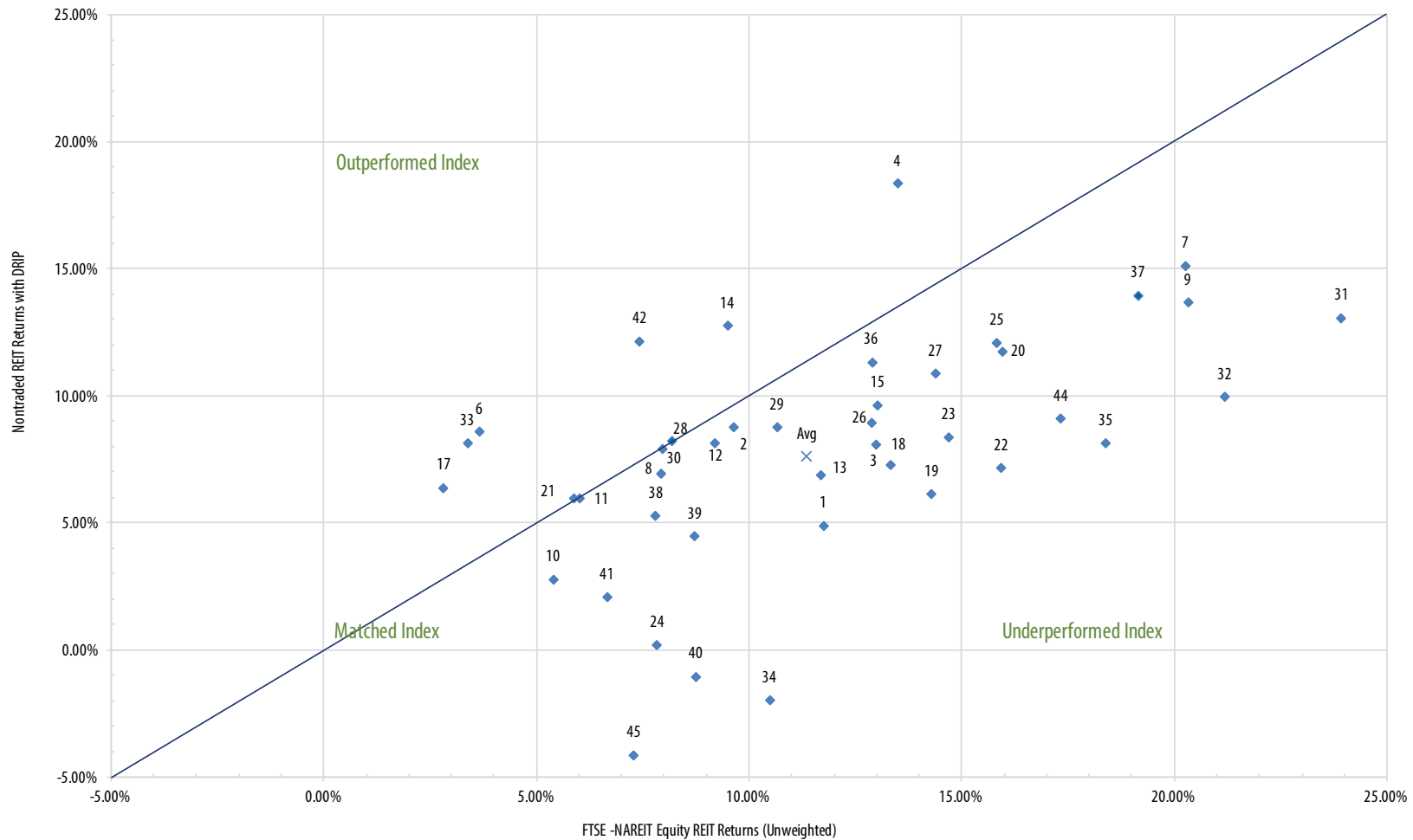


# Fourth Edition Nontraded REIT Full-Cycle Performance Study



## Performance Relative to FTSE NAREIT Index (without customized weightings)

We also compared the investor returns for the full-cycle REITs to the returns on the FTSE NAREIT All Equity REIT Index, unadjusted and unweighted for property type differences between REIT portfolios. Full-cycle REIT returns plotting above the diagonal represent those that outperformed the FTSE NAREIT Index. The average performance for all 45 REITs and the FTSE NAREIT Index is also plotted for the matched holding periods (x). (See Appendix III for scatter chart key.)



# Fourth Edition REIT Full-Cycle Performance Study



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

We compared the early investor IRRs for the 45 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 matched 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 following chart. Compared to the average compounded quarterly returns on the S&P 500 Index, for the 45 full-cycle REITs, early investors in 21 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 45 full-cycle REITs was 8.35% compared to an average IRR for the REITs of 7.55%. (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.<sup>1</sup> 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 six to 10 years.

The results of the comparison between nontraded REIT IRRs and total returns on Intermediate-Term U.S. Treasuries are shown below. The average total return on the Intermediate-Term U.S. Treasuries over the life cycles of the 45 nontraded REITs was 5.44% compared to an average IRR for the REITs of 7.55%. Of the 45 REITs, 33 outperformed the Intermediate-Term U.S. Treasuries

returns over their life cycles.

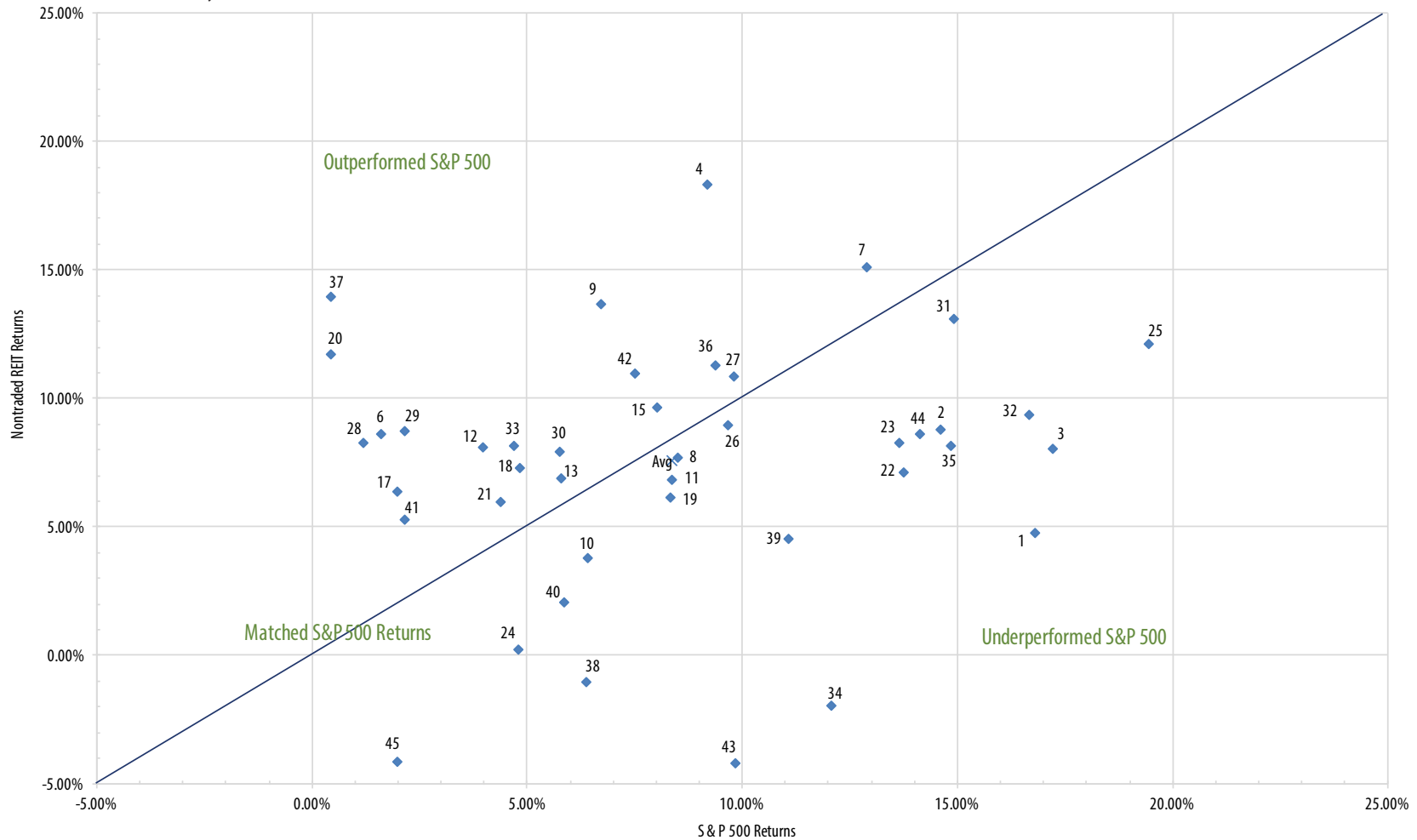
<sup>1</sup>The Intermediate-Term Treasury Bond return is based upon the quarterly total returns on 10-year U.S. Treasury notes from Wharton Research Data Services from 1990-2012 and the Vanguard Intermediate-Term Treasury Fund Investor Shares (VFITX) for 2013-2015.

# Fourth Edition Nontraded REIT Full-Cycle Performance Study



## Performance Relative to S&P 500 Index

We compare the annualized returns of the 45 full-cycle REITs to total returns on the S&P 500 Index over holding periods that match the life cycle of the nontraded REITs. Those 21 REITs whose average shareholder returns plot above the diagonal outperformed the S&P 500 Index. The average return (x) for the 45 REITs under-performed the S&P 500 Index by 0.80% (7.55% to 8.35%) (See Appendix III for scatter chart key.).

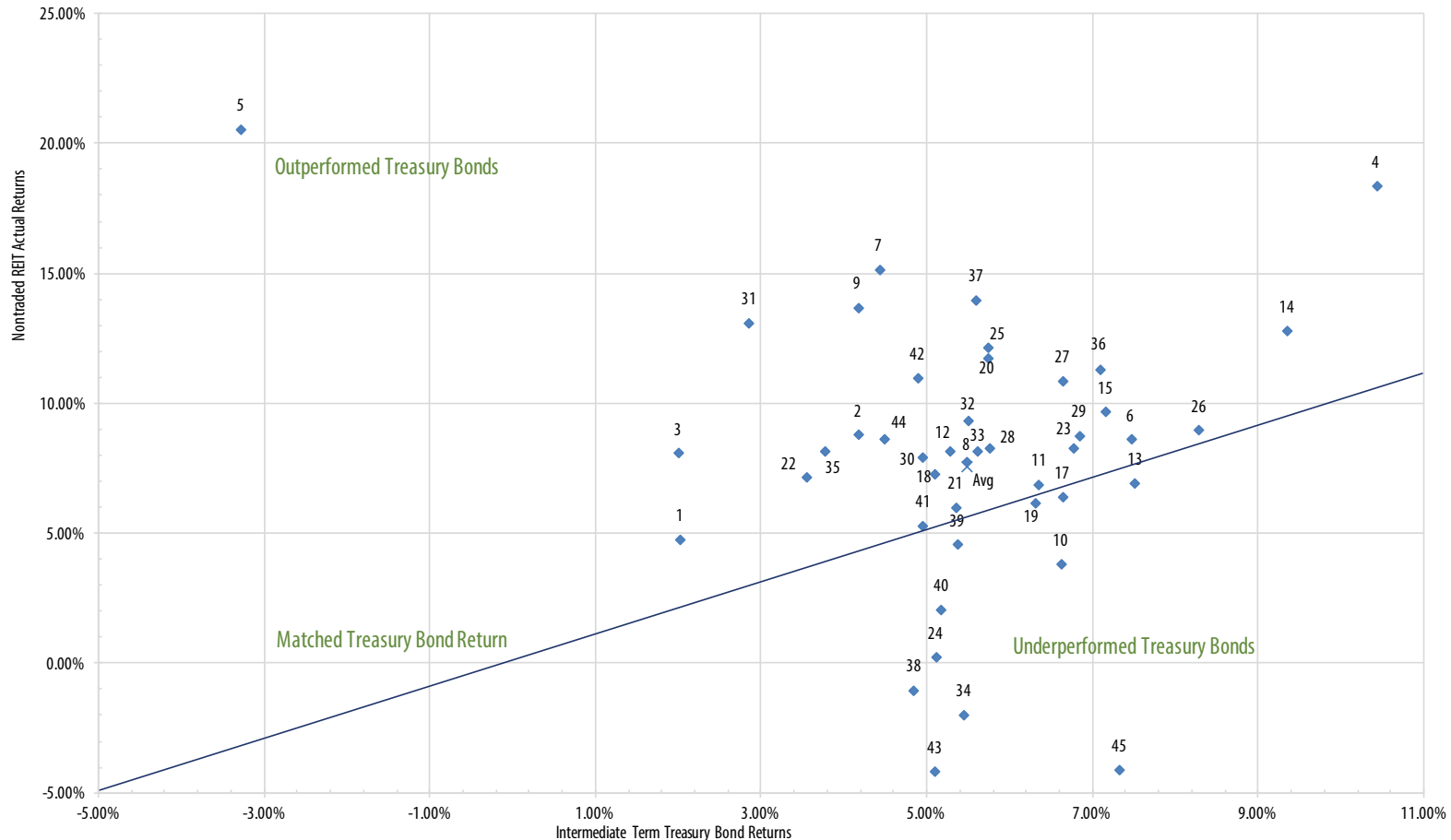


# Fourth Edition REIT Full-Cycle Performance Study



## Performance Relative to Intermediate-Term U.S. Treasury Bond Portfolio

We compare the annualized returns of the 45 full-cycle REITs to total returns on a portfolio of Intermediate Term U.S. Treasury Bonds over holding periods that match the life cycle of the nontraded REITs. Those 33 REITs whose average shareholder returns plot above the diagonal outperformed the Intermediate-Term U.S. Treasury Index<sup>1</sup>. The average return for the 45 REITs (x) outperformed the Bond Index also by 2.11% annually (7.55% to 5.44%). (See Appendix III for scatter chart key.)



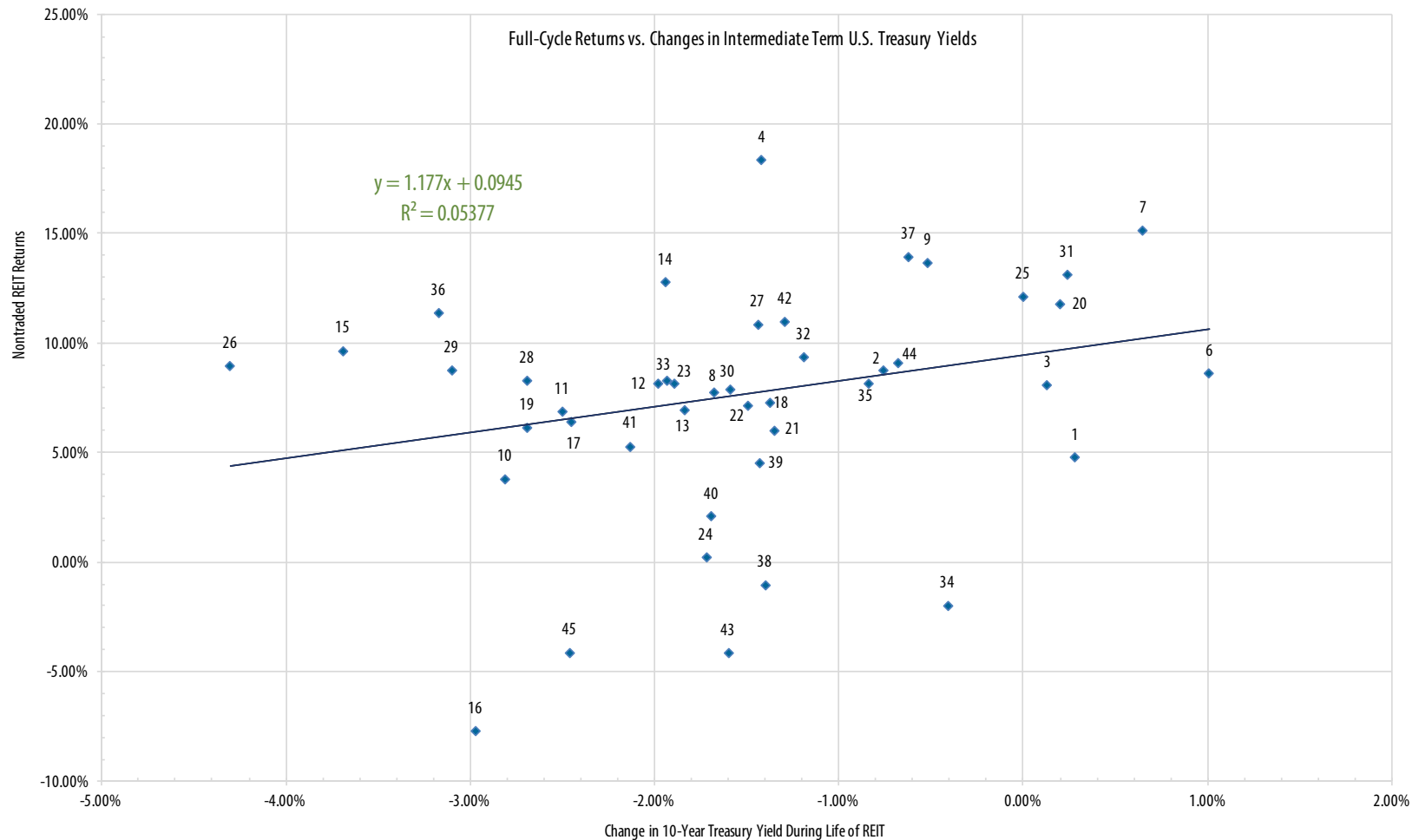
<sup>1</sup>The Intermediate-Term Treasury Bond return is based upon the quarterly total returns on 10-year U.S. Treasury notes from Wharton Research Data Services from 1990-2013 and the Vanguard Intermediate-Term Treasury Fund Investor Shares (VFITX) for subsequent periods.

# Fourth Edition Nontraded REIT Full-Cycle Performance Study

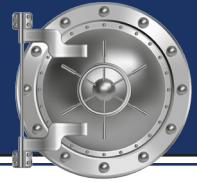


## Performance Relative to Changes in Intermediate-Term U.S. Treasury Bond Yields

We compare the annualized returns of the 45 full-cycle REITs to the changes in interest rates represented by yields on 10-year Treasury Bonds over periods which match the life cycle of the nontraded REITs to analyze whether rising or falling rates have a relation to the realized returns of our sample of nontraded REITs. The scatter plot and regression line below show that there is no significant relation between full-cycle returns and changes in intermediate term interest rates. The very small positive relationship is statistically insignificant. (See Appendix III for scatter chart key.)



# Fourth Edition REIT Full-Cycle Performance Study



## Correlation of Nontraded REIT Full-Cycle Returns with Market Index Returns

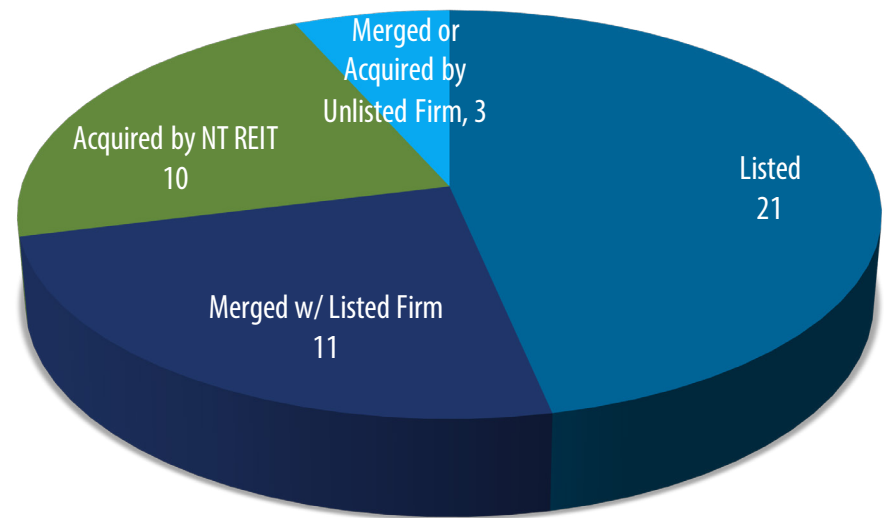
Given the difficulties in calculating a full time-series of returns for all nontraded REITs due to the lack of market valuations during most of their respective lives, we examine the cross-sectional correlations of their total average returns to the average returns on other indices over matched holding periods to shed light on the relations between nontraded REIT returns and other asset classes.

The returns on full-cycle nontraded REITs show positive cross-sectional correlations with both the private portfolios in the NCREIF index (+0.312) and the publicly traded REIT portfolios in the NAREIT index (+0.350). Interestingly, the cross-sectional correlation of full-cycle nontraded REIT returns with the S&P 500 stock index is lower (+0.178), 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 returns was significantly negative, indicating potential diversification benefits when a group of nontraded REITs are combined with bonds in a portfolio.

Correlations Matrix	Nontraded REIT Return	NCREIF Return	FTSE NAREIT Return	S&P 500 Return	Int Bond Returns
Nontraded REIT Return		0.31	0.35	0.18	-0.16
NCREIF Return	0.31		0.69	0.26	-0.15
FTSE NAREIT Return	0.35	0.69		0.32	-0.05
S&P 500 Index Returns	0.18	0.26	0.32		-0.63
Intermediate Treasury Bond Returns	-0.16	-0.15	-0.05	-0.63	

## Performance by Type of Full-Cycle Event

Within the 45 nontraded REITs that experienced full-cycle events, we next examined whether there were differences in average investor rates of return depending upon the nature of the full-cycle event.



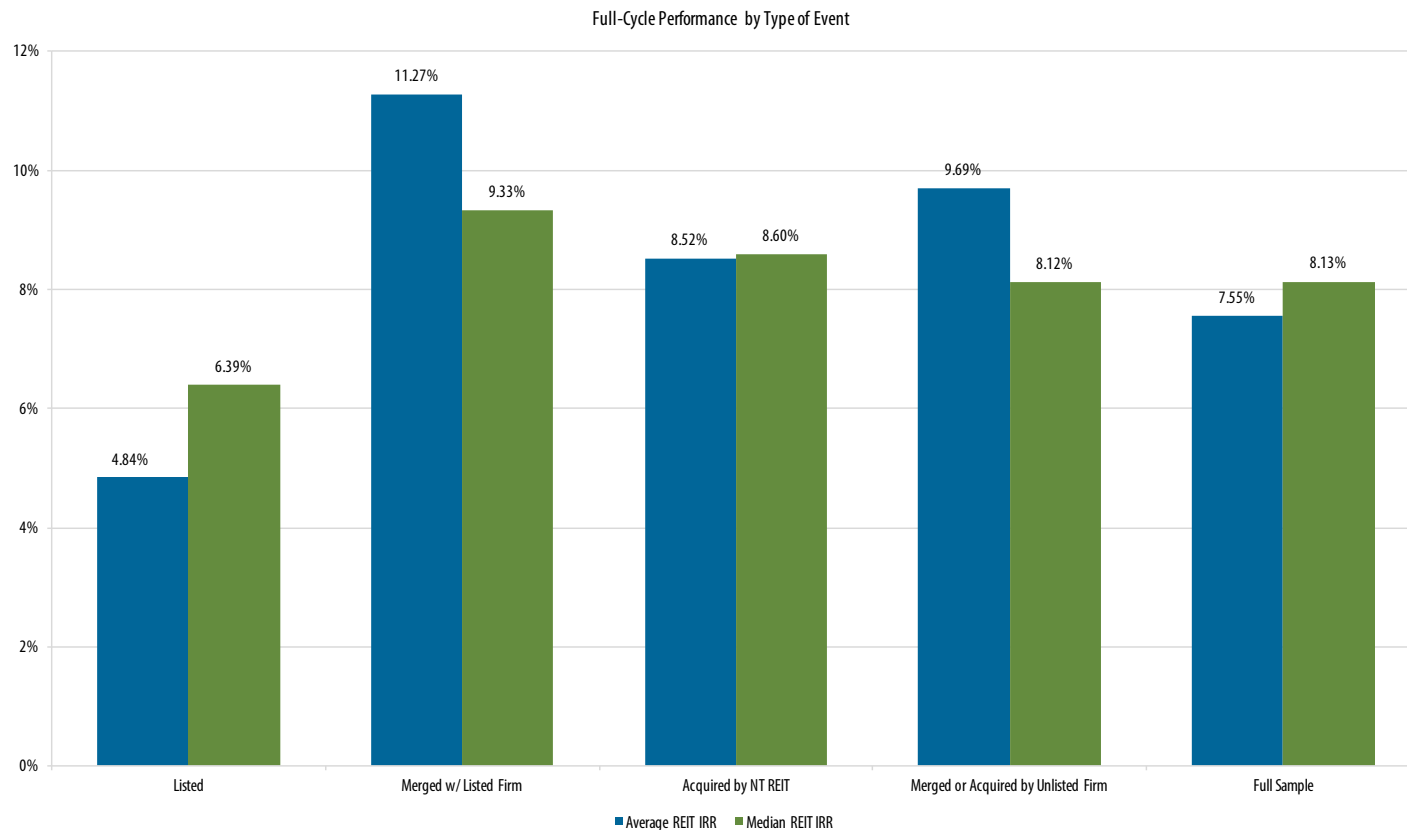


# Fourth Edition Nontraded REIT Full-Cycle Performance Study



## Performance by Type of Full-Cycle Event

Average returns to nontraded REIT shareholders varied significantly across the four types of full-cycle events. The 10 REITs which merged with listed firms performed best at 11.27% while those 21 REITs which listed their own shares averaged 4.84%. The 10 REITs which were acquired or merged with other nontraded REITs which subsequently had full-cycle events had shareholder returns averaging 8.52%. While these differences are interesting and suggest that the means of exit may matter for investors' ultimate returns, with the relatively small sub-samples of REITs within each category of full-cycle event types, we hesitate to generalize these results and attribute difference in performance to the difference in the methods of achieving liquidity for investors.

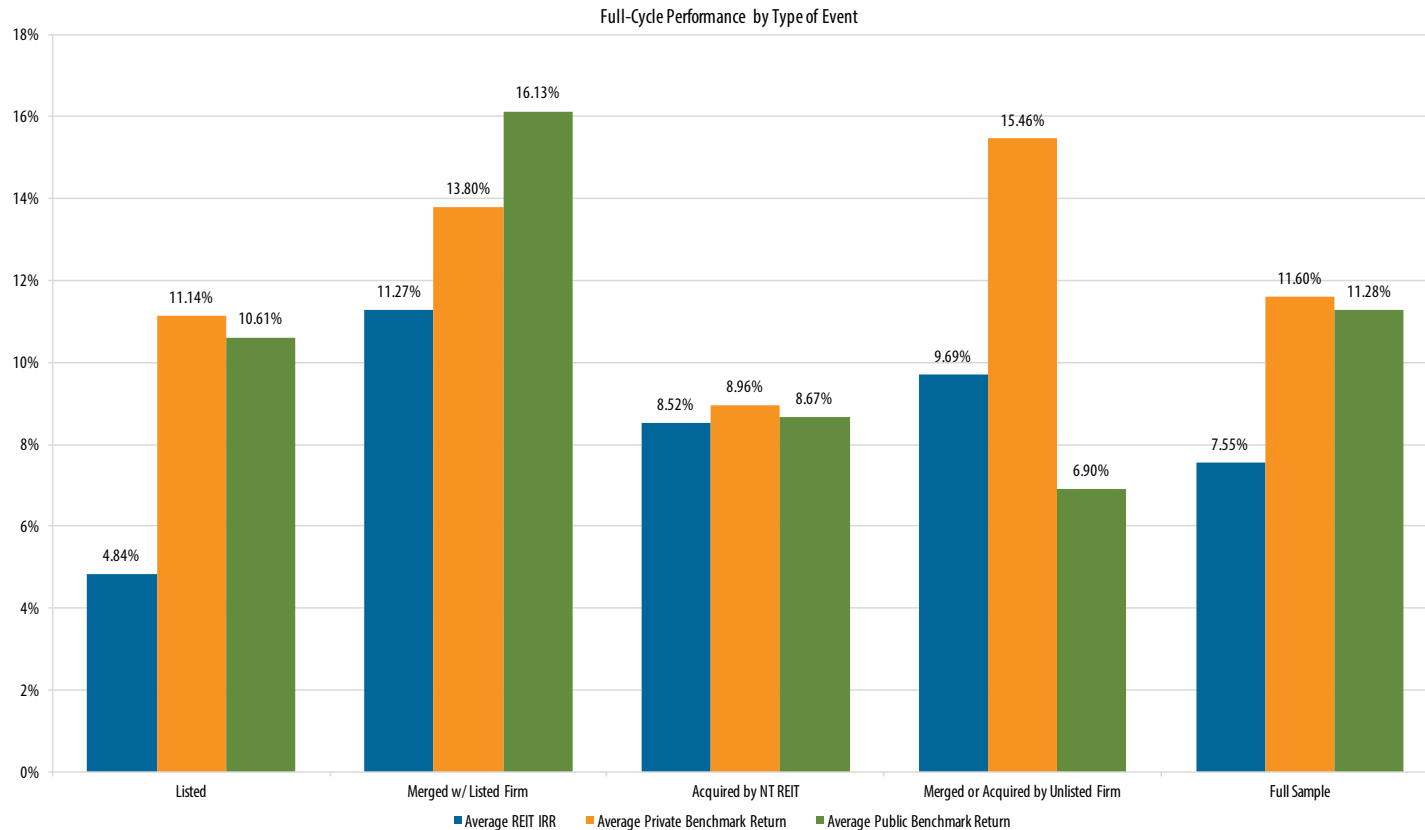


# Fourth Edition REIT Full-Cycle Performance Study

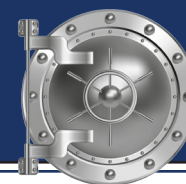


## Performance by Type of Full-Cycle Event vs Private and Public Benchmarks

The 10 REITs that were acquired by or merged with another nontraded REIT which subsequently had a full-cycle event had returns very comparable to both their private custom benchmarks and public benchmarks. The three REITs which were merged or acquired by an unlisted firm outperformed 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 valuation. The higher average returns of nontraded REITs acquired by listed REITs, and the relatively higher performance of the publicly-traded custom benchmarks for those nontraded REITs may indicate that listed REITs have taken advantage of their relative pricing to acquire nontraded REITs on mutually favorable terms. Again, with the small sub-samples of REITs within each category of full-cycle event types, we hesitate to generalize these results or attribute difference in performance to the difference in the methods of achieving liquidity for investors.



# Fourth Edition Nontraded REIT Full-Cycle Performance Study

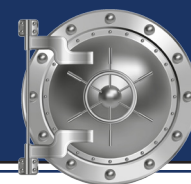


## Performance by REIT Sponsors

During our sample period, 17 different sponsors had nontraded REITs experiencing full-cycle events. Apple REITs had nine full-cycle events with an average annual shareholder return of 9.38%. W.P. Carey had six full-cycle REITs with an average annual shareholder return of 9.06%. American Realty Capital had six full-cycle events providing an average annual shareholder return of 11.53%. (On an asset-weighted basis, these average returns were 6.49%, 8.53% and 11.85%, respectively.)

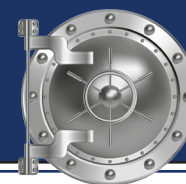
Nontraded REIT by Sponsor	Total Assets* (in \$ Millions)	*Leverage (Debt/ Total Assets)	Annual IRR (Includes DRIP)	Conditional Annual Dividend yield**	Initial Price(\$)	Exit Price(\$)	Capital Gain
Apple Hospitality Five, Inc.	\$391.39	1.5%	15.13%	8.17%	\$10.50	\$14.05	33.81%
Apple Hospitality REIT, Inc.	\$1,770.46	10.7%	6.94%	8.48%	\$10.50	\$9.00	-14.29%
Apple Hospitality Two, Inc.	\$598.28	55.0%	13.67%	10.43%	\$9.50	\$11.20	17.89%
Apple REIT Eight, Inc.	\$905.89	21.9%	2.79%	6.26%	\$10.50	\$7.65	-27.14%
Apple REIT Seven, Inc.	\$830.23	16.1%	5.99%	7.13%	\$10.50	\$9.00	-14.29%
Apple REIT Six, Inc.	\$733.66	9.1%	8.12%	7.94%	\$10.50	\$11.10	5.71%
Apple Residential Income Trust, Inc.	\$271.27	10.6%	6.90%	9.15%	\$9.00	\$7.82	-13.11%
Apple Suites, Inc.	\$160.73	48.1%	12.75%	10.21%	\$9.00	\$10.00	11.11%
Cornerstone Realty Income Trust, Inc.	\$141.40	9.2%	12.11%	9.48%	\$9.50	\$10.50	10.53%
<b>Average for Apple</b>	<b>\$644.81</b>	<b>20.2%</b>	<b>9.38%</b>	<b>8.58%</b>			<b>1.14%</b>
American Realty Capital Global Trust, Inc.	\$1,104.27	35.8%	4.90%	7.10%	\$10.00	\$9.32	-6.80%
American Realty Capital Healthcare Trust, Inc.	\$891.26	42.0%	8.77%	6.47%	\$10.00	\$10.79	7.90%
American Realty Capital NY Recovery REIT, Inc.	\$612.57	51.0%	8.06%	5.84%	\$10.00	\$10.75	7.50%
American Realty Capital Trust, Inc.	\$812.15	65.7%	8.59%	6.63%	\$10.00	\$10.49	4.90%
American Realty Capital Trust III, Inc.	\$709.72	10.5%	18.34%	6.23%	\$10.00	\$12.57	25.70%
American Realty Capital Trust IV, Inc.	\$1,240.89	18.0%	20.52%	5.40%	\$25.00	\$30.54	22.16%
<b>Average for American Realty Capital</b>	<b>\$895.14</b>	<b>37.2%</b>	<b>11.53%</b>	<b>6.28%</b>			<b>9.83%</b>
Monogram Residential Trust, Inc.	\$1,765.64	36.9%	4.46%	5.22%	\$10.00	\$9.25	-7.50%
TIER REIT, Inc.	\$2,897.10	68.0%	-6.06%	4.66%	\$10.00	\$3.04	-69.60%

# Fourth Edition REIT Full-Cycle Performance Study



Nontraded REIT by Sponsor	Total Assets* (in \$ Millions)	*Leverage (Debt/ Total Assets)	Annual IRR (Includes DRIP)	Conditional Annual Dividend yield**	Initial Price(\$)	Exit Price(\$)	Capital Gain
Average for Behringer Harvard	\$2,331.37	52.5%	-0.80%	4.94%			-38.55%
Chambers Street Properties	\$1,392.16	33.2%	6.39%	5.82%	\$10.00	\$10.00	0.00%
CNL Hotels & Resorts, Inc.	\$2,702.67	38.1%	7.29%	6.58%	\$10.00	\$10.25	2.50%
CNL Restaurant Properties, Inc.	\$917.42	37.6%	6.13%	7.21%	\$10.00	\$8.70	-13.00%
CNL Retirement Properties, Inc.	\$1,587.59	34.3%	11.74%	6.56%	\$10.00	\$13.89	38.90%
Average for CNL Group	\$1,735.89	36.7%	8.39%	6.78%			9.47%
Cole Credit Property Trust II, Inc.	\$2,423.93	56.0%	5.97%	6.45%	\$10.00	\$9.32	-6.80%
Cole Credit Property Trust III, Inc.	\$3,842.11	38.2%	7.14%	6.63%	\$10.00	\$10.90	9.00%
Cole Corporate Income Trust, Inc.	\$1,001.08	48.3%	8.36%	6.50%	\$10.00	\$10.50	5.00%
Average for Cole Capital	\$2,422.37	47.5%	7.16%	6.53%			2.40%
DCT Industrial Trust Inc.	\$1,197.18	33.9%	13.08%	6.40%	\$10.00	\$12.35	23.50%
Griffin-American Healthcare REIT II, Inc.	\$1,223.59	25.2%	9.95%	6.64%	\$10.00	\$11.50	15.00%
Whitestone REIT	\$189.72	68.0%	-4.13%	5.28%	\$10.00	\$4.47	-55.30%
Healthcare Trust of America, Inc.	\$1,602.67	44.6%	8.13%	6.71%	\$10.00	\$10.79	7.90%
Inland Diversified Real Estate Trust, Inc.	\$1,310.33	49.8%	8.13%	5.72%	\$10.00	\$10.92	9.20%
Inland Real Estate Corporation	\$718.13	43.8%	11.34%	8.85%	\$10.00	\$11.95	19.50%
Inland Retail Real Estate Trust, Inc.	\$2,387.64	53.8%	13.95%	8.46%	\$10.00	\$14.00	40.00%
Inland Western Retail Real Estate Trust, Inc.	\$6,131.76	58.7%	-1.04%	4.36%	\$10.00	\$5.50	-45.00%
Average for Inland Securities	\$2,636.96	51.5%	8.10%	6.85%			5.92%

# Fourth Edition Nontraded REIT Full-Cycle Performance Study

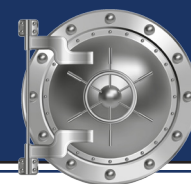


Nontraded REIT by Sponsor	Total Assets* (in \$ Millions)	*Leverage (Debt/ Total Assets)	Annual IRR (Includes DRIP)	Conditional Annual Dividend yield**	Initial Price(\$)	Exit Price(\$)	Capital Gain
Independence Realty Trust, Inc.	\$132.09	64.3%	-1.98%	5.60%	\$10.00	\$8.45	-15.50%
Paladin Realty Income Properties, Inc.	\$124.87	54.4%	2.06%	5.78%	\$10.00	\$7.25	-27.50%
SmartStop Self Storage, Inc.	\$446.00	57.9%	12.15%	7.00%	\$10.00	\$13.75	37.50%
United Development Funding IV	\$264.62	76.6%	8.60%	8.66%	\$20.00	-\$19.60	-2.00%
Carey Institutional Properties, Inc.	\$342.34	47.8%	9.65%	8.10%	\$10.00	\$13.90	39.00%
Corporate Property Associates 10, Inc.	\$206.79	56.3%	8.94%	7.57%	\$10.00	\$11.74	17.40%
Corporate Property Associates 12, Inc.	\$349.10	41.8%	10.86%	8.05%	\$10.00	\$13.49	34.90%
Corporate Property Associates 14, Inc.	\$1,160.45	47.7%	8.25%	7.48%	\$10.00	\$11.50	15.00%
Corporate Property Associates 15, Inc.	\$2,469.86	62.0%	8.75%	6.79%	\$10.00	\$12.65	26.50%
Corporate Property Associates 16, Inc.	\$2,376.91	54.4%	7.90%	5.99%	\$10.00	\$11.25	12.50%
Average for W.P. Carey	\$1,150.91	51.7%	9.06%	7.33%			24.22%
Catchmark Timber Trust, Inc.	\$424.51	50.18%	-7.75%	4.76%	\$10.00	\$4.85	-51.50%
Columbia Property Trust, Inc.	\$4,124.65	43.68%	0.20%	5.48%	\$10.00	\$5.65	-43.50%
Piedmont Office Realty Trust, Inc.	\$3,075.70	26.95%	5.28%	6.22%	\$10.00	\$6.59	-34.10%
Average for Wells Real Estate Funds	\$2,541.62	40.27%	-0.76%	5.49%			-43.03%
Full Sample Mean	\$1,332.51	41.27%	7.50%	6.90%			1.19%
Full Sample Median	\$917.42	43.83%	8.13%	6.63%	\$10.00	\$10.75	7.50%

Footnotes: \*Average of total assets and average leverage over the life of the REIT, excluding values after mergers with other nontraded REITs.

\*\*Conditioning on quarters in which distributions were actually paid.

# Fourth Edition REIT Full-Cycle Performance Study



## Impact of Fees on Performance

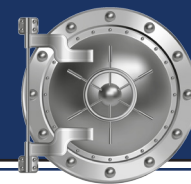
To assess the impact of fees or loads on nontraded REIT performance, we present calculations of nontraded REIT returns based upon an assumed 12 % front-end load for all REITs in the sample, a number we believe to be in the ballpark and perhaps conservative for some sample firms. By adding back the assumed 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 7.55% and 8.13% to 10.35% and 10.24%, respectively, a 2.80% difference in the average returns for the REITs in the sample.

With the adjustment to unload hypothetical fees, the number of NT REITs that outperform the private NCREIF benchmark increases from 14 to 19 of 45 REITs (42%), and the number that outperform the publicly traded NAREIT benchmark increases from 12 to 19 (42%).

Nontraded REIT	Annualized IRRs					
	Nontraded REIT IRR*	Unloaded Nontraded REIT IRR**	NCREIF-based Benchmark	Diff (Nontraded REIT- NCREIF Benchmark)	FTSE-NAREIT-based Benchmark	Diff (Nontraded REIT - FTSE-NAREIT Benchmark)
American Realty Capital Global Trust, Inc.	4.75%	10.93%	16.83%	-12.08%	9.34%	1.59%
American Realty Capital Healthcare Trust, Inc.	8.77%	13.47%	19.82%	-11.05%	13.90%	-0.43%
American Realty Capital NY Recovery REIT, Inc.	8.06%	12.04%	18.50%	-10.44%	18.03%	-5.99%
American Realty Capital Trust III, Inc.	18.34%	26.51%	13.96%	4.38%	13.83%	12.68%
American Realty Capital Trust IV, Inc.	20.52%	31.18%	19.29%	1.23%	13.86%	17.32%
American Realty Capital Trust, Inc.	8.59%	12.19%	-12.12%	20.71%	2.79%	9.60%
Apple Hospitality Five, Inc.	15.13%	18.43%	16.14%	-1.01%	9.68%	8.75%
Apple Hospitality REIT, Inc.	7.71%	10.48%	4.08%	3.63%	7.79%	2.69%
Apple Hospitality Two, Inc.	13.67%	16.28%	17.75%	-4.08%	10.95%	5.33%
Apple REIT Eight, Inc.	3.79%	6.20%	4.16%	-0.37%	4.61%	1.59%
Apple REIT Seven, Inc.	6.86%	9.12%	6.51%	0.35%	4.91%	4.21%
Apple REIT Six, Inc.	8.12%	9.65%	8.25%	-0.13%	6.47%	3.18%
Apple Residential Income Trust, Inc.	6.90%	8.61%	11.05%	-4.15%	5.97%	2.64%
Apple Suites, Inc.	12.75%	17.15%	5.47%	7.28%	-4.05%	21.20%
Carey Institutional Properties Inc.	9.65%	10.76%	6.28%	3.37%	13.95%	-3.19%

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

# Fourth Edition Nontraded REIT Full-Cycle Performance Study



Nontraded REIT	Annualized IRRs					
	Nontraded REIT IRR*	Unloaded Nontraded REIT IRR**	NCREIF-based Benchmark	Diff (Nontraded REIT - NCREIF Benchmark)	FTSE-NAREIT-based Benchmark	Diff (Nontraded REIT - FTSE-NAREIT Benchmark)
CatchMark Timber Trust, Inc.	-7.75%	-6.19%	5.47%	-13.22%	7.34%	-13.53%
Chambers Street Properties	6.39%	8.54%	3.95%	2.44%	2.86%	5.68%
CNL Hotels & Resorts, Inc.	7.29%	8.78%	20.39%	-13.10%	3.28%	5.50%
CNL Restaurant Properties, Inc.	6.13%	7.54%	13.95%	-7.82%	15.15%	-7.61%
CNL Retirement Properties, Inc.	11.74%	13.72%	16.75%	-5.01%	16.84%	-3.12%
Cole Credit Property Trust II, Inc.	5.97%	7.67%	9.82%	-3.85%	7.92%	-0.25%
Cole Credit Property Trust III, Inc.	7.14%	10.24%	2.81%	4.33%	8.13%	2.11%
Cole Corporate Income Trust, Inc.	8.25%	13.00%	16.07%	-7.82%	10.46%	2.54%
Columbia Property Trust, Inc.	0.20%	1.51%	10.58%	-10.38%	8.75%	-7.24%
Cornerstone Realty Income Trust, Inc.	12.11%	15.95%	9.20%	2.91%	14.09%	1.86%
Corporate Property Associates 10, Inc.	8.94%	9.94%	3.28%	5.66%	14.95%	-5.01%
Corporate Property Associates 12, Inc.	10.86%	12.00%	14.10%	-3.24%	12.95%	-0.95%
Corporate Property Associates 14, Inc.	8.25%	9.33%	8.38%	-0.13%	10.22%	-0.89%
Corporate Property Associates 15, Inc.	8.75%	10.05%	2.59%	6.16%	12.84%	-2.79%
Corporate Property Associates 16, Inc.	7.90%	9.28%	8.88%	-0.98%	8.36%	0.92%
DCT Industrial Trust Inc.	13.08%	17.05%	21.67%	-8.59%	18.96%	-1.91%
Griffin-American Healthcare REIT II, Inc.	9.33%	12.65%	15.07%	-5.74%	11.29%	1.36%
Healthcare Trust of America, Inc.	8.13%	10.10%	7.03%	1.10%	12.13%	-2.03%
Independence Realty Trust, Inc.	-1.98%	4.11%	30.95%	-32.93%	11.74%	-7.63%
Inland Diversified Real Estate Trust, Inc.	8.13%	11.08%	17.73%	-9.60%	33.74%	-22.66%
Inland Real Estate Corporation	11.34%	12.90%	12.77%	-1.43%	15.35%	-2.45%
Inland Retail Real Estate Trust, Inc.	13.95%	15.85%	20.82%	-6.87%	22.32%	-6.47%
Inland Western Retail Real Estate Trust, Inc.	-1.04%	0.23%	14.71%	-15.75%	12.02%	-11.79%

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



# Fourth Edition REIT Full-Cycle Performance Study



Nontraded REIT	Annualized IRRs					
	Nontraded REIT IRR*	Unloaded Nontraded REIT IRR**	NCREIF-based Benchmark	Diff (Nontraded REIT - NCREIF Benchmark)	FTSE-NAREIT-based Benchmark	Diff (Nontraded REIT - FTSE-NAREIT Benchmark)
Monogram Residential Trust, Inc.	4.54%	7.35%	9.52%	-4.98%	16.90%	-9.55%
Paladin Realty Income Properties, Inc.	2.06%	3.55%	14.22%	-12.16%	13.50%	-9.95%
Piedmont Office Realty Trust, Inc.	5.28%	6.38%	9.14%	-3.86%	10.51%	-4.13%
SmartStop Self Storage, Inc.	10.96%	13.44%	6.71%	4.25%	20.02%	-6.59%
TIER REIT, Inc.	-4.18%	-2.49%	17.08%	-21.26%	11.35%	-13.84%
United Development Funding IV	8.60%	11.78%	12.47%	-3.87%	8.37%	3.41%
Whitestone REIT	-4.13%	-2.43%	9.72%	-13.85%	4.50%	-6.93%
Mean	7.55%	10.35%	11.60%	-4.04%	11.28%	-0.93%
Median	8.13%	10.24%	11.05%	-3.86%	11.29%	-0.95%

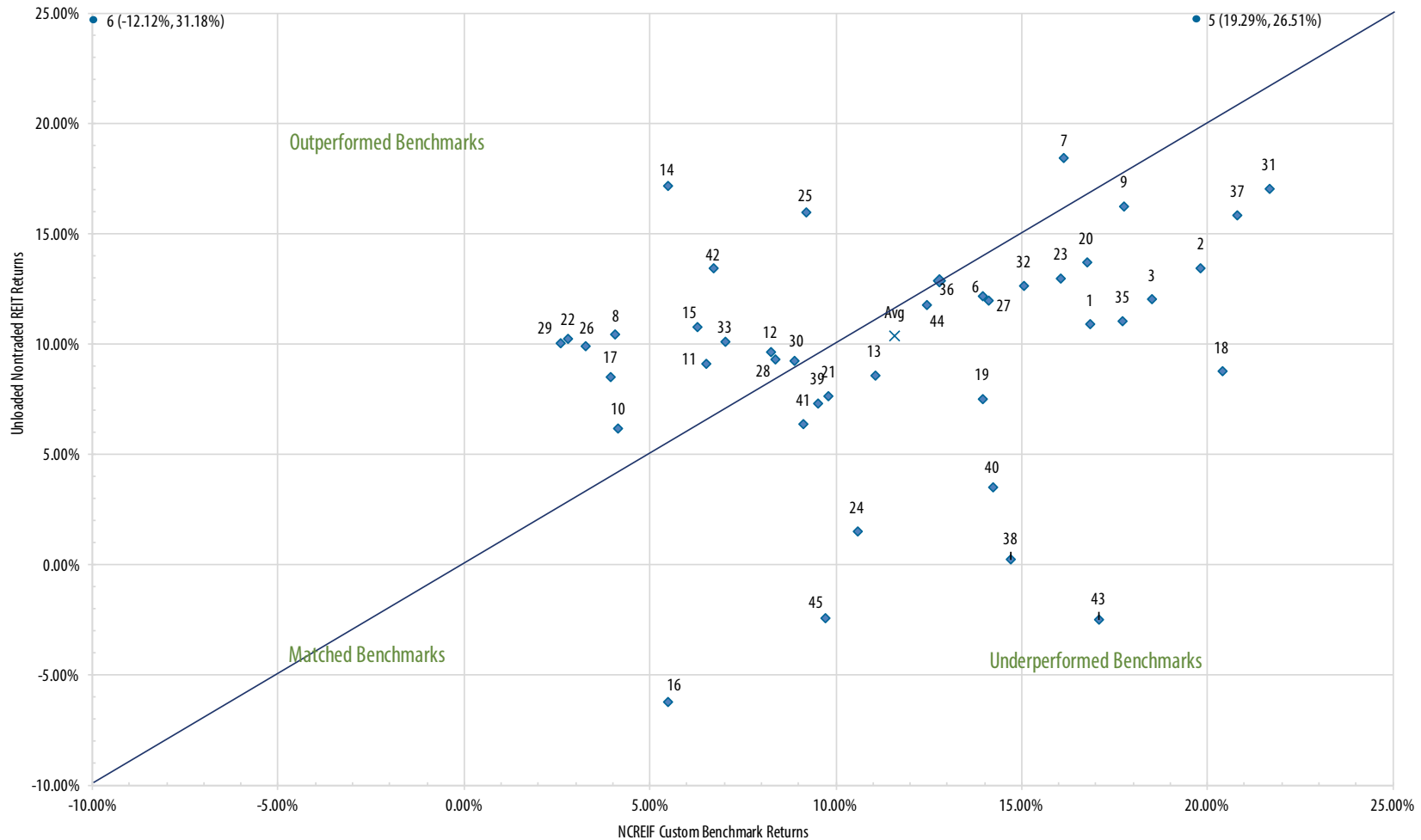
**\*Annual rate of return assumes reinvestment of distributions. \*\*Unloaded by adding back hypothetical front-end fees of 12%.**

# Fourth Edition Nontraded REIT Full-Cycle Performance Study



## 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 compared to the custom benchmarks. 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. (See Appendix III for scatter chart key.)

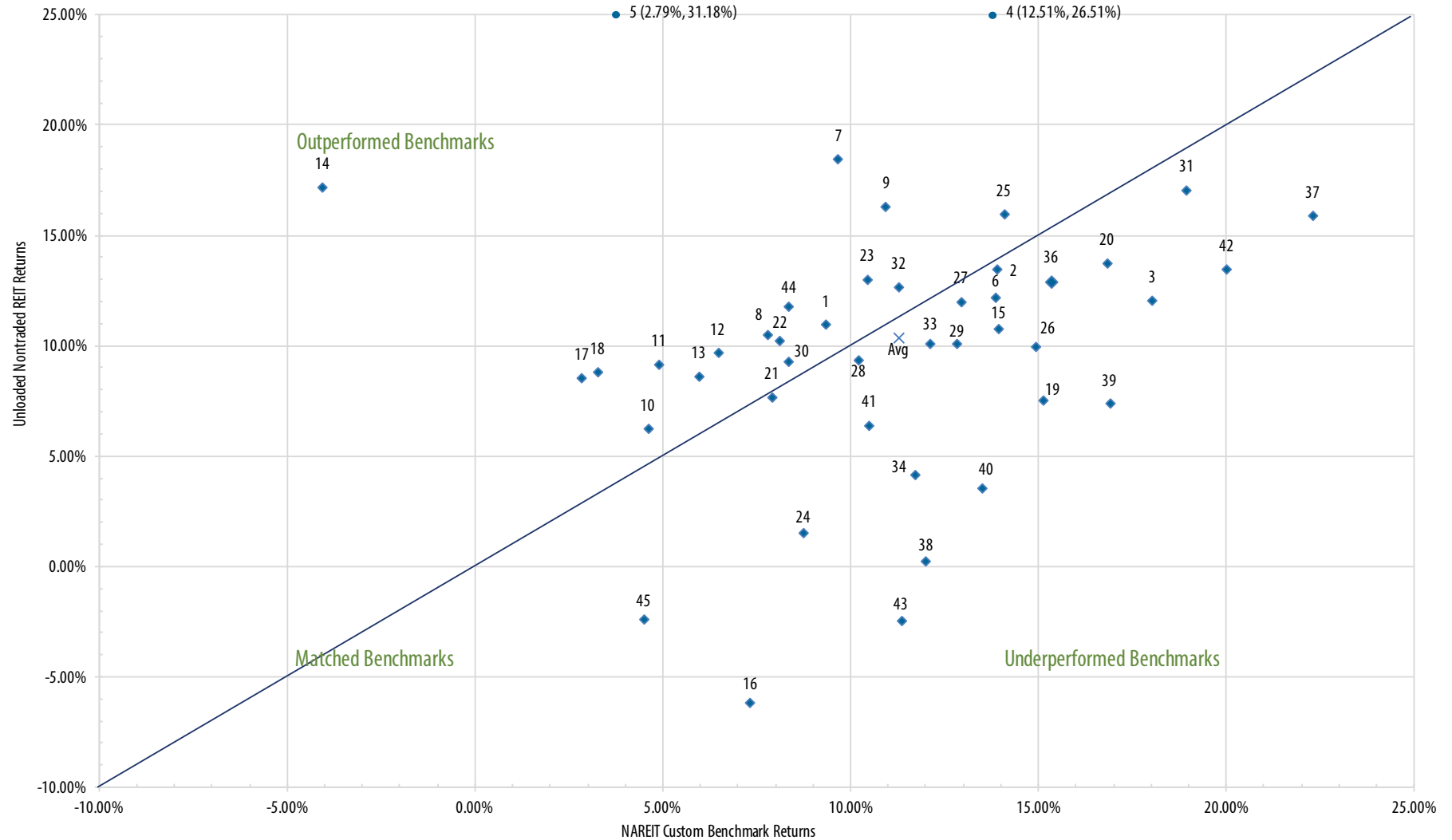


# Fourth Edition REIT Full-Cycle Performance Study

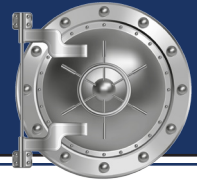


## Unloaded NT REIT vs. NAREIT

(See Appendix III for scatter chart key.)



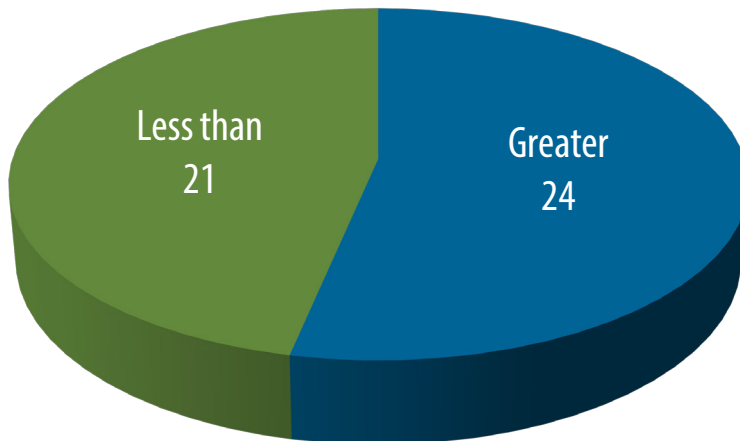
# Fourth Edition Nontraded REIT Full-Cycle Performance Study



## 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 45 full-cycle nontraded REITs in the study, there appears to be some 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. The median IRR for early investors was 8.13%\* for the 45 REITs in the sample. For investors in the middle of the offering period, the median return was 8.58%, and for late period investors the median return was 8.99%.

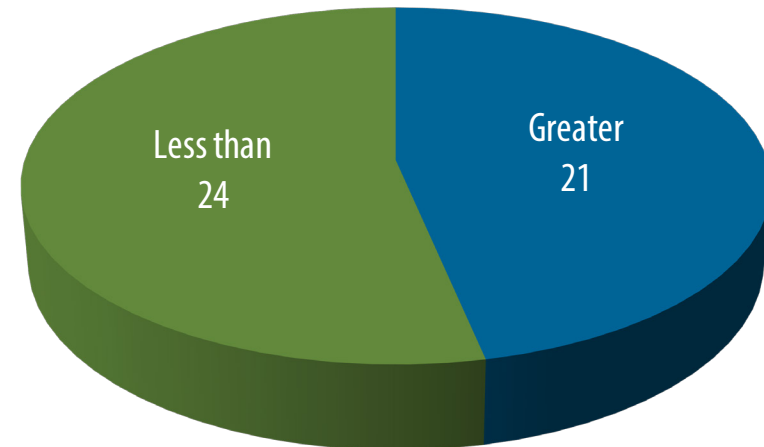
## Returns to Mid-Offering Investors vs Early Investors



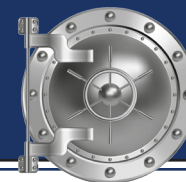
Mid-offering period investors outperformed early investors in 24 of 45 REITs, but underperformed early investors in 21 of 45 REITs. Late-stage investors outperformed early-stage investors in 21 of 45 REITs and underperformed early-stage investors in 24 cases.

*\*Includes distributions reinvestment.*

## Returns to Late-Offering Investors vs Early Investors



# Fourth Edition REIT Full-Cycle Performance Study



## Performance Attribution

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.

	Nontraded REIT IRR*	Fraction of Dividend Income Nontraded REIT IRR*		Nontraded REIT IRR*	Fraction of Dividend Income Nontraded REIT IRR*	
American Realty Capital Global Trust, Inc.	4.90%	100.00%	Cornerstone Realty Income Trust, Inc.	12.11%	81.31%	
American Realty Capital Healthcare Trust, Inc.	8.77%	85.98%	Corporate Property Associates 10, Inc.	8.94%	91.92%	
American Realty Capital NY Recovery REIT, Inc.	8.06%	82.67%	Corporate Property Associates 12, Inc.	10.86%	84.29%	
American Realty Capital Trust III, Inc.	8.59%	86.08%	Corporate Property Associates 14, Inc.	8.25%	91.52%	
American Realty Capital Trust IV, Inc.	18.34%	28.51%	Corporate Property Associates 15, Inc.	8.75%	80.57%	
American Realty Capital Trust, Inc.	20.52%	44.89%	Corporate Property Associates 16, Inc.	7.90%	78.03%	
Apple Hospitality Five, Inc.	15.13%	61.70%	DCT Industrial Trust Inc.	13.08%	55.29%	
Apple Hospitality REIT, Inc.	6.94%	100.00%	Griffin-American Healthcare REIT II, Inc.	9.95%	72.96%	
Apple Hospitality Two, Inc.	13.67%	84.11%	Healthcare Trust of America, Inc.	8.13%	86.61%	
Apple REIT Eight, Inc.	2.79%	100.00%	Independence Realty Trust, Inc.	-1.98%	100.00%	
Apple REIT Seven, Inc.	5.99%	100.00%	Inland Diversified Real Estate Trust, Inc.	8.13%	79.80%	
Apple REIT Six, Inc.	8.12%	94.73%	Inland Real Estate Corporation	11.34%	87.41%	
Apple Residential Income Trust, Inc.	6.90%	100.00%	Inland Retail Real Estate Trust, Inc.	13.95%	73.11%	
Apple Suites, Inc.	12.75%	78.24%	Inland Western Retail Real Estate Trust, Inc.	-1.04%	100.00%	
Carey Institutional Properties Inc.	9.65%	82.44%	Monogram Residential Trust, Inc.	4.46%	100.00%	
CatchMark Timber Trust, Inc.	-7.75%	100.00%	Paladin Realty Income Properties, Inc.	2.06%	100.00%	
Chambers Street Properties	6.39%	100.00%	Piedmont Office Realty Trust, Inc.	5.28%	100.00%	
CNL Hotels & Resorts, Inc.	7.29%	97.14%	SmartStop Self Storage, Inc.	12.15%	66.71%	
CNL Restaurant Properties, Inc.	6.13%	100.00%	TIER REIT, Inc.	-6.06%	100.00%	
CNL Retirement Properties, Inc.	11.74%	63.22%	United Development Funding IV	8.60%	100.00%	
Cole Credit Property Trust II, Inc.	5.97%	100.00%	Whitestone REIT	-4.13%	100.00%	
Cole Credit Property Trust III, Inc.	7.14%	72.41%				
Cole Corporate Income Trust, Inc.	8.36%	84.59%				
Columbia Property Trust, Inc.	0.20%	100.00%				
				Mean	7.50%	86.14%
				Median	8.13%	87.41%

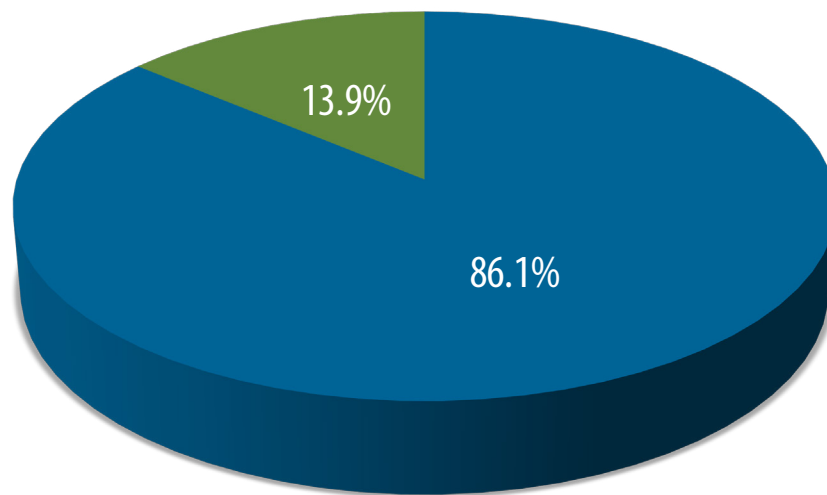
\*Includes DRIP

# Fourth Edition Nontraded REIT Full-Cycle Performance Study



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 total present value 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 17 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.

## Performance Attribution\*



\*Percentage of total returns for the 45 full-cycle REITs from each income source.

For the 45 full-cycle REITs, distributions provided 86.1% of the total returns and capital gains provided 13.9%. The average capital gain (full-cycle price minus initial offering price) for the 45 REITs was 1.19%, and the median capital gain was 7.50%, with 27 REITs showing capital gains and 17 incurring capital losses. The median capital gain is more representative of the total sample, as three REITs in the latest 10 full-cycle events had capital losses ranging from -69.6% to -45.0%, which greatly impacted the average for all 45 REITs.

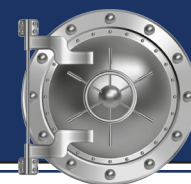
## Investor Returns for Tender Offers

Many nontraded REIT common shareholders have received unsolicited third-party tender offers for their shares at some time during the life of the REIT. The average rates of return earned by those shareholders who tendered their shares can be calculated and compared to the IRRs of shareholders who held their shares until the full-cycle event provided liquidity. As in the case of redemptions, the average rate of return for tendered shares was less than that for the full-cycle. This difference can be viewed as a cost of seeking liquidity for investors – those who decide to exit earlier pay a price in the form of a lower price, on average. There were over 40 tender offers by third parties to the common shareholders of the 45 nontraded REITs that had subsequent full-cycle events. We analyzed a sample of 27 such offers. The average rate of return for this sample to shareholders who tendered their shares was negative 2.50% compared to the average IRR for those who ignored tender offers and held their shares until the full-cycle event of 3.41%, an average discount of 5.98% in IRR. The average discount offered by the third-party tenderers to the eventual full-cycle price was 32.9% for the 27 REITs in our sample.

These discounts to eventual full-cycle pricing were so large, it is unlikely that benchmark comparisons would be meaningful. That is, the pricing penalty for achieving liquidity via a third-party tender offer far outweighs the potential return differences between the nontraded REIT shares and their respective custom benchmarks.

Those nontraded REITs in the full-cycle sample that had third-party tender offers and the returns to shareholders who tendered shares vs. those who held shares until full-cycle liquidity was available.

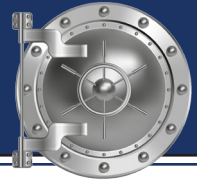
# Fourth Edition REIT Full-Cycle Performance Study



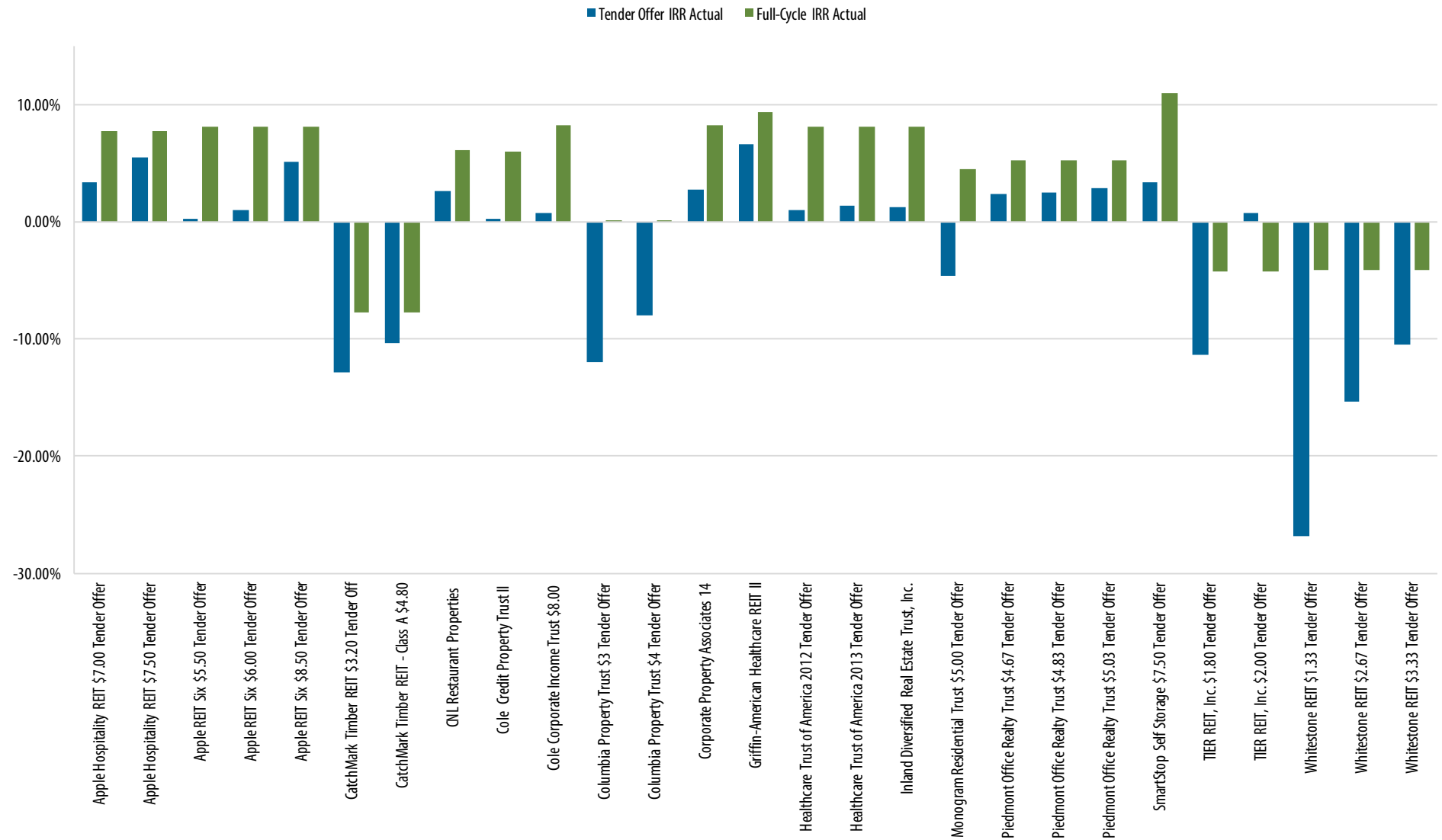
Tender Offers	Tender Offer Price (Adjusted)	Tender Offer Date	Tender Offer IRR Actual	Full-Cycle Price (Adjusted)	Discount or Premium to FC Price	Full-Cycle IRR Actual	Difference Tender Offer IRR vs. FC IRR
Nontraded REIT							
Apple Hospitality REIT \$7.00 Tender Offer	\$7.00	3/7/2013	3.43%	\$9.00	-22.22%	6.94%	-3.51%
Apple Hospitality REIT \$7.50 Tender Offer	\$7.50	3/18/2015	5.51%	\$9.00	-16.67%	6.94%	-1.43%
Apple REIT Six \$5.50 Tender Offer	\$5.50	10/23/2012	0.25%	\$11.10	-50.45%	8.12%	-7.87%
Apple REIT Six \$6.00 Tender Offer	\$6.00	2/23/2012	1.00%	\$11.10	-45.95%	8.12%	-7.12%
Apple REIT Six \$8.50 Tender Offer	\$8.50	2/1/2013	5.07%	\$11.10	-23.42%	8.12%	-3.05%
CatchMark Timber REIT - Class A \$4.80	\$4.80	2/18/2014	-10.29%	\$4.85	-1.03%	-7.75%	-2.54%
CatchMark Timber REIT \$3.20 Tender Off	\$3.20	10/2/2014	-12.84%	\$4.85	-34.02%	-7.75%	-5.08%
CNL Restaurant Properties	\$7.00	9/23/2002	2.70%	\$8.70	-19.54%	6.13%	-3.43%
Cole Credit Property Trust II	\$6.00	1/22/2013	0.25%	\$9.32	-35.62%	5.97%	-5.72%
Cole Corporate Income Trust \$8.00	\$8.00	11/4/2014	0.73%	\$10.50	-23.81%	8.36%	-7.63%
Columbia Property Trust \$3 Tender Offer	\$3.00	1/20/2010	-11.92%	\$5.65	-46.90%	0.20%	-12.12%
Columbia Property Trust \$4 Tender Offer	\$4.00	2/4/2010	-7.95%	\$5.65	-29.20%	0.20%	-8.15%
Corporate Property Associates 14	\$6.00	7/27/2010	2.78%	\$11.50	-47.83%	8.25%	-5.47%
Griffin-American Healthcare REIT II	\$10.00	6/30/2014	6.64%	\$11.50	-13.04%	9.95%	-3.31%
Healthcare Trust of America 2012 Tender Offer	\$7.00	8/21/2012	1.05%	\$10.79	-35.13%	8.13%	-7.08%
Healthcare Trust of America 2013 Tender Offer	\$7.00	2/8/2013	1.42%	\$10.79	-35.13%	8.13%	-6.71%
Inland Diversified Real Estate Trust, Inc.	\$8.00	3/26/2014	1.27%	\$10.92	-26.74%	8.13%	-6.86%
Monogram Residential Trust \$5.00 Tender Offer	\$5.00	7/10/2014	-4.58%	\$9.25	-45.95%	4.46%	-9.04%
Piedmont Office Realty Trust \$4.67 Tender Offer	\$4.67	8/3/2010	2.33%	\$6.59	-29.14%	5.28%	-2.95%
Piedmont Office Realty Trust \$4.83 Tender Offer	\$4.83	8/6/2010	2.53%	\$6.59	-26.71%	5.28%	-2.75%
Piedmont Office Realty Trust \$5.03 Tender Offer	\$5.03	11/4/2010	2.94%	\$6.59	-23.67%	5.28%	-2.34%
SmartStop Self Storage \$7.50 Tender Offer	\$7.50	12/26/2014	3.37%	\$13.75	-45.45%	12.15%	-8.79%
TIER REIT, Inc. \$1.80 Tender Offer	\$1.80	8/23/2011	-11.27%	\$3.04	-40.79%	-6.06%	-5.21%
TIER REIT, Inc. \$2.00 Tender Offer	\$2.00	6/6/2014	0.79%	\$3.04	-34.21%	-6.06%	6.85%
Whitestone REIT \$1.33 Tender Offer	\$1.33	4/26/2010	-26.84%	\$4.47	-70.25%	-4.13%	-22.71%
Whitestone REIT \$2.67 Tender Offer	\$2.67	9/17/2010	-15.30%	\$4.47	-40.27%	-4.13%	-11.17%
Whitestone REIT \$3.33 Tender Offer	\$3.33	5/6/2011	-10.47%	\$4.47	-25.50%	-4.13%	-6.34%
		Average	-2.50%		-32.91%	3.41%	-5.98%



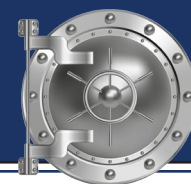
# Fourth Edition Nontraded REIT Full-Cycle Performance Study



## Rates of Return for Tender Offers vs. Full-Cycle IRRs Chart



# Fourth Edition REIT Full-Cycle Performance Study

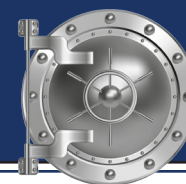


## Investor Returns for Share Redemptions

For 29 of the 45 REITs that had full-cycle events, some shareholders redeemed their common shares prior to the event by utilizing share repurchase programs. Nontraded REITs restrict the number and/or dollar value of shares that can be redeemed each quarter, and many REITs have restricted share redemptions to those cases where shareholders have died or become disabled. Share repurchase programs are also typically suspended or eliminated in the quarters prior to a full-cycle event. For those shareholders that redeemed their common shares during the last quarter during which shareholder repurchase programs were available prior to a full-cycle event, the average IRRs were 6.10%, and the median IRR was 6.44%, compared to 7.56% and 8.13% respectively for those who held their shares until the full-cycle event. The holding period differences for the latest available redemptions vs. full-cycle event averaged approximately 2.8 quarters. Accordingly, the effective penalty for early redemptions for those shareholders was significant, which can again, as in the case of tender offers, be viewed as a cost of seeking liquidity. The average discount for the last redemption price vs. the full-price was 1.80% and the median discount was 6.98%. Annualized over the average of 2.8 quarters, this represents an average annualized negative rate of return of 2.56% for exiting the investment prior to the full-cycle event.

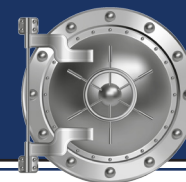
Name	IRR's for Investors who redeemed shares during last redemption quarter						IRR's for full-cycle investors			
	Latest Redemption Price	Latest Redemption Quarter	Date of Full Liquidity Event	Nontraded REIT IRR*	NCREIF-based Benchmark	FTSE-NAREIT-based Benchmark	Full-Cycle Price	Nontraded REIT IRR*	NCREIF-based Benchmark	FTSE-NAREIT-based Benchmark
American Realty Capital Global Trust, Inc.	\$9.74	1Q 2015	6/2/2015	6.16%	21.41%	13.20%	\$9.32	4.75%	16.83%	9.34%
American Realty Capital Healthcare Trust, Inc.	\$9.85	1Q 2014	4/7/2014	5.77%	16.31%	11.28%	\$10.79	8.77%	19.82%	13.90%
American Realty Capital NY Recovery REIT, Inc.	\$10.00	1Q 2014	4/15/2014	5.74%	17.03%	15.98%	\$10.75	8.06%	18.50%	18.03%
American Realty Capital Trust, Inc.	\$9.81	4Q 2011	3/1/2012	6.72%	-13.40%	0.75%	\$10.49	8.59%	13.96%	13.86%
American Realty Capital Trust III, Inc.	\$9.79	3Q 2012	2/28/2013	3.13%	13.98%	12.22%	\$12.57	18.34%	19.29%	12.51%
American Realty Capital Trust IV, Inc.	\$25.00	4Q 2013	1/3/2014	5.22%	16.00%	8.50%	\$30.54	20.52%	-12.12%	2.79%
Apple Hospitality Five, Inc.	\$10.96	2Q 2007	10/11/2007	9.43%	15.20%	13.02%	\$14.05	15.13%	16.14%	9.68%
Apple Hospitality REIT, Inc.	\$9.20	2Q 2015	5/18/2015	7.96%	3.86%	8.09%	\$9.00	7.71%	4.08%	7.79%
Apple Hospitality Two, Inc.	\$9.99	1Q 2007	5/23/2007	11.29%	16.82%	11.79%	\$11.20	13.67%	17.75%	10.95%
Apple REIT Eight, Inc.	\$10.99	2Q 2013	5/18/2015	8.29%	1.17%	2.36%	\$7.65	3.79%	4.16%	4.61%
Apple REIT Seven, Inc.	\$10.99	2Q 2013	5/18/2015	8.98%	4.64%	3.22%	\$9.00	6.86%	6.51%	4.91%
Apple REIT Six, Inc.	\$10.99	3Q 2012	5/14/2013	8.46%	7.97%	6.09%	\$11.10	8.12%	8.25%	6.47%
Apple Residential Income Trust, Inc.	NA	NA	4/14/2005	NA	NA	NA	\$7.82	6.90%	11.05%	5.97%

# Fourth Edition Nontraded REIT Full-Cycle Performance Study



Name	Latest Redemption Price	Latest Redemption Quarter	Date of Full Liquidity Event	IRR's for Investors who redeemed shares during last redemption quarter			IRR's for full-cycle investors			
				Nontraded REIT IRR*	NCREIF-based Benchmark	FTSE-NAREIT-based Benchmark	Full-Cycle Price	Nontraded REIT IRR*	NCREIF-based Benchmark	FTSE-NAREIT-based Benchmark
Apple Suites, Inc.	NA	NA	1/31/2003	NA	NA	NA	\$10.00	12.75%	5.47%	-4.05%
Carey Institutional Properties Inc.	\$13.55	2Q 2004	8/25/2004	9.53%	5.97%	13.72%	\$13.90	9.65%	6.28%	13.95%
CatchMark Timber Trust, Inc.	\$5.91	4Q 2013	2/27/2015	-7.76%	1.70%	8.69%	\$4.85	-7.75%	5.47%	7.34%
Chambers Street Properties	\$9.48	1Q 2013	5/21/2013	5.38%	3.55%	2.93%	\$10.00	6.39%	3.95%	2.86%
CNL Hotels & Resorts, Inc.	\$9.50	1Q 2007	4/12/2007	6.44%	19.53%	3.66%	\$10.25	7.29%	20.39%	3.28%
CNL Restaurant Properties, Inc.	\$7.87	4Q 2003	2/25/2005	4.69%	11.35%	15.09%	\$8.70	6.13%	13.95%	15.15%
CNL Retirement Properties, Inc.	\$9.50	4Q 2005	10/5/2006	5.87%	15.31%	14.14%	\$13.89	11.74%	16.75%	16.84%
Cole Credit Property Trust II, Inc.	\$9.75	3Q 2014	1/29/2015	6.02%	15.72%	7.98%	\$10.50	8.25%	9.82%	7.92%
Cole Credit Property Trust III, Inc.	\$9.84	2Q 2013	7/18/2013	6.72%	9.30%	8.30%	\$9.32	5.97%	2.81%	8.13%
Cole Corporate Income Trust, Inc.	\$9.84	4Q 2012	6/20/2013	4.44%	0.43%	7.87%	\$10.90	7.14%	16.07%	10.46%
Columbia Property Trust, Inc.	\$6.57	2Q 2013	10/10/2013	1.67%	10.12%	8.79%	\$5.65	0.20%	10.58%	8.75%
Cornerstone Realty Income Trust, Inc.	NA	NA	4/18/1997	NA	NA	NA	\$10.50	12.11%	9.20%	14.09%
Corporate Property Associates 10, Inc.	NA	NA	8/25/2004	NA	NA	NA	\$11.74	8.94%	3.28%	14.95%
Corporate Property Associates 12, Inc.	\$12.63	3Q 2006	12/1/2006	10.07%	13.74%	12.58%	\$13.49	10.86%	14.10%	12.95%
Corporate Property Associates 14, Inc.	\$11.16	4Q 2010	5/2/2011	7.88%	7.69%	9.77%	\$11.50	8.25%	8.38%	10.22%
Corporate Property Associates 15, Inc.	\$9.99	2Q 2012	9/28/2012	6.55%	2.42%	12.95%	\$12.65	8.75%	2.59%	12.84%
Corporate Property Associates 16, Inc.	\$9.21	3Q 2013	1/31/2014	5.75%	8.46%	7.57%	\$11.25	7.90%	8.88%	8.36%
DCT Industrial Trust Inc.	\$9.81	3Q 2006	12/13/2006	\$0.06	21.14%	18.25%	\$12.35	13.08%	21.67%	18.96%
Griffin-American Healthcare REIT II, Inc.	\$9.75	2Q 2014	12/3/2014	7.07%	15.02%	10.96%	\$11.50	9.34%	15.07%	11.29%
Healthcare Trust of America, Inc.	\$9.99	4Q 2013	11/8/2013	6.98%	7.03%	12.13%	\$10.79	8.13%	7.03%	12.13%
Independence Realty Trust, Inc.	NA	NA	8/13/2013	NA	NA	NA	\$8.45	-1.98%	30.95%	11.74%
Inland Diversified Real Estate Trust, Inc.	\$9.60	4Q 2013	7/1/2014	5.02%	16.28%	27.24%	\$10.92	8.13%	17.73%	33.74%

# Fourth Edition REIT Full-Cycle Performance Study

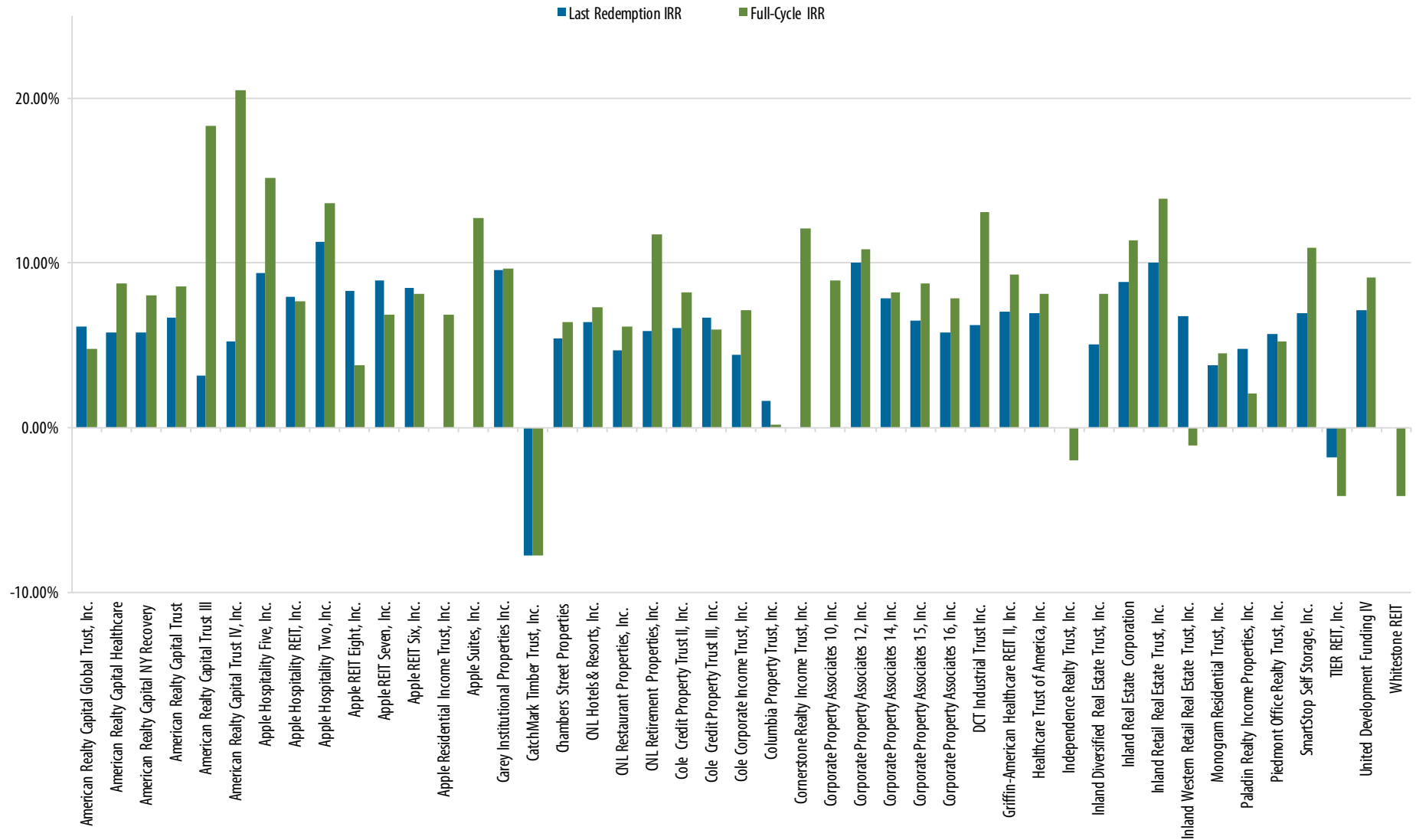


Name	Latest Redemption Price	Latest Redemption Quarter	Date of Full Liquidity Event	IRR's for Investors who redeemed shares during last redemption quarter			IRR's for full-cycle investors				
				Nontraded REIT IRR*	NCREIF-based Benchmark	FTSE-NAREIT-based Benchmark	Full-Cycle Price	Nontraded REIT IRR*	NCREIF-based Benchmark	FTSE-NAREIT-based Benchmark	
Inland Real Estate Corporation	\$9.75	1Q 2004	6/9/2004	8.88%	11.93%	17.03%	\$11.95	11.34%	12.77%	15.35%	
Inland Retail Real Estate Trust, Inc.	\$10.50	3Q 2006	3/14/2007	10.01%	20.63%	20.73%	\$14.00	13.95%	20.82%	22.32%	
Inland Western Retail Real Estate Trust, Inc.	\$10.00	4Q 2008	10/7/2013	6.75%	22.90%	5.54%	\$5.50	-1.04%	14.71%	12.02%	
Monogram Residential Trust, Inc.	\$8.74	2Q 2014	11/21/2014	3.78%	9.32%	16.22%	\$9.25	4.54%	9.52%	16.90%	
Paladin Realty Income Properties, Inc.	\$9.30	3Q 2012	1/31/2014	4.76%	12.08%	13.24%	\$7.25	2.06%	14.22%	13.50%	
Piedmont Office Realty Trust, Inc.	\$7.03	4Q 2009	1/30/2011	5.71%	7.91%	9.59%	\$6.59	5.28%	9.14%	10.51%	
SmartStop Self Storage, Inc.	\$9.82	4Q 2013	9/29/2015	6.93%	2.19%	16.42%	\$13.75	10.96%	6.71%	20.02%	
TIER REIT, Inc.	\$4.64	4Q 2012	7/23/2015	-1.84%	14.67%	11.99%	\$3.04	-4.18%	17.08%	11.35%	
United Development Funding IV	\$18.57	1Q 2014	6/4/2014	7.12%	12.21%	7.99%	\$19.60	9.09%	12.47%	8.37%	
Whitestone REIT	NA	NA	6/27/2012	NA	NA	NA	\$4.47	-4.13%	9.72%	4.50%	
				Mean	6.10%	10.76%	10.97%		7.56%	11.60%	11.28%
				Median	6.44%	11.93%	11.28%		8.13%	11.05%	11.29%

# Fourth Edition Nontraded REIT Full-Cycle Performance Study



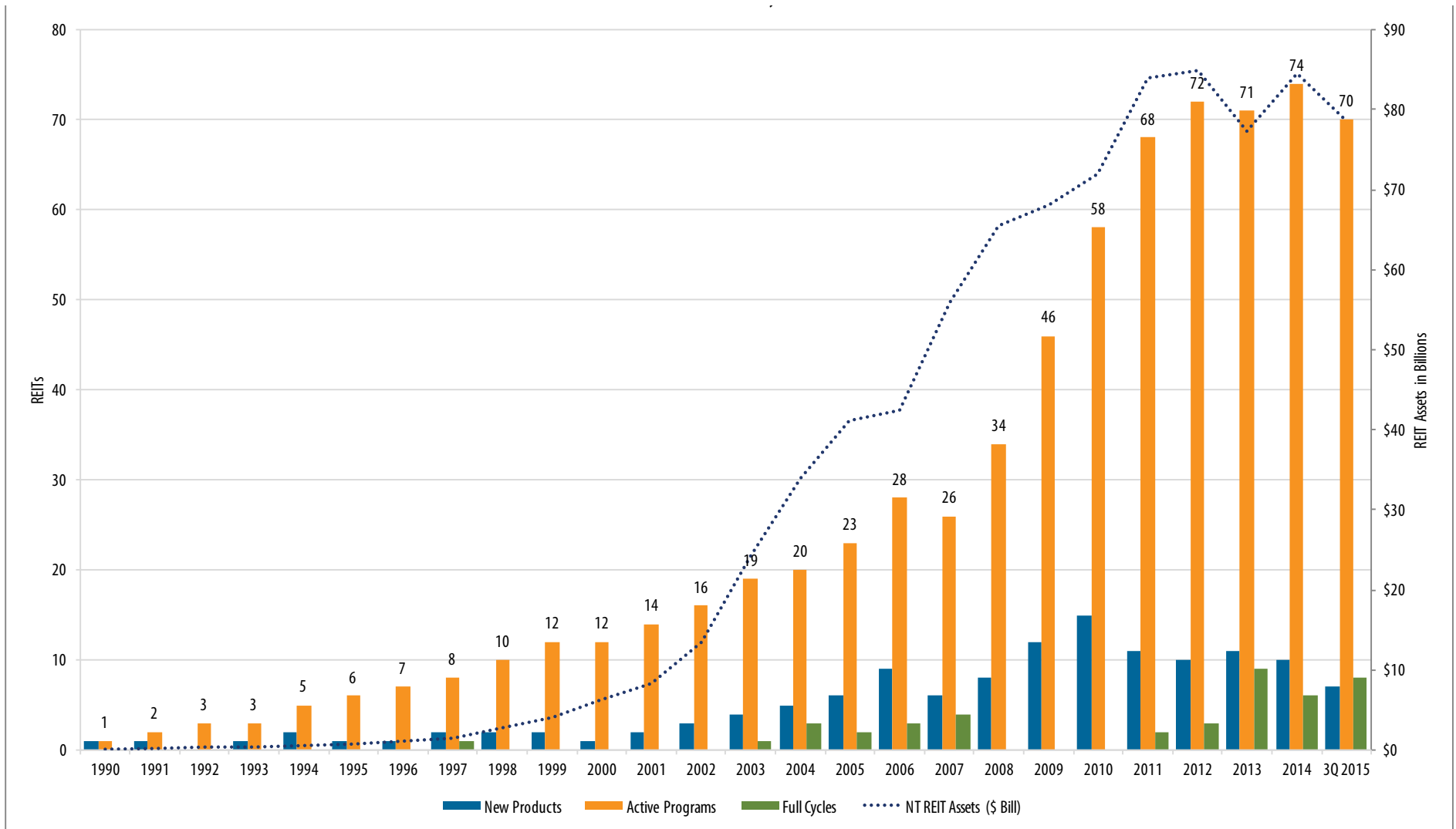
## Returns to Redemptions



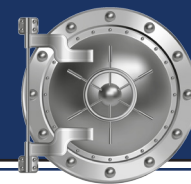
# Fourth Edition REIT Full-Cycle Performance Study



## Nontraded REITS by Year



# Fourth Edition Nontraded REIT Full-Cycle Performance Study



## Appendix I (REITs Excluded from Sample)

### **Bluerock Residential Growth (formerly Bluerock Multifamily Growth REIT)**

On November 27, 2013, filed with the SEC a registration statement to sell shares of Class A common stock in a public offering, with the shares to be listed immediately on a national securities exchange at the closing of the offering. shares of Class A common stock were listed on the NYSE MKT for trading under the symbol "BRG." Prior to the listing, on March 26, 2014, each share of common stock was changed to into one-third of a share of each of Class B-1, Class B-2 and Class B-3 common stock. Subsequently, two reverse stock splits (2.264881:1 and 1.0045878:1) were effected for each class of shares. Each share of Class B common stock will convert automatically into one share of Class A common stock on the following schedule: Class B-1 common stock 360 days following the listing; Class B-2 common stock 540 days following the listing; and Class B-3 common stock 720 days following the listing.

### **Industrial Income Trust (IIT)**

On October 21, 2015, IIT's stockholders approved the merger of the Company with and into Western Logistics II LLC, an affiliate of Global Logistic Properties Limited (GLP), in an all cash transaction valued at approximately \$4.55 billion, subject to certain transaction costs. On November 4, 2015, IIT completed its merger with Western Logistics II LLC. In connection with the closing, stockholders received a cash distribution of \$10.56, consisting of \$10.30 per share to be paid by GLP, \$0.26 per share to be funded by net borrowings by subsidiaries of a liquidating trust, and one unit of beneficial interest of a liquidating trust. Concurrently with the closing of the acquisition, IIT transferred 11 properties to a liquidating trust and distributed the units of beneficial interest to current IIT stockholders. Because the actual amounts to be distributed in the future by the liquidating trust were unknown at the time of this study, and will depend upon the conditions of sales of the excluded properties, the merger did not yet meet our definition of a full-cycle event.



# Fourth Edition REIT Full-Cycle Performance Study

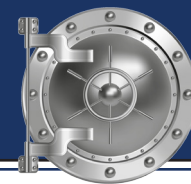


## Appendix II (Classification of Geographical Regions)

Abbr.	State	Region	Region Abbr.
AK	Alaska	Pacific	PAC
AL	Alabama	Southeast	SE
AR	Arkansas	Southwest	SW
AZ	Arizona	Mountain	MT
CA	California	Pacific	PAC
CO	Colorado	Mountain	MT
CT	Connecticut	Northeast	NE
DC	Washington DC	Mideast	ME
DE	Delaware	Northeast	NE
FL	Florida	Southeast	SE
GA	Georgia	Southeast	SE
HI	Hawaii	Pacific	PAC
IA	Iowa	West North Central	WNC
ID	Idaho	Mountain	MT
IL	Illinois	East North Central	ENC
IN	Indiana	East North Central	ENC
KS	Kansas	West North Central	WNC
KY	Kentucky	Mideast	ME
LA	Louisiana	Southwest	SW
MA	Massachusetts	Northeast	NE
MD	Maryland	Mideast	ME
ME	Maine	Northeast	NE
MI	Michigan	East North Central	ENC
MN	Minnesota	West North Central	WNC
MO	Missouri	West North Central	WNC
MS	Mississippi	Southeast	SE
MT	Montana	Mountain	MT

Abbr.	State	Region	Region Abbr.
NC	North Carolina	Mideast	ME
ND	North Dakota	West North Central	WNC
NE	Nebraska	West North Central	WNC
NH	New Hampshire	Northeast	NE
NJ	New Jersey	Northeast	NE
NM	New Mexico	Mountain	MT
NV	Nevada	Mountain	MT
NY	New York	Northeast	NE
OH	Ohio	East North Central	ENC
OK	Oklahoma	Southwest	SW
OR	Oregon	Pacific	PAC
PA	Pennsylvania	Northeast	NE
RI	Rhode Island	Northeast	NE
SC	South Carolina	Mideast	ME
SD	South Dakota	West North Central	WNC
TN	Tennessee	Southeast	SE
TX	Texas	Southwest	SW
UT	Utah	Mountain	MT
VA	Virginia	Mideast	ME
VT	Vermont	Northeast	NE
WA	Washington	Pacific	PAC
WI	Wisconsin	East North Central	ENC
WV	West Virginia	Mideast	ME
WY	Wyoming	Mountain	MT

# Fourth Edition Nontraded REIT Full-Cycle Performance Study



## Appendix III (Scatter Chart Labels)

Data Point	REIT Name
1	American Realty Capital Global Trust, Inc.
2	American Realty Capital Healthcare Trust, Inc.
3	American Realty Capital NY Recovery REIT, Inc.
4	American Realty Capital Trust III, Inc.
5	American Realty Capital Trust IV, Inc.
6	American Realty Capital Trust, Inc.
7	Apple Hospitality Five, Inc.
8	Apple Hospitality REIT, Inc.
9	Apple Hospitality Two, Inc.
10	Apple REIT Eight, Inc.
11	Apple REIT Seven, Inc.
12	Apple REIT Six, Inc.
13	Apple Residential Income Trust, Inc.
14	Apple Suites, Inc.
15	Carey Institutional Properties Inc.
16	CatchMark Timber Trust, Inc.
17	Chambers Street Properties
18	CNL Hotels & Resorts, Inc.
19	CNL Restaurant Properties, Inc.
20	CNL Retirement Properties, Inc.
21	Cole Credit Property Trust II, Inc.
22	Cole Credit Property Trust III, Inc.
23	Cole Corporate Income Trust, Inc.
24	Columbia Property Trust, Inc.
25	Cornerstone Realty Income Trust, Inc.
26	Corporate Property Associates 10, Inc.

Data Point	REIT Name
27	Corporate Property Associates 12, Inc.
28	Corporate Property Associates 14, Inc.
29	Corporate Property Associates 15, Inc.
30	Corporate Property Associates 16, Inc.
31	DCT Industrial Trust Inc.
32	Griffin-American Healthcare REIT II, Inc.
33	Healthcare Trust of America, Inc.
34	Independence Realty Trust, Inc.
35	Inland Diversified Real Estate Trust, Inc.
36	Inland Real Estate Corporation
37	Inland Retail Real Estate Trust, Inc.
38	Inland Western Retail Real Estate Trust, Inc.
39	Monogram Residential Trust, Inc.
40	Paladin Realty Income Properties, Inc.
41	Piedmont Office Realty Trust, Inc.
42	SmartStop Self Storage, Inc.
43	TIER REIT, Inc.
44	United Development Funding IV
45	Whitestone REIT

# Fourth Edition REIT Full-Cycle Performance Study



## Appendix IV (REIT Name Changes)

Note	REIT Name	Per Original Offering Documents	Duration
1	American Realty Capital Global Trust, Inc.	American Realty Capital Global Daily NAV	through 2012-08-10
2	Apple Hospitality REIT, Inc.	Apple REIT Nine, Inc.	through 2014-02-28
3	CatchMark Timber Trust, Inc.	Wells Timberland REIT, Inc.	through 2013-08-12
4	Chambers Street Properties	CB Richard Ellis Property Trust	through 2012-06-22
5	CNL Hotels & Resorts	CNL Hospitality Properties, Inc.	through 2004-08-02
6	CNL Restaurant Properties, Inc.	CNL American Properties Fund, Inc.	through 1998-05-14
7	Columbia Property Trust	Wells REIT II	through 2013-01-31
8	DCT Industrial Trust, Inc.	Dividend Capital Trust	through 2006-10-06
9	Monogram Residential Trust, Inc.	Behringer Harvard Multifamily REIT I, Inc.	through 2014-06-27
10	Piedmont Office Realty Trust	Wells REIT	through 2007-08-07
11	SmartStop Self Storage, Inc.	Strategic Storage Trust, Inc.	through 2014-08-19
12	TIER REIT, Inc.	Behringer Harvard REIT I, Inc.	through 2013-06-07
13	Whitestone REIT	Hartman Commercial Properties REIT	through 2007-04-06



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[www.BlueVaultPartners.com](http://www.BlueVaultPartners.com)

407 E. Maple St., Suite 305

Cumming, GA 30040

Toll Free: 877-256-2304

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