Returns in the Nontraded REIT Industry: Evidence from Full-Cycle Events

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Introduction

In June, 2012, Blue Vault Partners published the first comprehensive study of full-cycle events in the nontraded REIT industry. In this updated study, with the addition of eight full-cycle events that were completed between November 8, 2013 through July 1, 2014, the sample size analyzed totals 35 REITs. For the third consecutive year, this study was prepared in collaboration with the Real Estate Finance and Investment Center at The University of Texas at Austin McCombs School of Business which is led by Dr. Jay C. Hartzell, Senior Associate Dean for Academic Affairs and Executive Director of the Real Estate Finance and Investment Center.

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

In November 2014, the release of the third annual Nontraded REIT Full-Cycle Performance Study will not only update results from the 2013 study but will also provide answers to three new questions:

- 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 yields on 10-Year Treasury Bonds?

Executive Summary

- Between April, 1997 and July 1, 2014, 35 nontraded REITs have experienced full-cycle events, providing investors with full liquidity for their common shares.
- Four 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 some have created “tranches” of common share types that are not yet exchange tradeable or have not yet reported terminal cash payouts to common shareholders upon liquidation of portfolios.
- The eight most recent full-cycle events that took place between November 2013 and July 2014 consist of firms with comparable average asset values of approximately $1.05 billion vs. $1.01 billion in the first study published in 2012. The average asset value for all 35 REITs over their lives was $1.36 billion.
- The latest set of full-cycle REITs includes a healthcare REIT and a mortgage REIT for the first time (Healthcare Trust of America and United Development Funding IV, respectively).
- The eight REITs with full-cycle events since November, 2013 had average full-cycle returns of 9.02% and none had negative returns.
- For the full sample of 35 nontraded REITs, 16 listed on public exchanges, eight 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 calculation assumes that all distributions were reinvested at the then-prevailing price (including DRIP discounts). The second IRR calculation assumes no reinvestment of distributions.
- Realized common shareholder returns for the 35 full-cycle REITs assuming reinvestment of distributions ranged from -4.13% to 20.52%, with an average of 8.45% and a median of 8.25%. Assuming no reinvestment of distributions, the average IRR was 7.67% and the median was 7.96%.
- The average annual distribution yield for the 35 REITs in this study was 7.05%, 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 12.01% with a median of 12.47%, 4.22% higher than the actual median IRR for the 35 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 11.53% with a median of 12.02%, 3.77% higher than the actual median IRR for the 35 nontraded REITs.
- When comparing the full-cycle IRRs of the 35 nontraded REITs to the custom benchmarks, we find that 17 of 35 REITs (49%) outperformed one or both of their respective custom benchmarks. 11

(31%) outperformed the private (NCREIF) benchmark and 11 (31%) outperformed the publicly-traded (FTSE NAREIT) benchmark, while 5 (14%) 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 13.95% (Inland Retail Real Estate Trust) 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 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 8.45% compared to an average return for the S&P 500 Stock Index of 7.68% over matched holding periods. The Intermediate-Term Treasury Fund benchmark provided average returns of 5.43% over matched holding periods. Twenty of the full-cycle REITs (57%) outperformed the S&P 500 Index and 27 of 35 (77%) 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 an 11.18% 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 12.02% and FTSE NAREIT publicly-traded benchmark average of 11.57%).
- The updated study shows small differences in cross-sectional average returns to early, middle or late investors during the offering periods. For 21 of 35 REITs, mid-offering investors outperformed early investors over their respective holding periods. For 17 of 35 REITs, late-offering investors outperformed early investors over their respective holding periods. The median returns for early investors (8.25%), middle investors (8.99%) and late investors (9.16%) did show some tendency for later investors to outperform early investors, due mainly to the capital gains component of nontraded REIT returns.
- For the 35 full-cycle REITs, dividend income provided an average of 84.3% of the total returns and capital gains provided 15.7%. The average capital gain [(full-cycle price minus initial offering price)/initial price] for the 35 REITs was 5.28%, with 24 REITs showing capital gains and 10 showing capital losses.
- Fourteen different sponsors had nontraded REITs experiencing full-cycle events over the study period. Apple REITs had six full-cycle events with an average annual shareholder return of 11.45%. W.P. Carey also had six REITs with an average annual shareholder return of 9.06%. American Realty Capital had five full-cycle events providing an average annual shareholder return of 12.86%.
- Those shareholders who redeemed their shares in the last available period for redemptions prior to the full-cycle event had average returns of 6.63% compared to the average full-cycle returns for the same REITs of 9.02%.
- Those shareholders who tendered shares to third-part tender offers prior to the full-cycle event had average holding period returns of negative 2.88% compared to an average IRR for the full-cycle

events of 4.29%, a difference in average returns of negative 7.17%. The tender offer prices averaged 35.97% less than the full cycle prices.

- The performance of the 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 Non-Traded 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, 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, 2014, there are 77 nontraded REIT programs, of which 37 are effective (raising equity), 40 are closed, and these REITs manage over $85 billion in total assets. The nontraded REIT industry raised a record $19.9 billion in equity in 2013 and through the second quarter had raised $8.9 billion in 2014. There were 33 nontraded REIT sponsors active in the industry in 2014.

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.

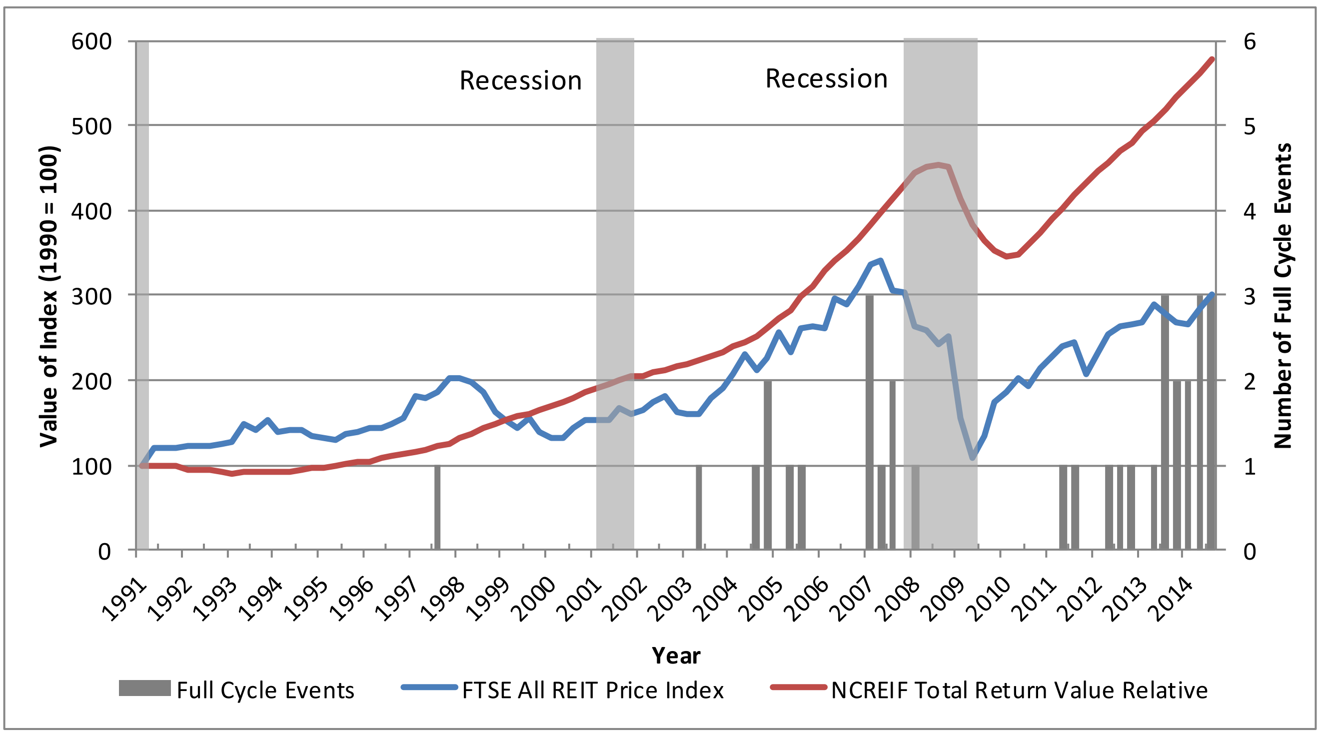
FINRA published a regulatory notice in September 2009 that requires nontraded REITs to use current estimated share values in their customer account statements 18 months after the initial public offering. Before this valuation is issued, shares are normally reported on a shareholder's account statement at the initial purchase price, often $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.

As of October 10, 2014, 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). More timely reporting of share valuations should make return calculations more meaningful and readily available.

Market Trends in Commercial Real Estate and Full-Cycle Events

The chart below relates the occurrence of full-cycle events in this study to the valuation trends in the commercial real estate market as represented by the FTSE 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 non-traded 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 eight full-cycle events that have been added to the sample for this updated study had inception dates ranging from September 15, 2003 to June 8, 2012 and experienced market conditions, on average, less favorable in terms of price appreciation compared to their counterparts in the earlier studies. The average annual increase in the FTSE NAREIT Price Index over the holding periods of the latest eight full-cycle REITs was 10.38%. The average annual increase in the NCREIF National Index over the holding periods of the latest eight full-cycle REITs was 9.74%. The following chart illustrates the cycles experienced by the commercial real estate markets over the life of the non-traded REITs in this study. Recessions are shaded.



Sample Description

In this updated study, we analyze the performance of 35 nontraded REITs whose investors have experienced a full-cycle liquidity event between April 1997 and July 2014. To be considered a full-cycle liquidity event, shareholders must have had the ability to convert their entire investment to cash. The qualifying means of conversion include an acquisition of the REIT's shares by another firm in exchange for cash, a merger with a private entity or an entity that is or ultimately becomes publicly traded, or the REIT's listing on a stock exchange. For those nontraded REITs that were acquired by another nontraded REIT, we keep track of the number of shares involved and use the subsequent liquidity event for the acquirer as the final liquidity event date for the acquired REIT.

Our assumption is to consider the first date at which a shareholder could receive cash as the liquidity event. In other words, for acquisitions where shareholders had the option of receiving cash or shares, we assume that the shareholders received cash. For nontraded REITs that were acquired by publicly-traded firms, we use the first date at which the nontraded REIT's shareholders could sell their holdings in the public market 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 tradeable. 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 "broke escrow" and began to raise and invest external capital.

The table on page 9 describes the nontraded REITs in the 2014 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 July 2014. 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 eight property types (apartment, office, industrial, retail, hotel, 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 2014 full-cycle performance study is to provide an assessment of performance for those nontraded REITs that have experienced a full-cycle event since the inception of the industry. While a total of 39 nontraded REITs have experienced liquidity events during this time frame, performance for only 35 nontraded REITs are included in the 2014 study, as listed on the next page. We note that four nontraded REITs were excluded from the sample because their shareholders have not yet achieved full liquidity as explained in Appendix I. As of November 1, 2014, there have been no other full-cycle events by nontraded REITs after the latest such event in our sample (July 1, 2014).

Sample Description Table

Nontraded REIT	Date of Inception	Date of Full Liquidity Event	Liquidity Event Type
American Realty Capital Healthcare	2/18/2011	4/7/2014	Listed on NASDAQ
American Realty Capital NY Recovery	9/2/2010	4/15/2014	Listed on the NYSE (NYRT)
American Realty Capital Trust	1/25/2008	3/1/2012	Listed on NASDAQ
American Realty Capital Trust III	3/31/2011	2/28/2013	Merged with American Realty Capital Properties
American Realty Capital Trust IV	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 Two, Inc.	5/1/2001	5/23/2007	Acquired by Lion ES Hotels, LP (ING Clarion Partners)
Apple REIT Six	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	8/1/1991	8/25/2004	Merged with Corporate Property Associates 15
Chambers Street Properties [1]	10/24/2006	5/21/2013	Listed on NYSE
CNL Hotels & Resorts [2]	7/9/1997	4/12/2007	Acquired by MS Resort Purchaser MSREF, Ashford Hospitality Trust
CNL Restaurant Properties, Inc. [3]	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	6/27/2005	7/18/2013	Listed on NYSE
Cole Credit Property Trust III	10/1/2008	6/20/2013	Listed on NYSE
Columbia Property Trust [4]	12/1/2003	10/10/2013	Listed on NYSE
Cornerstone Realty Income Trust, Inc.	12/31/1992	4/18/1997	Listed on NYSE
Corporate Property Associates 10, Inc.	6/20/1990	8/25/2004	Merged with Carey Institutional Properties Inc.
Corporate Property Associates 12, Inc.	2/18/1994	12/1/2006	Merged with Corporate Property Associates 14
Corporate Property Associates 14, Inc.	12/11/1997	5/2/2011	Merged with Corporate Property Associates 16 - Global
Corporate Property Associates 15	11/30/2001	9/28/2012	Merged with W.P. Carey, Inc.
Corporate Property Associates 16	12/1/2003	1/31/2014	Merged with W.P. Carey, Inc.
DCT Industrial Trust, Inc. [5]	7/17/2002	12/13/2006	Listed on NYSE
Healthcare Trust of America	9/20/2006	11/8/2013	Class B-3 shares converted to listed Class A shares
Independence Realty Trust	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	9/15/2003	10/7/2013	Class B-3 common shares converted to listed Class A shares
Paladin Realty Income Properties	2/25/2005	1/31/2014	Acquired by Resource Real Estate Opportunity REIT for cash
Piedmont Office Realty Trust [6]	1/30/1998	1/30/2011	Listed on NYSE (2/10/2010)
United Development Funding IV	11/12/2009	6/4/2014	Listed on NASDAQ Global Select Market
Whitestone REIT [7]	9/15/2004	6/27/2012	Class A unlisted common shares converted to listed Class B shares

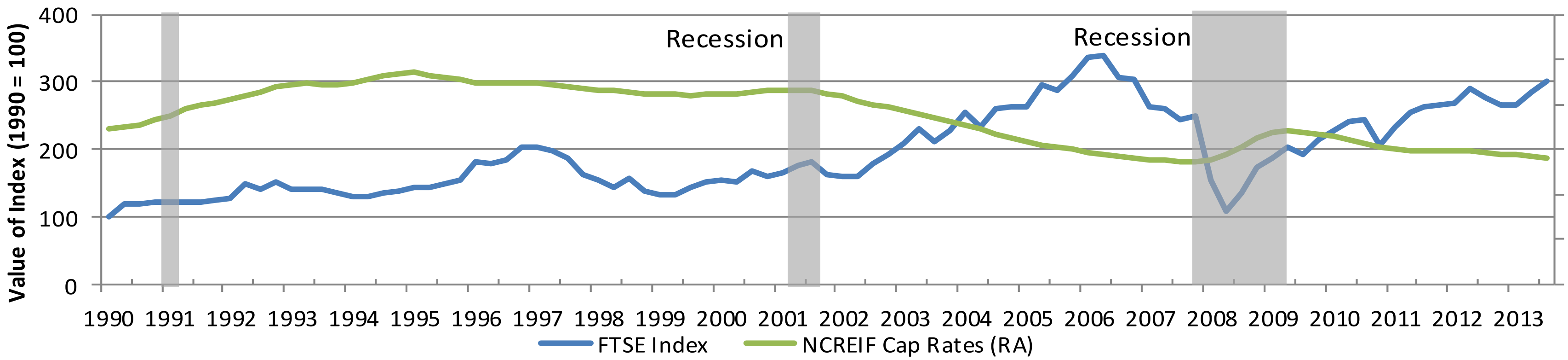
Name Changes of Nontraded REITs in the Sample

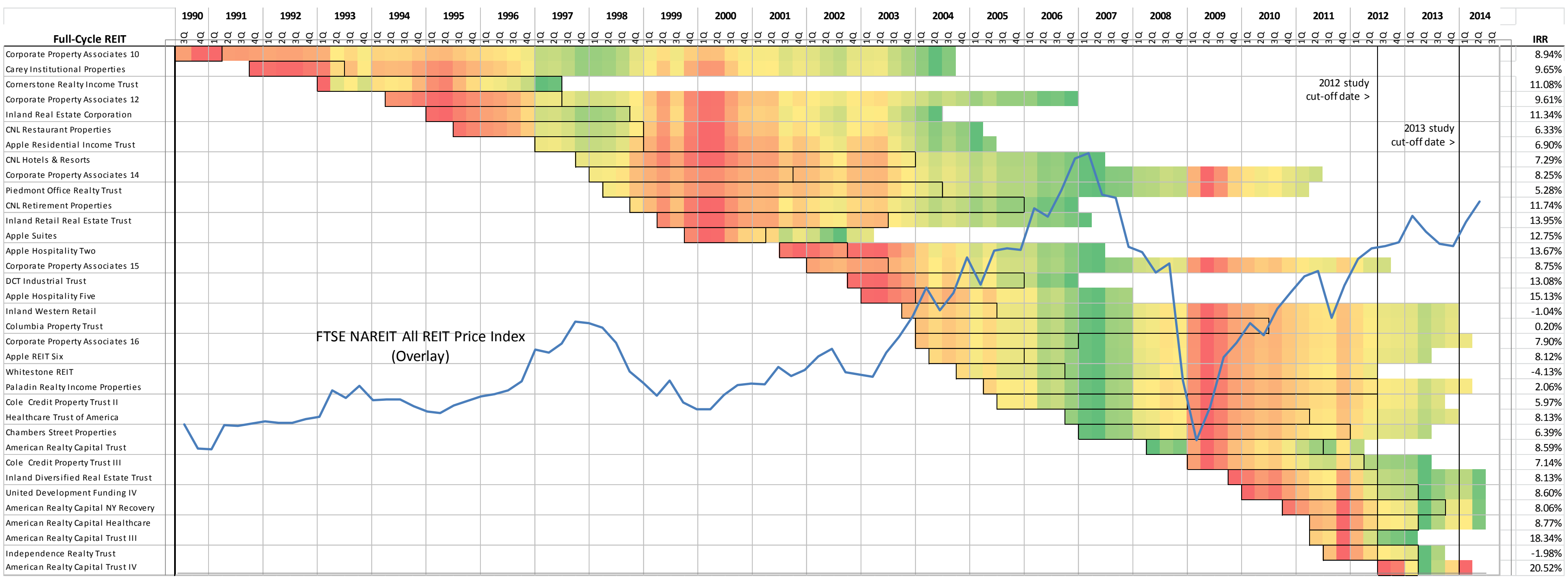
Note	REIT Name	Per Original Offering Documents	Duration
1	Chambers Street Properties	CB Richard Ellis Property Trust	through 2012-06-22
2	CNL Hotels & Resorts	CNL Hospitality Properties, Inc.	through 2004-08-02
3	CNL Restaurant Properties, Inc.	CNL American Properties Fund, Inc.	through 1998-05-14
4	Columbia Property Trust	Wells REIT II	through 2013-01-31
5	DCT Industrial Trust, Inc.	Dividend Capital Trust	through 2006-10-06
6	Piedmont Office Realty Trust	Wells REIT	through 2007-08-07
7	Whitestone REIT	Hartman Commercial Properties REIT	through 2007-04-06

Market Environments and Full-Cycle REIT Life Cycles

The following charts illustrate the lives of the 35 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 Trust IV, which launched in 2Q 2012. The FTSE Relative Price Index and NCREIF Cap Rates (Base Year 1990 = 100) shown below 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 lower chart, the colored bars represent the life of each REIT. The outlined periods represent approximately the equity offerings. 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.





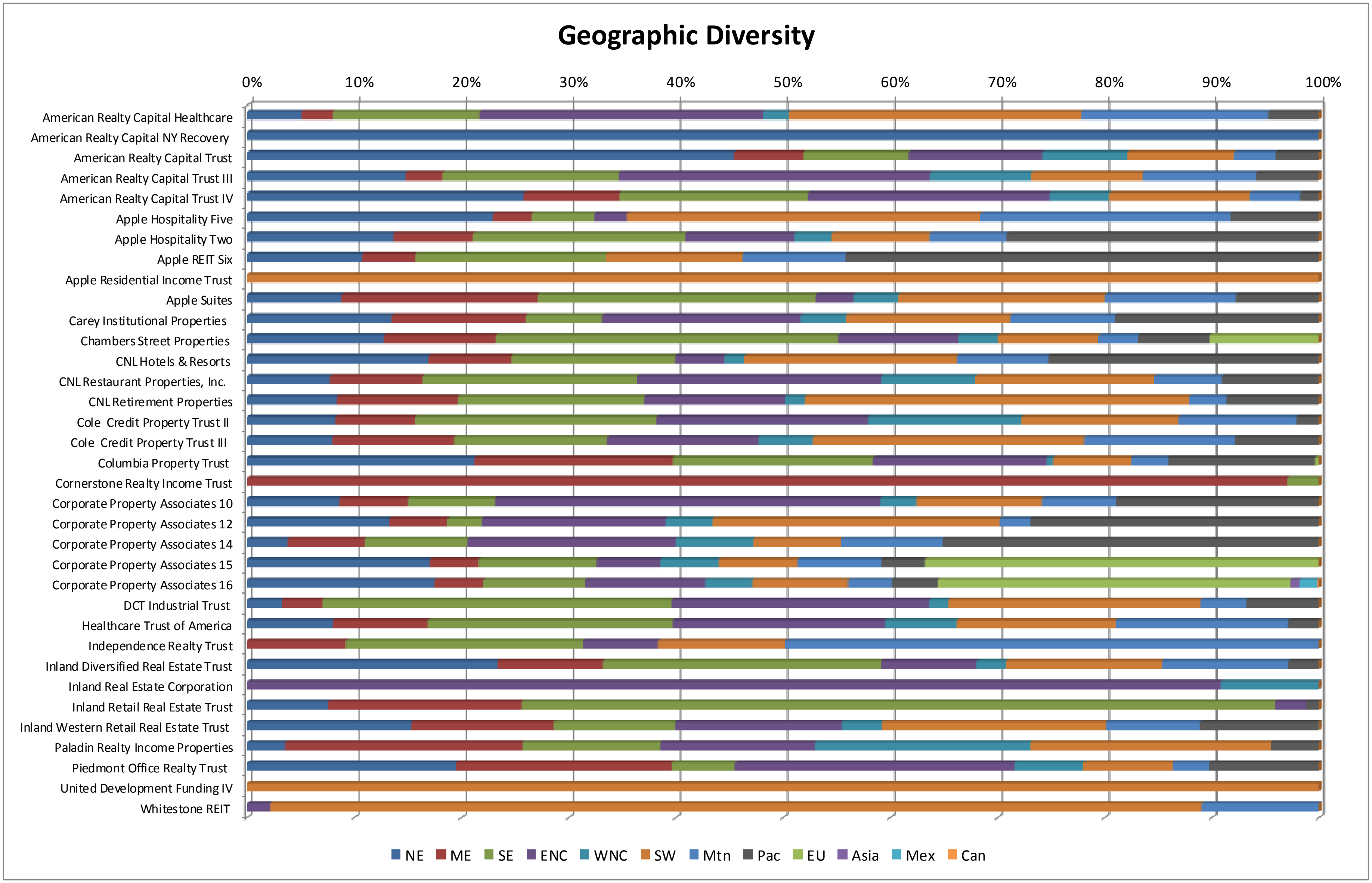
The REITs that were raising funds and deploying assets in times of relatively low real estate values (red) and having full-cycle events in relatively higher valued environments (green) would be expected to have higher average returns, other things equal.

Sample Description: Geographic Diversity Table

This table lists the weights by regions based upon gross book value of the REIT's property portfolio, averaged over time (across quarters).

	Average Regional Weights* (averaged across quarters)											
	Northeast	Mideast	Southeast	East North Central	West North Central	Southwest	Mountain	Pacific	Europe	Asia	Mexico	Canada
American Realty Capital Healthcare	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	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	45.3%	6.4%	9.8%	12.4%	7.9%	9.9%	3.9%	4.1%	0.0%	0.0%	0.0%	0.0%
American Realty Capital Trust III	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	25.8%	9.0%	17.5%	22.6%	5.6%	13.1%	4.7%	1.8%	0.0%	0.0%	0.0%	0.0%
Apple Hospitality Five	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 Two	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 Six	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	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	8.9%	18.3%	26.1%	3.5%	4.2%	19.3%	12.3%	7.8%	0.0%	0.0%	0.0%	0.0%
Carey Institutional Properties	13.5%	12.5%	7.1%	18.6%	4.2%	15.3%	9.7%	19.1%	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	17.1%	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.	7.8%	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	8.3%	11.2%	17.2%	13.0%	1.8%	35.5%	3.5%	8.5%	0.0%	0.0%	0.0%	0.0%
Cole Credit Property Trust II	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	7.9%	11.4%	14.3%	14.1%	5.1%	25.3%	14.0%	7.9%	0.0%	0.0%	0.0%	0.0%
Columbia Property Trust	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	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	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	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	3.8%	7.2%	9.6%	19.4%	7.3%	8.2%	9.5%	35.1%	0.0%	0.0%	0.0%	0.0%
Corporate Property Associates 15	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	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	3.3%	3.8%	32.5%	24.0%	1.8%	23.5%	4.3%	6.8%	0.0%	0.0%	0.0%	0.0%
Healthcare Trust of America	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	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	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	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	15.4%	13.2%	11.3%	15.6%	3.7%	20.9%	8.8%	11.1%	0.0%	0.0%	0.0%	0.0%
Paladin Realty Income Properties	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	19.5%	20.1%	5.9%	26.1%	6.4%	8.3%	3.4%	10.3%	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%

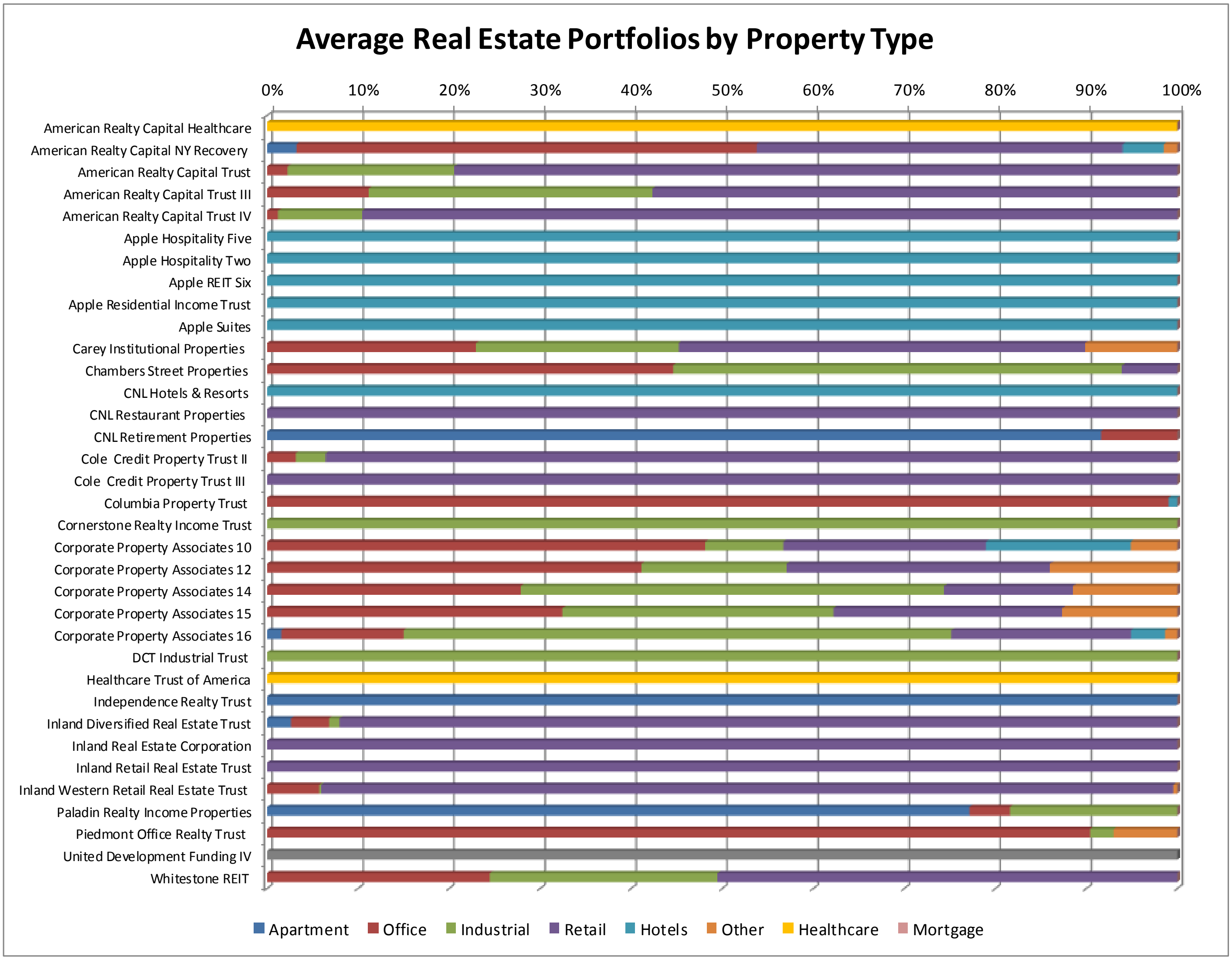
*See Appendix II for regional definitions.


Geographic Diversity
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
American Realty Capital Healthcare
American Realty Capital NY Recovery
American Realty Capital Trust
American Realty Capital Trust III
American Realty Capital Trust IV
Apple Hospitality Five
Apple Hospitality Two
Apple REIT Six
Apple Residential Income Trust
Apple Suites
Carey Institutional Properties
Chambers Street Properties
CNL Hotels & Resorts
CNL Restaurant Properties, Inc.
CNL Retirement Properties
Cole Credit Property Trust II
Cole Credit Property Trust III
Columbia Property Trust
Cornerstone Realty Income Trust
Corporate Property Associates 10
Corporate Property Associates 12
Corporate Property Associates 14
Corporate Property Associates 15
Corporate Property Associates 16
DCT Industrial Trust
Healthcare Trust of America
Independence Realty Trust
Inland Diversified Real Estate Trust
Inland Real Estate Corporation
Inland Retail Real Estate Trust
Inland Western Retail Real Estate Trust
Paladin Realty Income Properties
Piedmont Office Realty Trust
United Development Funding IV
Whitestone REIT
NE
ME
SE
ENC
WNC
SW
Mtn
Pac
EU
Asia
Mex
Can

Sample Description: Property Types Table

This table gives the weights of each REIT's portfolio by property type, using gross book values, averaged across quarters.

Name	Average Property Type Weights (averaged across quarters)							
	Apt	Office	Indust	Retail	Hotels	Other	Healthcare	Mortgage
American Realty Capital Healthcare	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
American Realty Capital NY Recovery	3.3%	50.5%	0.0%	40.2%	4.5%	1.5%	0.0%	0.0%
American Realty Capital Trust	0.0%	2.3%	18.3%	79.4%	0.0%	0.0%	0.0%	0.0%
American Realty Capital Trust III	0.0%	11.2%	31.2%	57.6%	0.0%	0.0%	0.0%	0.0%
American Realty Capital Trust IV	0.0%	1.3%	9.2%	89.6%	0.0%	0.0%	0.0%	0.0%
Apple Hospitality Five	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Apple Hospitality Two	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Apple REIT Six	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Apple Residential Income Trust	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Apple Suites	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Carey Institutional Properties	0.0%	23.0%	22.3%	44.6%	0.0%	10.1%	0.0%	0.0%
Chambers Street Properties	0.0%	44.6%	49.3%	6.1%	0.0%	0.0%	0.0%	0.0%
CNL Hotels & Resorts	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
CNL Restaurant Properties	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
CNL Retirement Properties	91.6%	8.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cole Credit Property Trust II	0.0%	3.2%	3.3%	93.5%	0.0%	0.0%	0.0%	0.0%
Cole Credit Property Trust III	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Columbia Property Trust	0.0%	99.1%	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%
Cornerstone Realty Income Trust	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Corporate Property Associates 10	0.0%	48.2%	8.6%	22.3%	15.9%	5.1%	0.0%	0.0%
Corporate Property Associates 12	0.0%	41.2%	16.0%	28.9%	0.0%	14.0%	0.0%	0.0%
Corporate Property Associates 14	0.0%	27.9%	46.5%	14.2%	0.0%	11.4%	0.0%	0.0%
Corporate Property Associates 15	0.0%	32.4%	29.7%	25.1%	0.0%	12.6%	0.0%	0.0%
Corporate Property Associates 16	1.6%	13.5%	60.1%	19.8%	3.7%	1.3%	0.0%	0.0%
DCT Industrial Trust	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Healthcare Trust of America	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
Independence Realty Trust	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Inland Diversified Real Estate Trust	2.6%	4.2%	1.1%	92.1%	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%
Inland Retail Real Estate Trust	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Inland Western Retail Real Estate Trust	0.0%	5.8%	0.2%	93.6%	0.0%	0.5%	0.0%	0.0%
Paladin Realty Income Properties	77.2%	4.5%	18.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Piedmont Office Realty Trust	0.0%	89.9%	2.6%	0.0%	0.0%	6.9%	0.0%	0.0%
United Development Funding IV	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Whitestone REIT	0.0%	24.5%	25.0%	50.5%	0.0%	0.0%	0.0%	0.0%


Average Real Estate Portfolios by Property Type
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
American Realty Capital Healthcare
American Realty Capital NY Recovery
American Realty Capital Trust
American Realty Capital Trust III
American Realty Capital Trust IV
Apple Hospitality Five
Apple Hospitality Two
Apple REIT Six
Apple Residential Income Trust
Apple Suites
Carey Institutional Properties
Chambers Street Properties
CNL Hotels & Resorts
CNL Restaurant Properties
CNL Retirement Properties
Cole Credit Property Trust II
Cole Credit Property Trust III
Columbia Property Trust
Cornerstone Realty Income Trust
Corporate Property Associates 10
Corporate Property Associates 12
Corporate Property Associates 14
Corporate Property Associates 15
Corporate Property Associates 16
DCT Industrial Trust
Healthcare Trust of America
Independence Realty Trust
Inland Diversified Real Estate Trust
Inland Real Estate Corporation
Inland Retail Real Estate Trust
Inland Western Retail Real Estate Trust
Paladin Realty Income Properties
Piedmont Office Realty Trust
United Development Funding IV
Whitestone REIT
Apartment
Office
Industrial
Retail
Hotels
Other
Healthcare
Mortgage

Sample Description: Summary Statistics

Name	Total Assets* (in $ Millions)	*Leverage (Debt/Total Assets)	Conventional IRR**	Annual IRR (Includes DRP)	Annual IRR	Conditional Annual Dividend yield***	Initial Price	Exit Price
American Realty Capital Healthcare	$891.26	42.02%	7.00%	8.77%	8.45%	6.47%	$10.00	$10.79
American Realty Capital NY Recovery	$612.57	51.03%	6.86%	8.06%	8.06%	5.84%	$10.00	$10.75
American Realty Capital Trust	$812.15	65.73%	7.35%	8.59%	8.24%	6.63%	$10.00	$10.49
American Realty Capital Trust III	$709.72	10.48%	14.63%	18.34%	18.14%	6.23%	$10.00	$12.57
American Realty Capital Trust IV	$1,240.89	18.00%	14.46%	20.52%	20.36%	5.40%	$25.00	$30.54
Apple Hospitality Five, Inc.	$391.39	1.45%	13.49%	15.13%	15.13%	8.17%	$10.50	$14.05
Apple Hospitality Two, Inc.	$598.28	54.99%	13.40%	13.67%	13.67%	10.43%	$9.50	$11.20
Apple REIT Six	$733.66	9.13%	8.04%	8.12%	8.12%	7.94%	$10.50	$11.10
Apple Residential Income Trust, Inc.	$271.27	10.55%	7.96%	6.90%	6.90%	9.15%	$9.00	$7.82
Apple Suites, Inc.	$160.73	48.10%	11.63%	12.75%	12.75%	10.21%	$9.00	$10.00
Carey Institutional Properties	$342.34	47.78%	9.41%	9.65%	9.65%	8.10%	$10.00	$13.90
Chambers Street Properties	$1,392.16	33.21%	5.92%	6.39%	6.09%	5.82%	$10.00	$10.00
CNL Hotels & Resorts	$2,702.67	38.11%	6.65%	7.29%	6.95%	6.58%	$10.00	$10.25
CNL Restaurant Properties, Inc.	$917.42	37.59%	6.33%	6.13%	6.13%	7.21%	$10.00	$8.70
CNL Retirement Properties, Inc.	$1,587.59	34.25%	9.76%	11.74%	11.64%	6.56%	$10.00	$13.89
Cole Credit Property Trust II	$2,423.93	56.03%	5.31%	5.97%	5.78%	6.45%	$10.00	$9.32
Cole Credit Property Trust III	$3,842.11	38.16%	6.12%	7.14%	6.90%	6.63%	$10.00	$10.90
Columbia Property Trust	$4,124.65	43.68%	1.25%	0.20%	-0.05%	5.48%	$10.00	$5.65
Cornerstone Realty Income Trust, Inc.	$141.40	9.15%	11.08%	12.11%	11.92%	9.48%	$9.50	$10.50
Corporate Property Associates 10, Inc.	$206.79	56.34%	8.39%	8.94%	8.94%	7.57%	$10.00	$11.74
Corporate Property Associates 12, Inc.	$349.10	41.83%	9.61%	10.86%	10.81%	8.05%	$10.00	$13.49
Corporate Property Associates 14, Inc.	$1,160.45	47.73%	7.99%	8.25%	7.96%	7.48%	$10.00	$11.50
Corporate Property Associates 15	$2,469.86	61.97%	8.13%	8.75%	8.75%	6.79%	$10.00	$12.65
Corporate Property Associates 16	$2,376.91	54.40%	7.90%	7.90%	7.65%	5.99%	$10.00	$11.25
DCT Industrial Trust, Inc.	$1,197.18	33.86%	11.14%	13.08%	12.63%	6.40%	$10.00	$12.35
Healthcare Trust of America	$1,602.67	44.55%	7.14%	8.13%	7.85%	6.71%	$10.00	$10.79
Independence Realty Trust	$132.08	64.31%	-1.24%	-1.98%	-1.98%	5.60%	$10.00	$8.45
Inland Diversified Real Estate Trust, Inc.	$1,310.33	49.77%	7.06%	8.13%	8.13%	5.72%	$10.00	$10.92
Inland Real Estate Corporation	$718.13	43.83%	10.35%	11.34%	10.74%	8.85%	$10.00	$11.95
Inland Retail Real Estate Trust, Inc.	$2,387.64	53.80%	12.07%	13.95%	13.58%	8.46%	$10.00	$14.00
Inland Western Retail Real Estate Trust	$6,131.76	58.65%	-0.19%	-1.04%	-1.23%	4.36%	$10.00	$5.50
Paladin Realty Income Properties	$124.87	54.40%	2.65%	2.06%	1.92%	5.78%	$10.00	$7.25
Piedmont Office Realty Trust	$3,075.70	26.95%	5.88%	5.28%	5.19%	6.22%	$10.00	$6.59
United Development Funding IV	$264.62	76.61%	7.99%	8.60%	8.60%	8.66%	$20.00	$19.60
Whitestone REIT	$189.72	67.98%	-2.98%	-4.13%	-4.22%	5.28%	$10.00	$4.47
Full Sample Mean	$1,359.83	41.61%	7.67%	8.45%	8.29%	7.05%	$10.66	$11.28
Full Sample Median	$891.26	43.83%	7.96%	8.25%	8.13%	6.63%	$10.00	$10.90

Footnotes:

*Average of total assets and average leverage over the life of the REIT.

** Without reinvestment of distributions.

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

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 -4.13% to 20.52%, with an average of 8.45% and a median of 8.25%. Assuming no reinvestment of distributions decreases the estimated IRR for most of the sample firms, resulting in an average of 8.29% and median IRR of 8.13%. 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 16 basis points or 0.16% 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 assuming the IPO stock price is 7.05% 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 exit price of $10.90 per share, implying a median 9% capital gain over the life of the typical nontraded REIT in our sample. The arithmetic average capital gain for the full sample of 35 REITs was 5.28%, with a range of 40% to -55.3%. (Note that the exit stock prices relative to the IPO price are adjusted for stock splits as required.)

Return Calculation Methodologies (Formulas and Example)

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

The methodology used to calculate these returns assumes:

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

Formula:

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

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%

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

Benchmark Construction (NCREIF Private Benchmark Description)

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 benchmarks for each REIT.

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

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

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

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

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.

[2] For properties in Europe and Asia, we used FTSE EPRA/NAREIT global index to construct benchmarks.

Benchmark Construction (FTSE NAREIT Traded Benchmark construction)

<u>REIT-Specific Custom Benchmark (Publicly-Traded REIT model):</u>

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 and Home Financing indices, weighted by each nontraded REIT's (annual) allocations across each property type. For the "other" property-type category, we equally weight the FTSE NAREIT Self Storage and Health Care indices. For the few early quarters prior to the inception of the FTSE NAREIT property-type indices in December 1993, we use the broad FTSE NAREIT Equity REIT index for all property types.

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

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

For matched holding periods, the time series correlation between the nontraded REIT returns (as a portfolio) and those of the NCREIF-based benchmark is .046, while the correlation between the nontraded return and publicly-traded benchmark returns was higher at 0.193. The median time-series correlation between the nontraded REIT return value relatives and those of the NCREIF-based benchmark is 0.34, while the median correlation between the nontraded return value relatives and publicly-traded benchmark return value relatives was higher at 0.73. The lower time-series correlation stems from the fact that the nontraded REITs do not tend to mark to market, while the higher cross-sectional correlation indicated that the publicly-traded benchmarks do a reasonable job of explaining the variation in nontraded REITs' individual returns. This provides validation for our approach of constructing customized return benchmarks.

Performance Relative to Custom Benchmarks

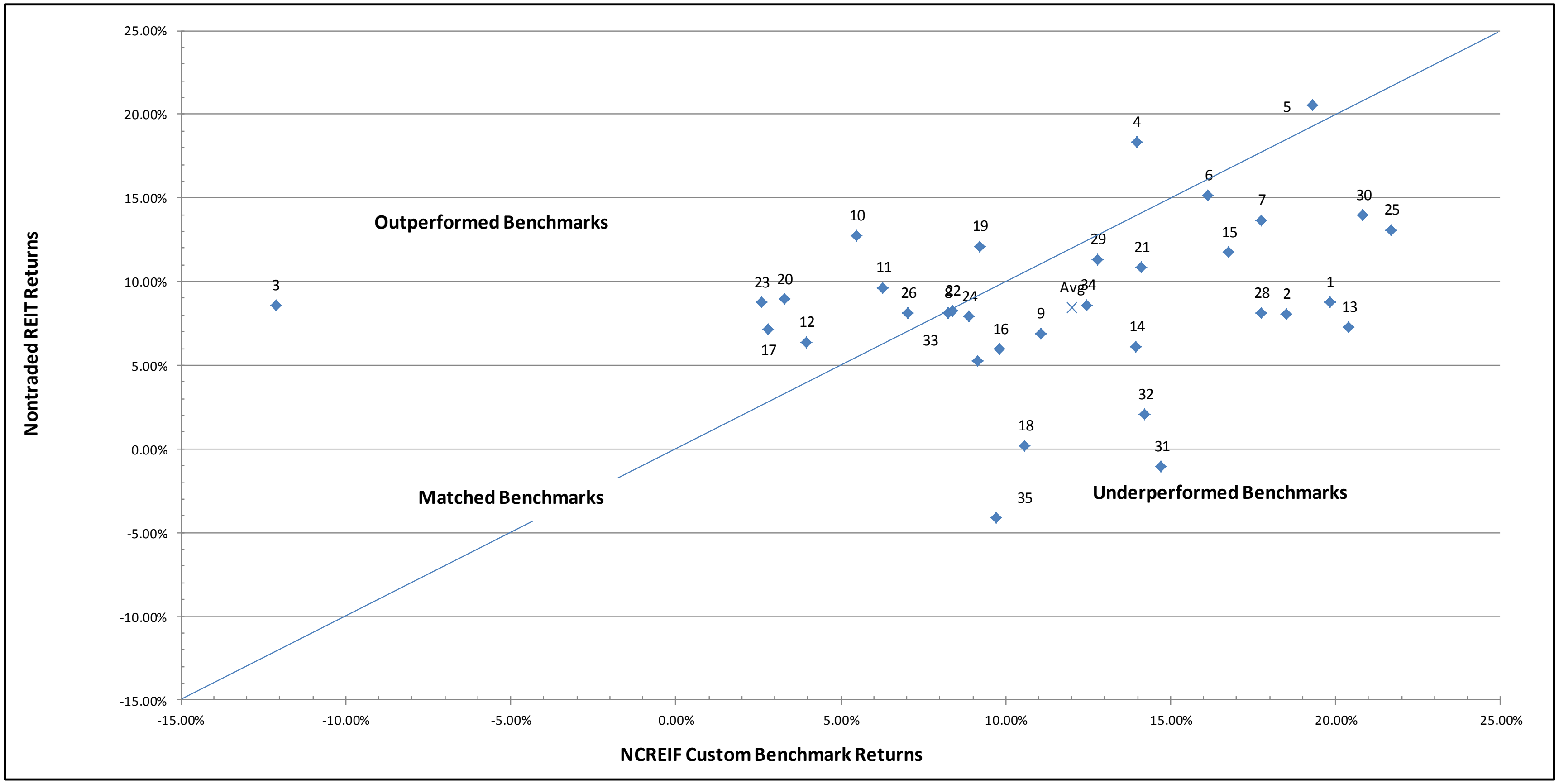
The following table gives the results of the return calculations for the individual full-cycle REITs and the custom benchmarks. Benchmark returns are unique for each REIT, based upon the full-cycle investor holding periods (assuming investment in the first quarter of the first public offering), geographic 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.

Nontraded REIT	Individual REIT Internal Rate of Return*	Benchmarks	
		NCREIF-Based	FTSE-NAREIT-Based
American Realty Capital Healthcare	8.77%	19.82%	13.90%
American Realty Capital NY Recovery	8.06%	18.50%	18.03%
American Realty Capital Trust	8.59%	-12.12%	2.79%
American Realty Capital Trust III	18.34%	13.96%	13.86%
American Realty Capital Trust IV	20.52%	19.29%	12.51%
Apple Hospitality Five, Inc.	15.13%	16.14%	9.68%
Apple Hospitality Two, Inc.	13.67%	17.75%	10.95%
Apple REIT Six	8.12%	8.25%	6.47%
Apple Residential Income Trust, Inc.	6.90%	11.05%	5.97%
Apple Suites, Inc.	12.75%	5.47%	-4.05%
Carey Institutional Properties	9.65%	6.28%	13.95%
Chambers Street Properties [1]	6.39%	3.95%	2.86%
CNL Hotels & Resorts [2]	7.29%	20.39%	3.28%
CNL Restaurant Properties, Inc. [3]	6.13%	13.95%	15.15%
CNL Retirement Properties, Inc.	11.74%	16.75%	16.84%
Cole Credit Property Trust II	5.97%	9.82%	7.92%
Cole Credit Property Trust III	7.14%	2.81%	8.13%
Columbia Property Trust [6]	0.20%	10.58%	8.75%
Cornerstone Realty Income Trust, Inc.	12.11%	9.20%	14.09%
Corporate Property Associates 10, Inc.	8.94%	3.28%	14.95%
Corporate Property Associates 12, Inc.	10.86%	14.10%	12.95%
Corporate Property Associates 14, Inc.	8.25%	8.38%	10.22%
Corporate Property Associates 15	8.75%	2.59%	12.84%
Corporate Property Associates 16	7.90%	8.88%	8.36%
DCT Industrial Trust, Inc. [5]	13.08%	21.67%	18.96%
Healthcare Trust of America	8.13%	7.03%	12.13%
Independence Realty Trust	-1.98%	30.95%	11.74%
Inland Diversified Real Estate Trust, Inc.	8.13%	17.73%	33.74%
Inland Real Estate Corporation	11.34%	12.77%	15.35%
Inland Retail Real Estate Trust, Inc.	13.95%	20.82%	22.32%
Inland Western Retail Real Estate Trust [8]	-1.04%	14.71%	12.02%
Paladin Realty Income Properties	2.06%	14.22%	13.50%
Piedmont Office Realty Trust [6]	5.28%	9.14%	10.51%
United Development Funding IV	8.60%	12.47%	8.37%
Whitestone REIT [7]	-4.13%	9.72%	4.50%
Mean	8.45%	12.01%	11.53%
Median	8.25%	12.47%	12.02%
Minimum	-4.13%	-12.12%	-4.05%
Maximum	20.52%	30.95%	33.74%

* Assumes reinvestment of distributions.

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 35 REITs is also plotted.



1	American Realty Capital Healthcare	8	Apple REIT Six	15	CNL Retirement Properties	22	Corporate Property Associates 14	29	Inland Real Estate Corporation
2	American Realty Capital NY Recovery	9	Apple Residential Income Trust	16	Cole Credit Property Trust II	23	Corporate Property Associates 15	30	Inland Retail Real Estate Trust
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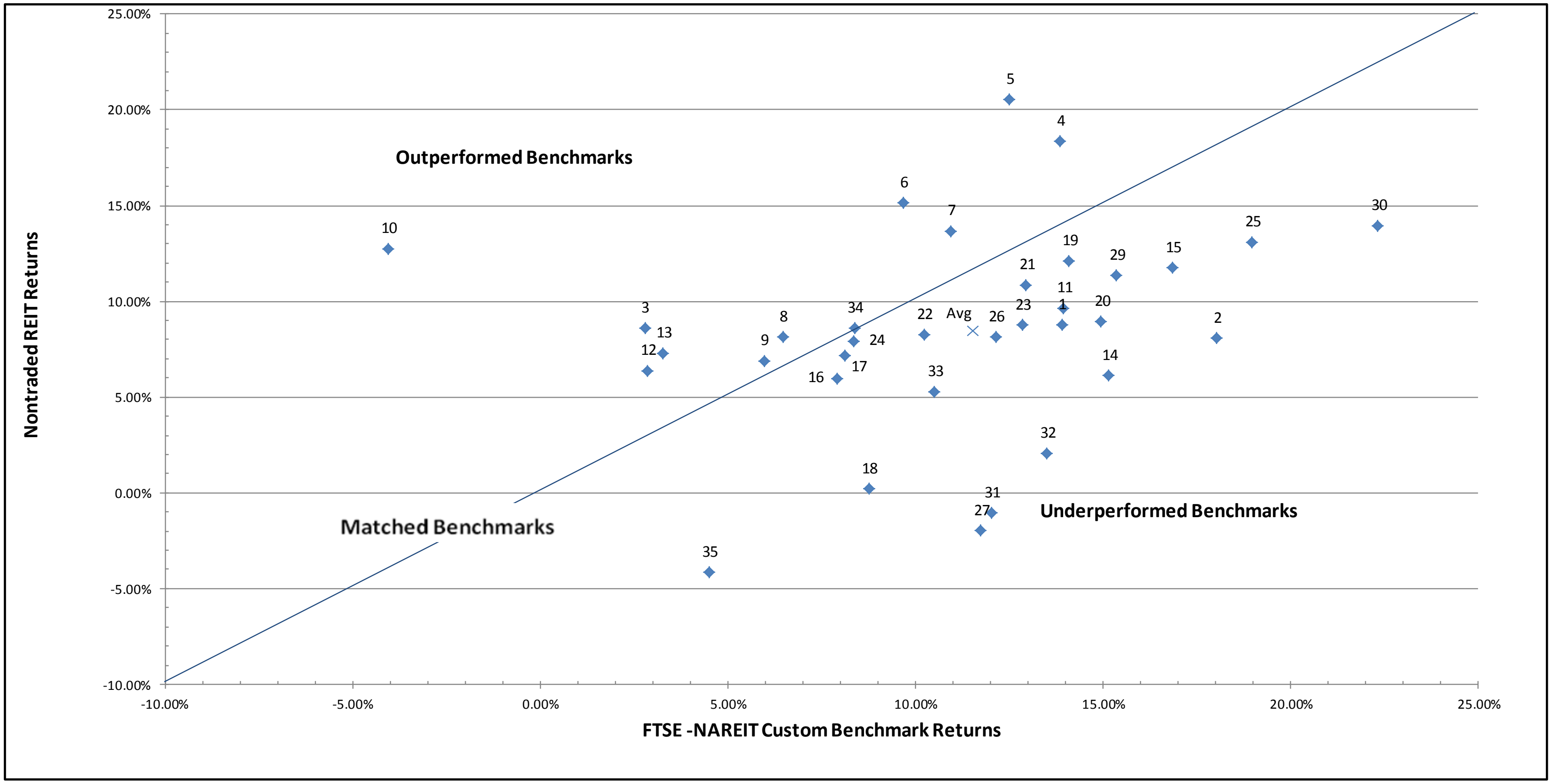
6	Apple Hospitality Five	13	CNL Hotels & Resorts	20	Corporate Property Associates 10	27	Independence Realty Trust	34	United Development Funding IV
7	Apple Hospitality Two	14	CNL Restaurant Properties	21	Corporate Property Associates 12	28	Inland Diversified Real Estate Trust	35	Whitestone REIT

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 35 REITs is also plotted.



1	American Realty Capital Healthcare	8	Apple REIT Six	15	CNL Retirement Properties	22	Corporate Property Associates 14	29	Inland Real Estate Corporation
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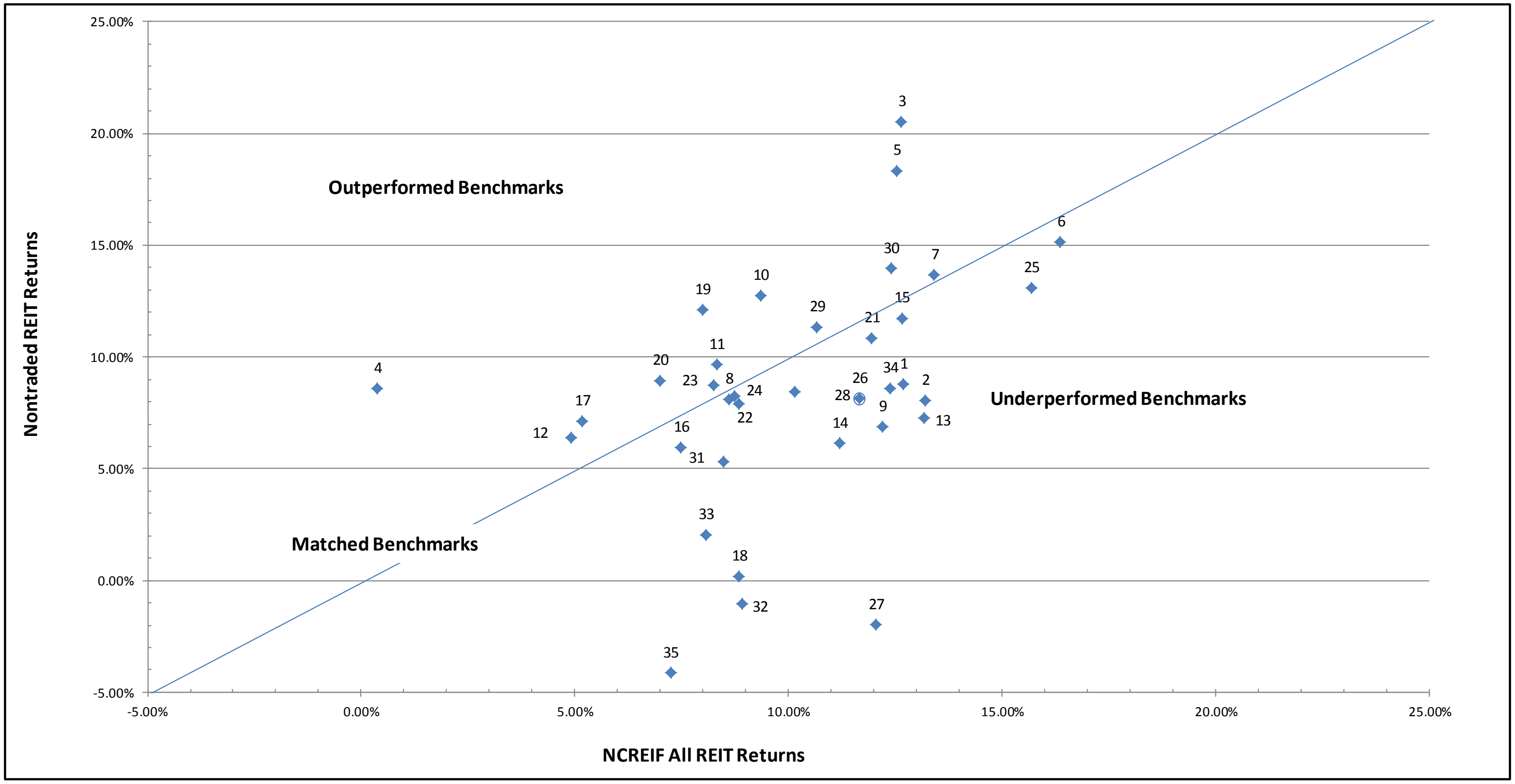
7	Apple Hospitality Two	14	CNL Restaurant Properties	21	Corporate Property Associates 12	28	Inland Diversified Real Estate Trust	35	Whitestone REIT

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 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 35 REITs and the NCREIF Index is also plotted for the matched holding periods.



1	American Realty Capital Healthcare	8	Apple REIT Six	15	CNL Retirement Properties	22	Corporate Property Associates 14	29	Inland Real Estate Corporation
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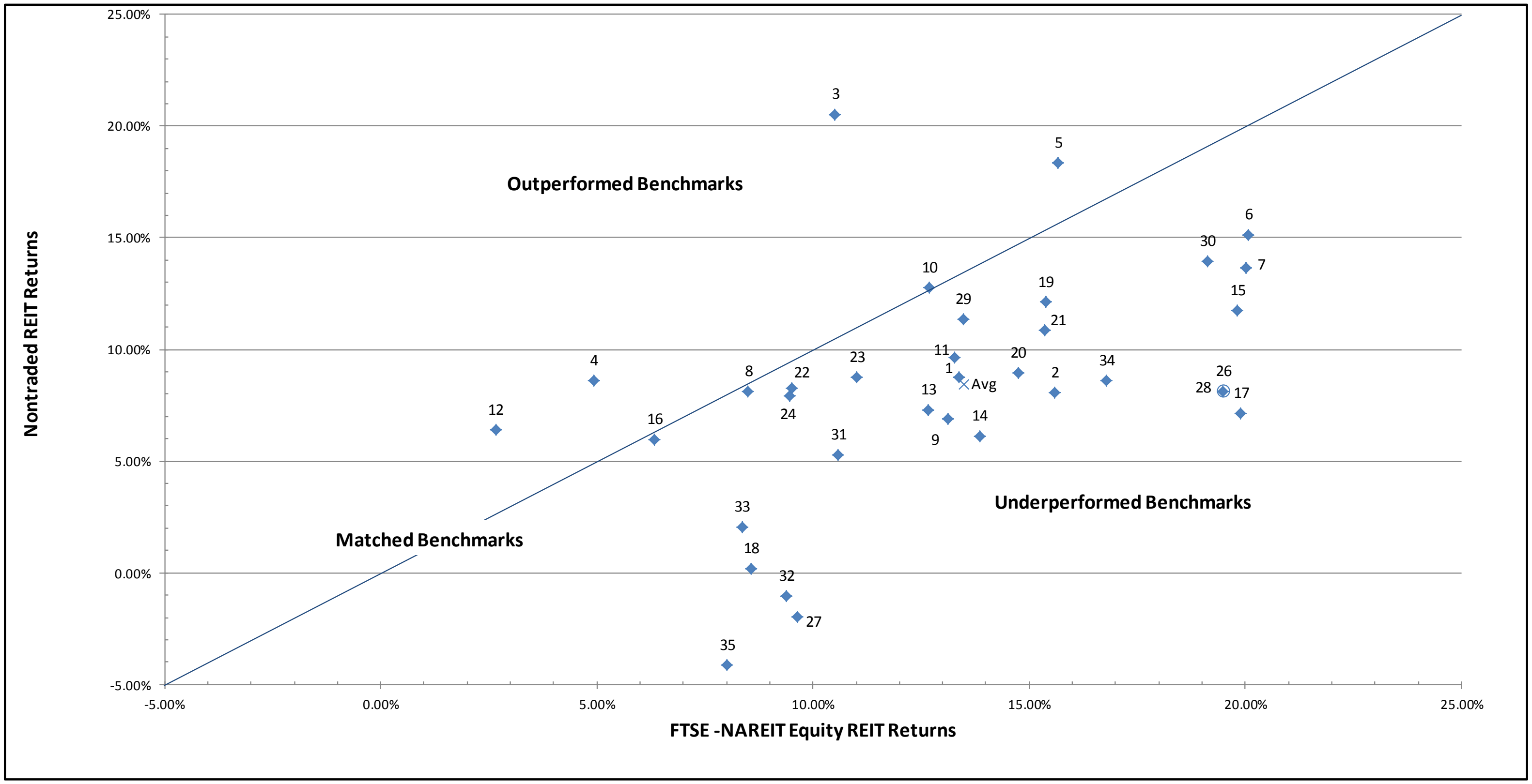
7	Apple Hospitality Two	14	CNL Restaurant Properties	21	Corporate Property Associates 12	28	Inland Diversified Real Estate Trust	35	Whitestone REIT

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 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 35 REITs and the FTSE NAREIT Index is also plotted for the matched holding periods.



1	American Realty Capital Healthcare	8	Apple REIT Six	15	CNL Retirement Properties	22	Corporate Property Associates 14	29	Inland Real Estate Corporation
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7	Apple Hospitality Two	14	CNL Restaurant Properties	21	Corporate Property Associates 12	28	Inland Diversified Real Estate Trust	35	Whitestone REIT

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

We compared the early investor IRRs for the 35 full-cycle REITs to the average annualized total returns for the most commonly referenced publicly-traded common stock index, the Standard & Poor's 500 Index, over identical holding periods. This type of broad index would provide an investor with a more readily-calculated comparison to returns on other common stocks available for investment. As a value-weighted index of 500 large publicly-traded corporations (including both NYSE and NASDAQ exchanges), the index serves as a proxy for a typical, very well-diversified common stock portfolio.

The results of these comparisons are shown in the table below. Compared to the average compounded quarterly returns on the S & P 500 Index, for the 35 full-cycle REITS, early investors in 20 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 35 full-cycle REITs was 7.68% compared to an average IRR for the REITs of 8.45%. (It should be noted that these raw differences in average returns do not include any adjustment for differences in risk, and are not meant to indicate that one class of investments performed better than another on a risk-adjusted basis.)

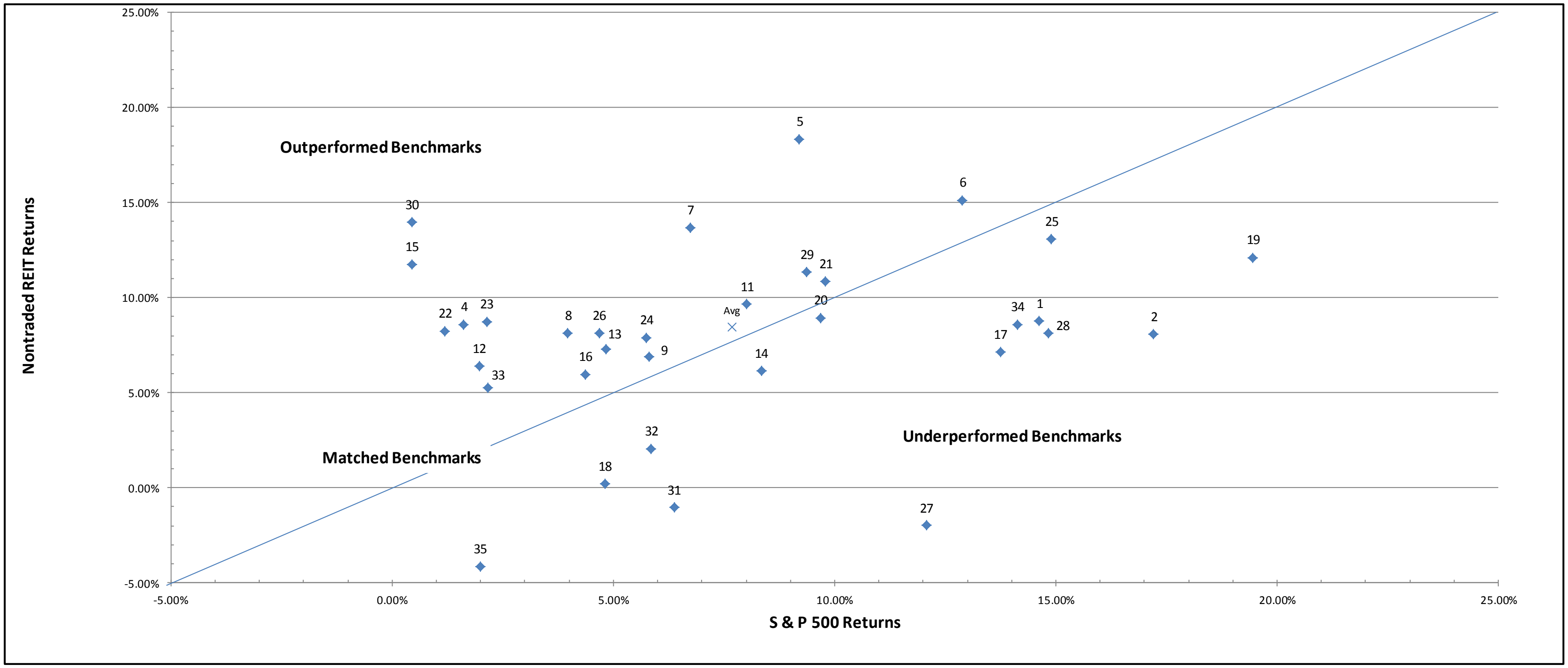
Another comparison for evaluating the returns on full-cycle REITs is the total returns on Intermediate-Term Treasury Bonds.[1] Bond yields consist of both interest payments and capital gains and losses, as the prices of bonds rise and fall inversely with increases and decreases in market interest rates represented by bond yields. The total returns on Intermediate Term Treasury Bonds include both interest payments and capital gains and losses over the holding period. The Intermediate-Term Treasury Bond is a reasonable benchmark to select given the typical life-cycle of nontraded REITs of 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 35 nontraded REITs was 5.43% compared to an average IRR for the REITs of 8.45%. Of the 35 REITs, 27 outperformed the Intermediate-Term U.S. Treasuries returns over their life cycles.

[1] The Intermediate-Term Treasury Bond return is based upon the quarterly total returns on 10-year U.S. Treasury notes from Wharton Research Data Services from 1990-2012 and the Vanguard Intermediate-Term Treasury Fund Investor Shares (VFITX) for 2013-2014.

Performance Relative to S&P 500 Index

We compare the annualized returns of the 35 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 20 REITs whose average shareholder returns plot above the diagonal outperformed the S & P 500 Index. The average return for the 35 REITs outperformed the S & P 500 Index also by 0.77% (8.45% to 7.68%)



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

We compare the annualized returns of the 35 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 27 REITs whose average shareholder returns plot above the diagonal outperformed the Intermediate -Term U.S. Treasury Index*. The average return for the 35 REITs outperformed the Bond Index also by 3.02% annually (8.45% to 5.43%).

1	American Realty Capital Healthcare	8	Apple REIT Six	15	CNL Retirement Properties	22	Corporate Property Associates 14	29	Inland Real Estate Corporation
2	American Realty Capital NY Recovery	9	Apple Residential Income Trust	16	Cole Credit Property Trust II	23	Corporate Property Associates 15	30	Inland Retail Real Estate Trust
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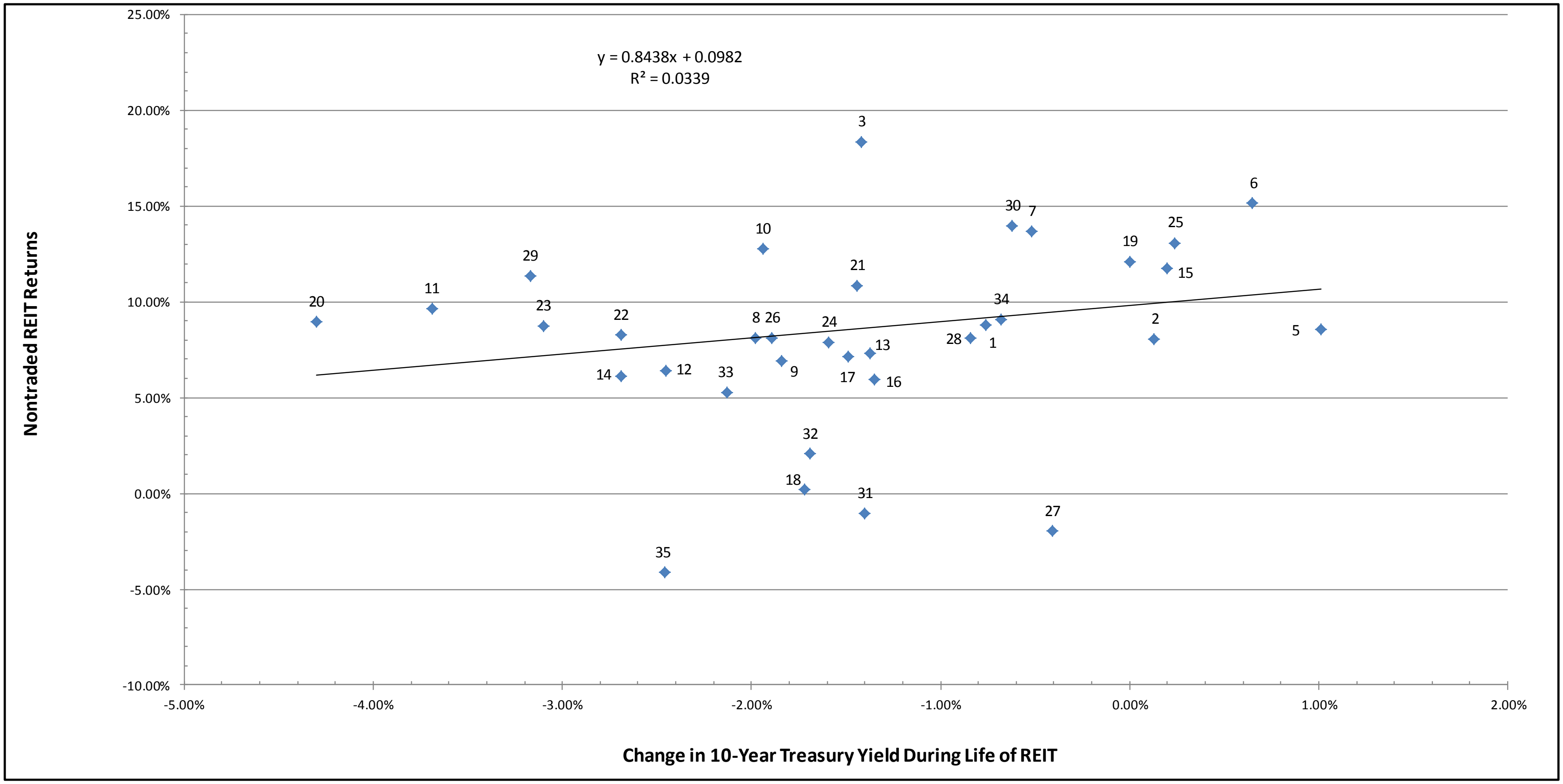
*The Intermediate-Term Treasury Bond return is based upon the quarterly total returns on 10-year U.S. Treasury notes from Wharton Research Data Services from 1990-2013 and the Vanguard Intermediate-Term Treasury Fund Investor Shares (VFITX) for 2014.

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

We compare the annualized returns of the 35 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 below shows 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.



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

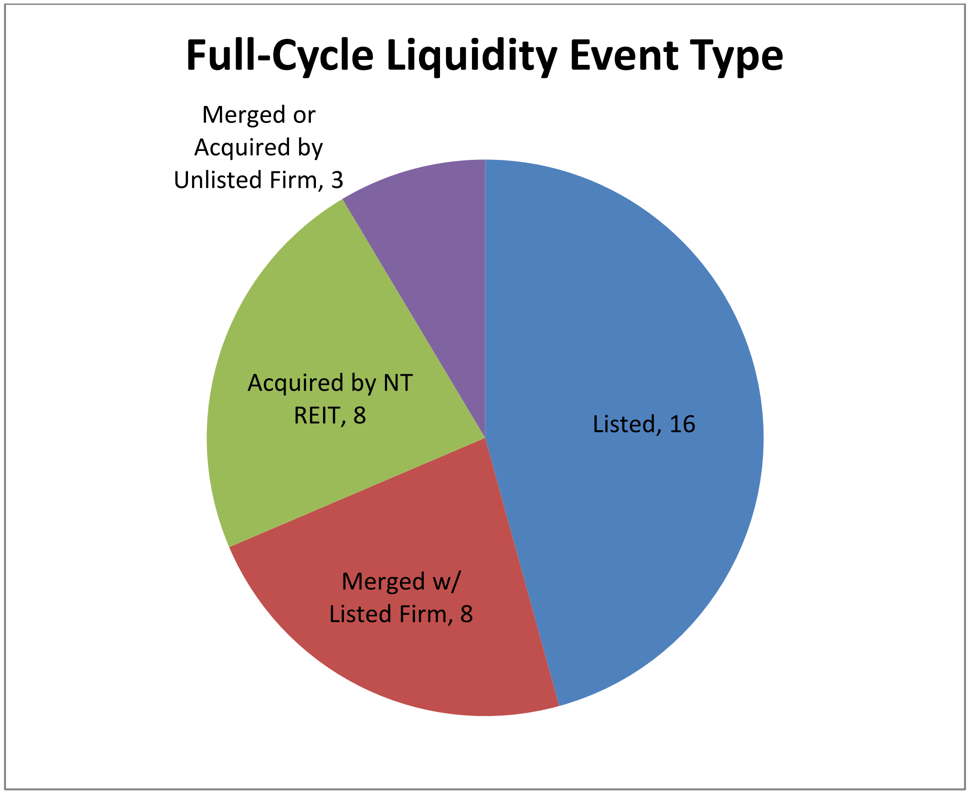
Given the difficulties in calculating a full time-series of returns for all nontraded REITs due to the lack of market valuations during most of their respective lives, we examine the cross-sectional correlations of their total average returns to the average returns on other indices over matched holding periods to shed light on the relations between nontraded REITs 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 (+0.386) and the publicly traded REIT portfolios in the NAREIT index (+0.475). Interestingly, the cross-sectional correlation of full-cycle nontraded REIT returns with the S&P 500 stock index is low (+0.265), 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, demonstrating 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		0.386	0.475	0.265	-0.183
NCREIF Return	0.386		0.656	0.354	-0.288
FTSE NAREIT Return	0.475	0.656		0.327	-0.163
S & P 500 Index Returns	0.265	0.354	0.327		-0.652
Intermediate Treasury Bond Returns	-0.183	-0.288	-0.163	-0.652	

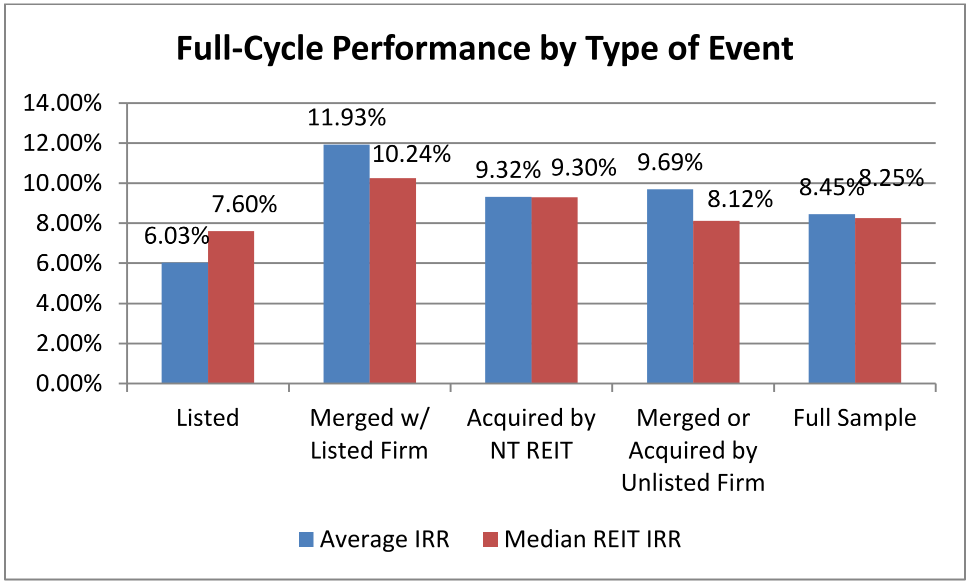
Performance by Type of Full-Cycle Event

Within the 35 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.



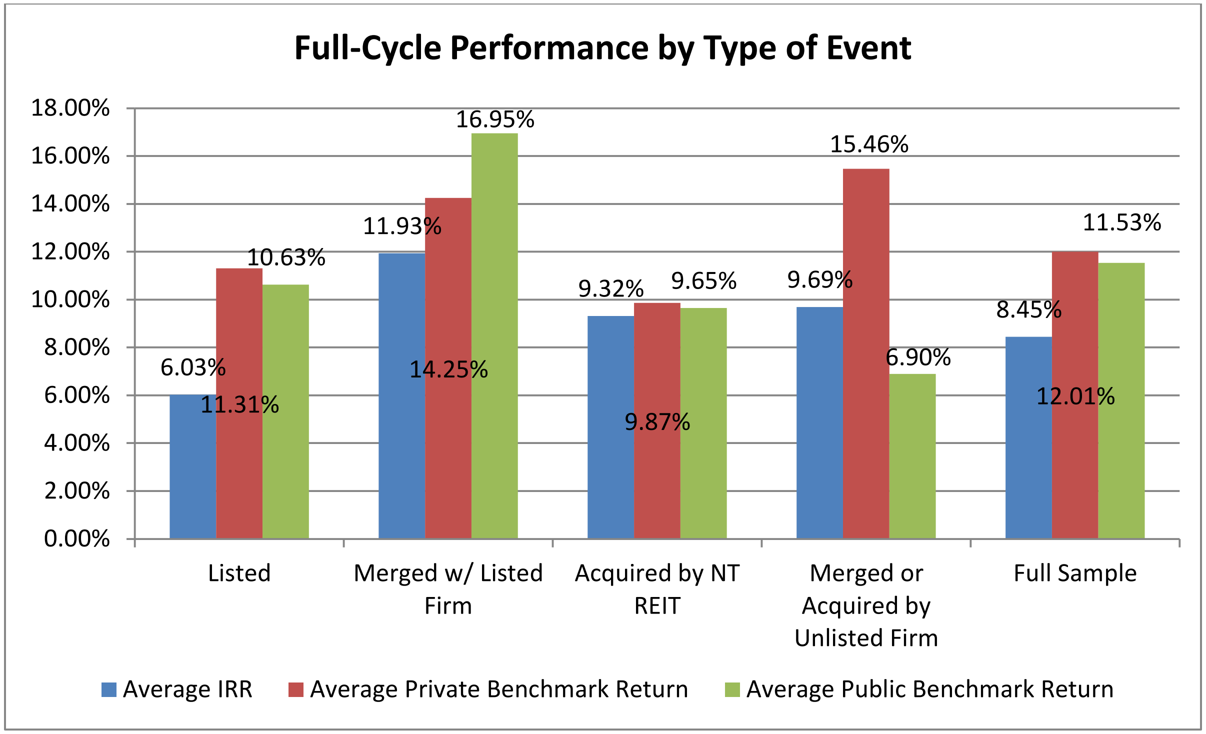
Performance by Type of Full-Cycle Event

Average returns to nontraded REIT shareholders varied significantly across the four types of full-cycle events. The eight REITs which merged with listed firms performed best at 11.93% while those 16 REITs which listed their own shares averaged 6.03%. The eight REITs which were acquired or merged with other nontraded REITs which subsequently had full-cycle events had shareholder returns averaging 9.32%. 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.



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

The eight 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 outpeformed their public benchmarks, but underperformed their private benchmarks significantly. Given the wide discrepancy between the private and publicly-traded benchmarks, this may indicate a higher value placed on the REIT's portfolio (as indicated by the appraisal-based benchmark) than available in the publicly-traded REIT market valuation. The higher average returns of nontraded REITs acquired by listed REITs, and the relatively higher performance of the publicly-traded REITs that acquired 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 and attribute difference in performance to the difference in the methods of achieving liquidity for investors.


Full-Cycle Performance by Type of Event
18.00%
16.00%
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
6.03%
11.31%
10.63%
11.93%
14.25%
16.95%
9.32%
9.87%
9.65%
9.69%
15.46%
6.90%
8.45%
12.01%
11.53%
Listed
Merged w/ Listed Firm
Acquired by NT REIT
Merged or Acquired by Unlisted Firm
Full Sample
Average IRR
Average Private Benchmark Return
Average Public Benchmark Return

Performance by REIT Sponsors

During our sample period, 11 different sponsors had nontraded REITs experiencing full-cycle events. Apple REITs had six full-cycle events with an average annual shareholder return of 11.45%. Next was W.P. Carey with six REITs with an average annual shareholder return of 9.06%. American Realty Capital had five full-cycle events providing an average annual shareholder return of 12.86%.

Nontraded REIT by Sponsor	Total Assets* (in $ Millions)	*Leverage (Debt/Total Assets)	Annual IRR (Includes DRP)	Conditional Annual Dividend yield***	Initial Price($)	Exit Price($)	Capital Gain
Apple Hospitality Five	$391.39	1.45%	15.13%	8.17%	$10.50	$14.05	33.81%
Apple Hospitality Two	$598.28	54.99%	13.67%	10.43%	$9.50	$11.20	17.89%
Apple Residential Income Trust	$271.27	10.55%	6.89%	9.15%	$9.00	$7.82	-13.11%
Apple Suites	$160.73	48.10%	12.75%	10.21%	$9.00	$10.00	11.11%
Cornerstone Realty Income Trust	$141.40	9.15%	12.11%	9.48%	$9.50	$10.50	10.53%
Apple REIT Six	$733.66	9.13%	8.12%	7.94%	$10.50	$11.10	5.71%
Average for Apple	$382.79	22.23%	11.45%	9.23%			10.99%
American Realty Capital Trust	$812.15	65.73%	8.59%	6.63%	$10.00	$10.49	4.90%
American Realty Capital Trust III	$709.72	10.48%	18.34%	6.23%	$10.00	$12.57	25.70%
American Realty Capital Trust IV	$1,240.89	36.48%	20.52%	5.40%	$25.00	$30.54	22.16%
American Realty Capital Healthcare	$891.26	43.94%	8.77%	6.47%	$10.00	$10.55	5.50%
American Realty Capital NY Recovery	$612.57	33.66%	8.06%	5.84%	$10.00	$10.75	7.50%
Average for American Realty Capital	$853.32	38.06%	12.86%	6.11%			13.15%
Chambers Street Properties	$1,392.16	33.21%	6.39%	5.82%	$10.00	$10.00	0.00%
CNL Hotels & Resorts	$2,702.67	38.11%	7.29%	6.58%	$10.00	$10.25	2.50%
CNL Restaurant Properties	$917.42	37.59%	6.13%	7.21%	$10.00	$8.70	-13.00%
CNL Retirement Properties	$1,587.59	34.25%	11.74%	6.56%	$10.00	$13.89	38.90%
Average for CNL Group	$1,735.89	36.65%	8.39%	6.78%			9.47%
Cole Credit Property Trust II	$2,423.93	56.03%	5.97%	6.45%	$10.00	$9.32	-6.80%
Cole Credit Property Trust III	$3,842.11	38.16%	7.14%	6.63%	$10.00	$10.00	0.00%
Average for Cole Capital	$3,133.02	47.10%	6.55%	6.54%			-3.40%
DCT Industrial Trust	$1,197.18	33.86%	13.08%	6.40%	$10.00	$12.35	23.50%
Whitestone REIT	$189.72	67.98%	-4.13%	5.28%	$10.00	$4.47	-55.30%
Healthcare Trust of America	$1,602.67	49.60%	8.13%	6.71%	$10.00	$10.79	7.90%
Inland Real Estate Corporation	$718.13	43.83%	11.34%	8.85%	$10.00	$11.95	19.50%
Inland Retail Real Estate Trust	$2,387.64	53.80%	13.95%	8.46%	$10.00	$14.00	40.00%
Inland Western Retail Real Estate Trust	$6,131.76	58.65%	-1.04%	4.36%	$10.00	$5.50	-45.00%
Inland Diversified Real Estate Trust	$1,310.33	57.70%	8.13%	5.72%	$10.00	$10.92	9.20%
Average for Inland Securities	$2,636.96	53.50%	8.10%	6.85%			5.93%
Independence Realty Trust	$132.09	92.45%	-1.98%	5.60%	$10.00	$8.45	-15.50%
Paladin Realty Income Properties	$124.87	79.20%	2.06%	5.78%	$10.00	$7.25	-27.50%
United Development Funding IV	$264.62	24.42%	8.60%	8.66%	$20.00	$20.00	0.00%
Carey Institutional Properties	$342.34	47.78%	9.65%	8.10%	$10.00	$13.90	39.00%
Corporate Property Associates 10	$206.79	56.34%	8.94%	7.57%	$10.00	$11.74	17.40%
Corporate Property Associates 12	$349.10	41.83%	10.85%	8.05%	$10.00	$13.49	34.90%
Corporate Property Associates 14	$1,160.45	47.73%	8.25%	7.48%	$10.00	$11.50	15.00%
Corporate Property Associates 15	$2,469.86	61.97%	8.75%	6.79%	$10.00	$12.65	26.50%
Corporate Property Associates 16	$2,376.91	57.77%	7.90%	5.99%	$25.00	$30.54	22.16%
Average for W.P. Carey	$1,150.91	52.24%	9.06%	7.33%			25.83%
Piedmont Office Realty Trust	$3,075.70	26.95%	5.29%	6.22%	$10.00	$6.59	-34.10%
Columbia Property Trust	$4,124.65	43.68%	0.20%	5.48%	$10.00	$5.65	-43.50%
Average for Wells Real Estate Funds	$3,600.17	35.32%	2.74%	5.85%			-38.80%
Full Sample Mean	$1,359.83	43.04%	8.44%	7.05%	$11.09	$11.81	5.36%
Full Sample Median	$891.26	43.83%	8.25%	6.63%	$10.00	$10.79	7.90%

Impact of Fees on Performance

To assess the impact of fees or loads on nontraded REIT performance, we present calculations of nontraded REIT returns based upon an assumed 12 percent front-end load for all REITs in the sample, a number we believe to be in the ballpark and perhaps conservative for some sample firms. By adding back the assumed load, we can begin to gauge the degree to which the nontraded REIT's relative performance can be attributed to the performance of their real estate holdings themselves, apart from the impact of fees or loads. After adding back a plausible front-end load, the mean and median returns increase from 8.45% and 8.25% to 11.18% and 10.24%, respectively, a 2.73% difference in the returns for the average REIT in the sample.

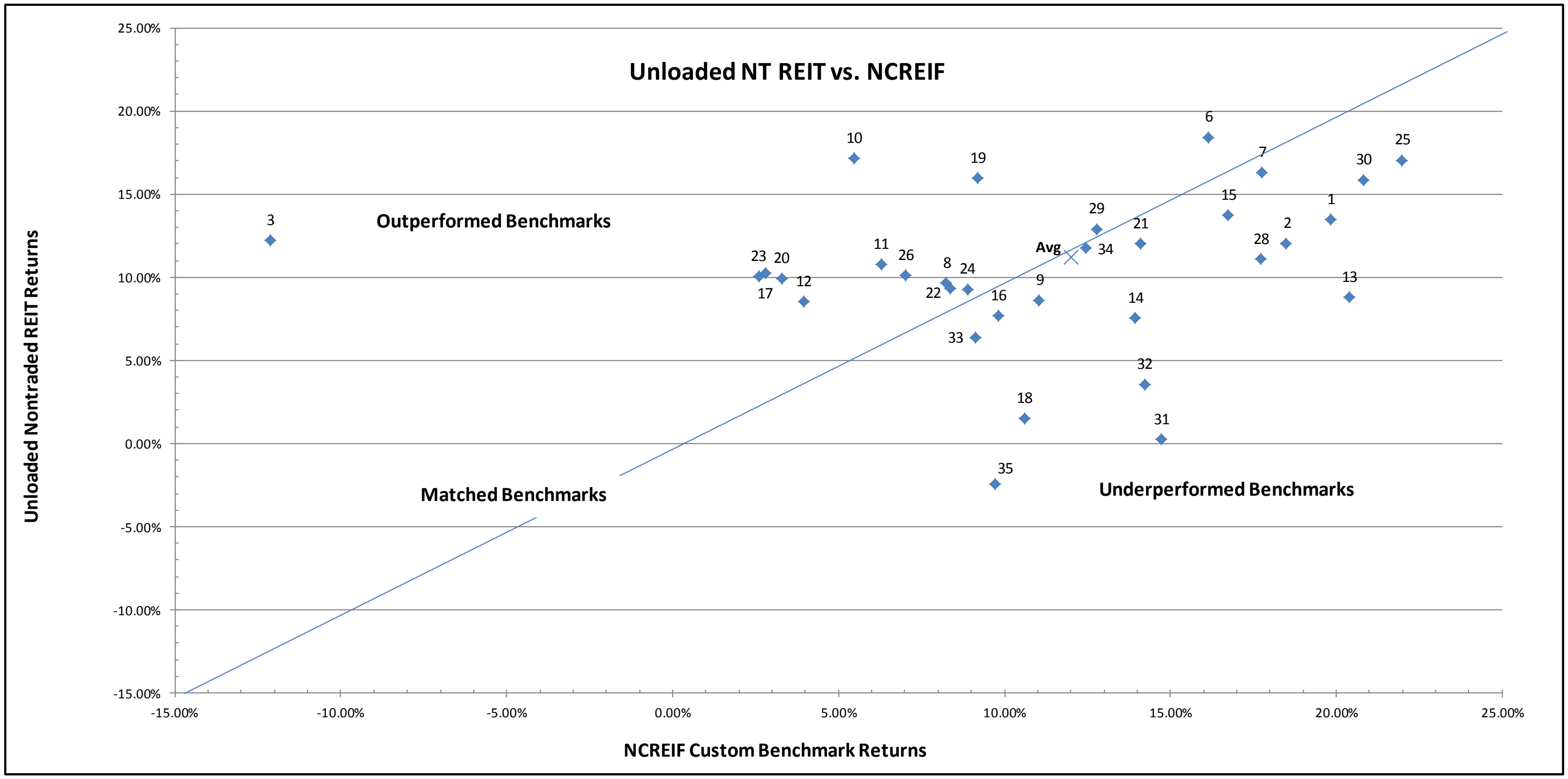
With the adjustment to unload hypothetical fees, the number of NT REITs that outperform the private NCREIF benchmark remains at 11 of 35 REITs (31%), and the number that outperform the publicly traded NAREIT benchmark increases from 11 of 35 to 14 (40%).

Nontraded REIT	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 Healthcare	8.77%	13.47%	19.82%	-11.05%	13.90%	-0.43%
American Realty Capital NY Recovery	8.06%	12.04%	18.50%	-10.44%	18.03%	-5.99%
American Realty Capital Trust	8.59%	12.19%	-12.12%	20.71%	2.79%	9.40%
American Realty Capital Trust III	18.34%	26.51%	13.96%	4.38%	13.83%	12.68%
American Realty Capital Trust IV	20.52%	31.18%	19.29%	1.23%	13.86%	17.32%
Apple Hospitality Five	15.13%	18.43%	16.14%	-1.01%	9.68%	8.75%
Apple Hospitality Two	13.67%	16.28%	17.75%	-4.08%	10.95%	5.33%
Apple REIT Six	8.12%	9.65%	8.25%	-0.13%	6.47%	3.18%
Apple Residential Income Trust	6.90%	8.61%	11.05%	-4.15%	5.97%	2.64%
Apple Suites	12.75%	17.15%	5.47%	7.28%	-4.05%	21.20%
Carey Institutional Properties	9.65%	10.76%	6.28%	3.37%	13.95%	-3.19%
Chambers Street Properties	6.39%	8.54%	3.95%	2.44%	2.86%	5.68%
CNL Hotels & Resorts	7.29%	8.78%	20.39%	-13.10%	3.28%	5.50%
CNL Restaurant Properties	6.13%	7.54%	13.95%	-7.82%	15.15%	-7.61%
CNL Retirement Properties	11.74%	13.72%	16.75%	-5.01%	16.84%	-3.12%
Cole Credit Property Trust II	5.97%	7.67%	9.82%	-3.85%	7.92%	-0.25%
Cole Credit Property Trust III	7.14%	10.24%	2.81%	4.33%	8.13%	2.11%
Columbia Property Trust	0.20%	1.51%	10.60%	-10.40%	8.75%	-7.24%
Cornerstone Realty Income Trust	12.11%	15.95%	9.20%	2.91%	14.09%	1.86%
Corporate Property Associates 10	8.94%	9.94%	3.28%	5.66%	14.95%	-5.01%
Corporate Property Associates 12	10.86%	12.00%	14.10%	-3.24%	12.95%	-0.95%
Corporate Property Associates 14	8.25%	9.33%	8.38%	-0.13%	10.22%	-0.89%
Corporate Property Associates 15	8.75%	10.05%	2.59%	6.16%	12.84%	-2.79%
Corporate Property Associates 16	7.90%	9.28%	8.88%	-0.98%	8.36%	0.92%
DCT Industrial Trust	13.08%	17.05%	21.99%	-8.91%	18.96%	-1.91%
Healthcare Trust of America	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	13.95%	15.85%	20.82%	-6.87%	22.32%	-6.47%
Inland Western Retail Real Estate Trust	-1.04%	0.23%	14.73%	-15.77%	12.02%	-11.79%
Paladin Realty Income Properties	2.06%	3.55%	14.22%	-12.16%	13.50%	-9.95%
Piedmont Office Realty Trust	5.28%	6.38%	9.14%	-3.86%	10.51%	-4.13%
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	8.45%	11.18%	12.02%	-3.57%	11.57%	-0.38%
Median	8.25%	10.24%	12.47%	-3.85%	12.02%	-0.95%

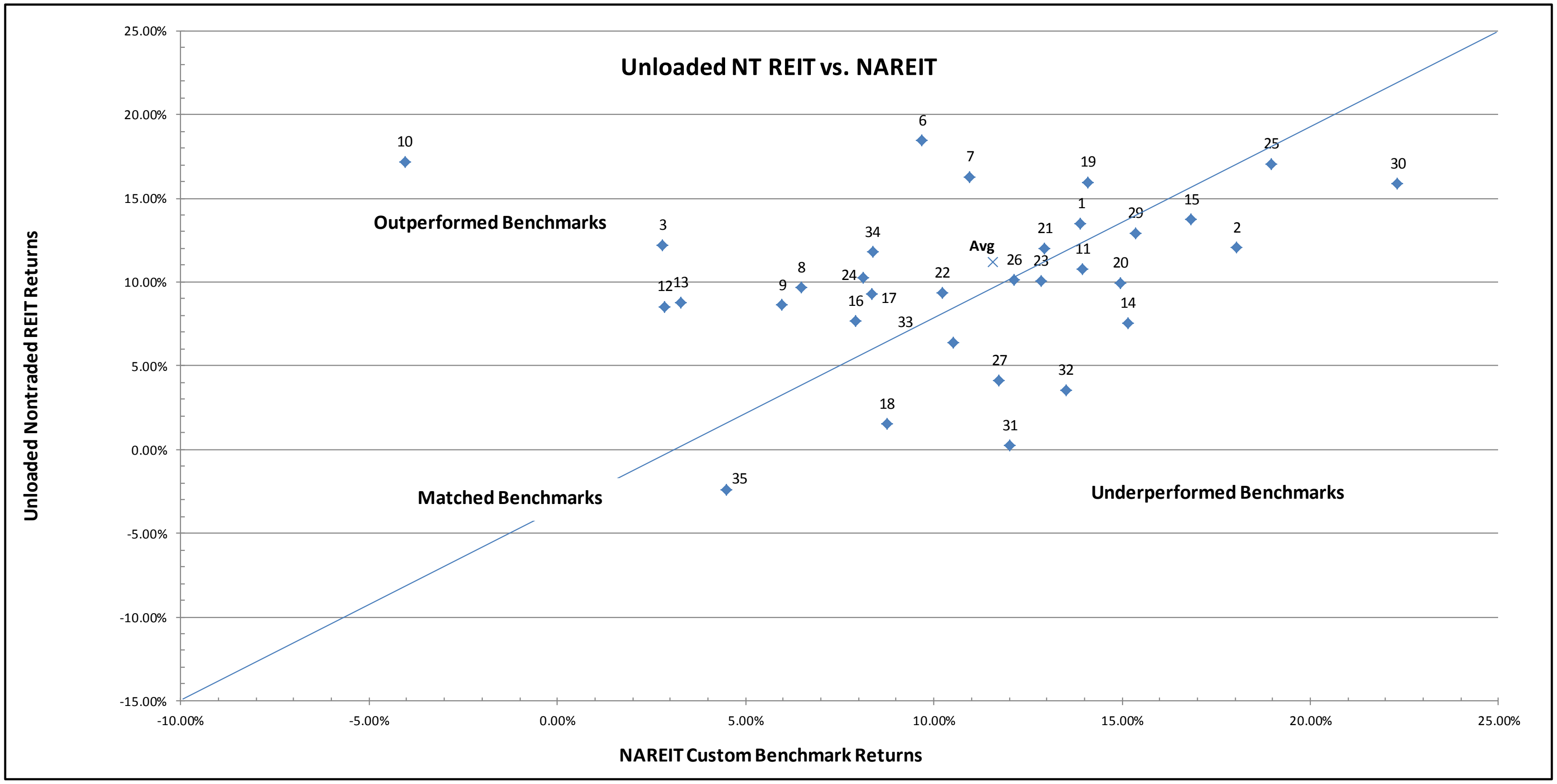
* Annual rate of return assumes reinvestment of distributions. **Unloaded by adding back hypothetical front-end fees of 12%.

Impact of Fees on Performance

To assess the impact of fees or loads on nontraded REIT performance, we present calculations of nontraded REIT returns based upon an assumed 12 percent front-end load for all REITs in the sample 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.



1	American Realty Capital Healthcare	8	Apple REIT Six	15	CNL Retirement Properties	22	Corporate Property Associates 14	29	Inland Real Estate Corporation
2	American Realty Capital NY Recovery	9	Apple Residential Income Trust	16	Cole Credit Property Trust II	23	Corporate Property Associates 15	30	Inland Retail Real Estate Trust
3	American Realty Capital Trust	10	Apple Suites	17	Cole Credit Property Trust III	24	Corporate Property Associates 16	31	Inland Western Retail RE Trust
4	American Realty Capital Trust III	11	Carey Institutional Properties	18	Columbia Property Trust	25	DCT Industrial Trust	32	Paladin Realty Income Properties
5	American Realty Capital Trust IV	12	Chambers Street Properties	19	Cornerstone Realty Income Trust	26	Healthcare Trust of America	33	Piedmont Office Realty Trust
6	Apple Hospitality Five	13	CNL Hotels & Resorts	20	Corporate Property Associates 10	27	Independence Realty Trust	34	United Development Funding IV
7	Apple Hospitality Two	14	CNL Restaurant Properties	21	Corporate Property Associates 12	28	Inland Diversified Real Estate Trust	35	Whitestone REIT



1	American Realty Capital Healthcare	8	Apple REIT Six	15	CNL Retirement Properties	22	Corporate Property Associates 14	29	Inland Real Estate Corporation
2	American Realty Capital NY Recovery	9	Apple Residential Income Trust	16	Cole Credit Property Trust II	23	Corporate Property Associates 15	30	Inland Retail Real Estate Trust
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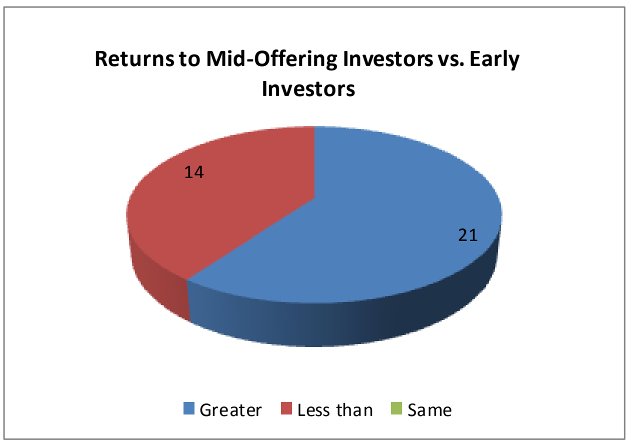
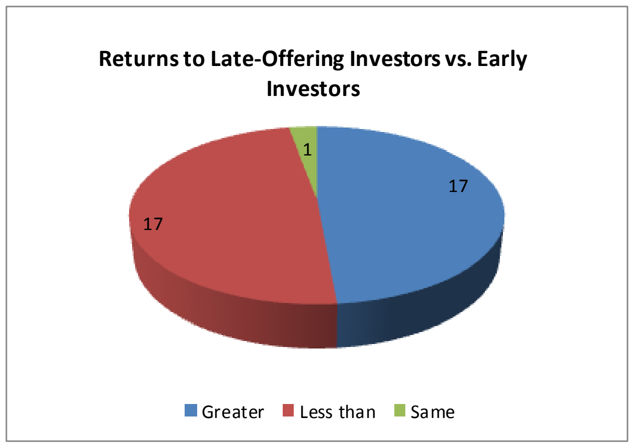
7	Apple Hospitality Two	14	CNL Restaurant Properties	21	Corporate Property Associates 12	28	Inland Diversified Real Estate Trust	35	Whitestone REIT

Investment Timing

The average annualized returns to investors will vary depending upon the timing of their investment in nontraded REIT shares during the offering period. For REITs that experience larger capital gains at the full-cycle events, investors who invest later in the capital-raising period will generally have higher average rates of return than those who invest earlier, as the same capital gain is earned over a shorter holding period. If an investor could correctly anticipate the exit price relative to the investment price, then the investment could be timed to maximize the realized IRR. For the 35 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 8.25%* for the 35 REITs in the sample. For investors in the middle of the offering period, the median return was 8.99%, and for late period investors the median return was 9.16%.





Mid-offering period investors outperformed early investors in 21 of 35 REITs, but underperformed early investors in 14 of 35 REITs. Late-stage investors outperformed early-stage investors in 17 of 35 REITs and underperformed early-stage investors in 17 cases, while one REIT had the same average return for early and late-stage investors.

*Includes distributions reinvestment.

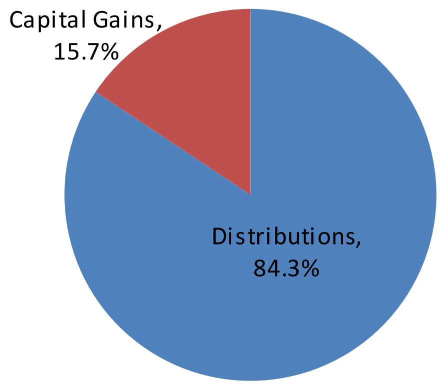
Performance Attribution

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.

	Conventional IRR*			Fraction of Dividend Income		
Nontraded REIT	Nontraded REIT IRR*	NCREIF-based Benchmark	FTSE-NAREIT-based Benchmark	Nontraded REIT IRR*	NCREIF-based Benchmark	FTSE-NAREIT-based Benchmark
American Realty Capital Healthcare	7.00%	15.81%	10.67%	85.98%	64.33%	54.41%
American Realty Capital NY Recovery	6.86%	15.81%	14.25%	82.67%	61.12%	28.03%
American Realty Capital Trust	7.35%	-0.77%	4.73%	86.08%	100.00%	100.00%
American Realty Capital Trust III	14.63%	12.23%	11.58%	28.51%	55.36%	17.96%
American Realty Capital Trust IV	14.46%	14.94%	9.94%	44.89%	64.63%	43.49%
Apple Hospitality Five	13.49%	13.81%	8.52%	61.70%	56.32%	29.09%
Apple Hospitality Two	13.40%	15.95%	8.69%	84.11%	74.83%	40.17%
Apple REIT Six	8.04%	7.94%	6.48%	94.73%	88.90%	87.56%
Apple Residential Income Trust	7.96%	10.52%	5.84%	100.00%	90.34%	100.00%
Apple Suites	11.63%	5.66%	-0.07%	78.24%	100.00%	100.00%
Carey Institutional Properties	9.41%	8.16%	10.11%	82.44%	100.00%	48.18%
Chambers Street Properties	5.92%	5.97%	4.91%	100.00%	100.00%	100.00%
CNL Hotels & Resorts	6.65%	22.60%	4.96%	97.14%	87.25%	100.00%
CNL Restaurant Properties	6.33%	12.95%	11.41%	100.00%	88.72%	47.12%
CNL Retirement Properties	9.76%	15.32%	13.58%	63.22%	74.06%	34.92%
Cole Credit Property Trust II	5.31%	9.52%	6.75%	100.00%	86.28%	76.88%
Cole Credit Property Trust III	6.12%	4.12%	8.55%	72.41%	100.00%	65.90%
Columbia Property Trust	1.25%	10.41%	8.56%	100.00%	82.90%	73.52%
Cornerstone Realty Income Trust	11.08%	9.37%	12.17%	81.31%	100.00%	40.05%
Corporate Property Associates 10	8.39%	5.73%	8.00%	91.92%	100.00%	50.35%
Corporate Property Associates 12	9.61%	12.70%	10.44%	84.29%	84.24%	40.32%
Corporate Property Associates 14	7.99%	9.54%	6.75%	91.52%	92.12%	89.31%
Corporate Property Associates 15	8.13%	7.62%	11.75%	80.57%	89.24%	60.54%
Corporate Property Associates 16	6.56%	8.27%	8.33%	78.03%	64.80%	61.11%
DCT Industrial Trust	11.14%	21.99%	19.00%	55.29%	63.01%	18.83%
Healthcare Trust of America	7.14%	6.58%	11.23%	86.61%	100.00%	50.49%
Independence Realty Trust	-1.24%	28.02%	9.13%	100.00%	54.32%	73.19%
Inland Diversified Real Estate Trust	7.06%	17.23%	28.77%	79.80%	72.60%	20.21%
Inland Real Estate Corporation	10.35%	15.83%	16.66%	87.41%	97.03%	63.25%
Inland Retail Real Estate Trust	12.07%	20.87%	18.57%	73.11%	77.07%	31.65%
Inland Western Retail Real Estate Trust	-0.19%	12.18%	9.93%	100.00%	77.84%	57.65%
Paladin Realty Income Properties	2.65%	14.64%	15.00%	100.00%	80.57%	55.05%
Piedmont Office Realty Trust	5.88%	9.70%	8.93%	100.00%	94.49%	76.57%
United Development Funding IV	7.99%	11.66%	8.45%	100.00%	58.33%	100.00%
Whitestone REIT	-2.98%	10.29%	6.55%	100.00%	85.82%	100.00%
Mean	7.63%	12.09%	10.26%	84.34%	81.90%	61.02%
Median	7.96%	11.66%	9.13%	86.08%	85.82%	57.65%

We calculate the present value of distributions and the present value of capital gains using the realized IRRs as the discount rate. Next, these respective present values are divided by the initial investment in order to calculate the percentage of total return that is attributable to each source. By using the IRR as the discount rate, these percentages will sum to 100%. For the 10 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 35 full-cycle REITs from each income source.

For the 35 full-cycle REITs, distributions provided 84.3% of the total returns and capital gains provided 15.7%. The average capital gain (full-cycle price minus initial offering price) for the 35 REITs was 5.28%, with 24 REITs showing capital gains and 10 incurring capital losses.

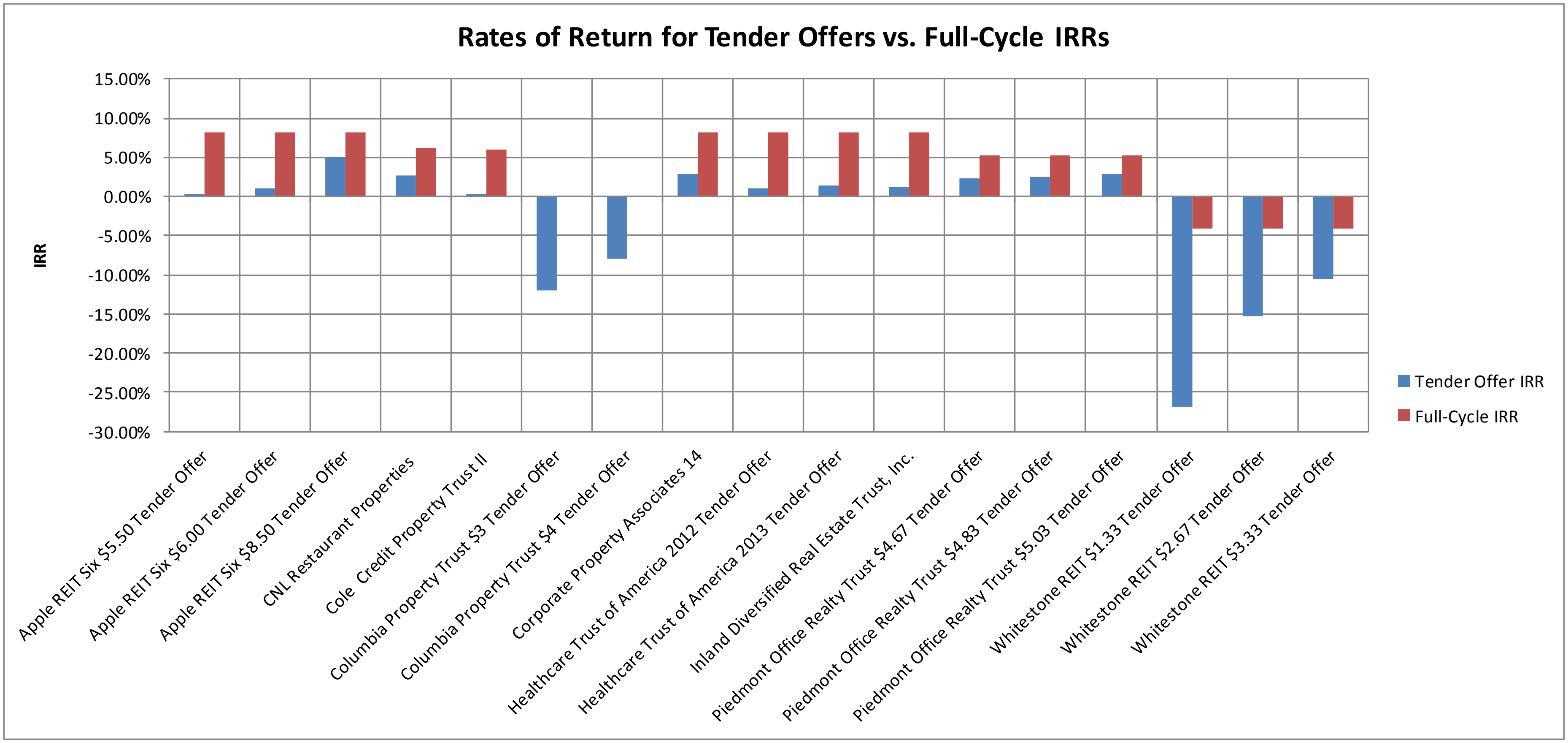
Investor Returns for Tender Offers

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 18 tender offers by third parties to the common shareholders of the 35 nontraded REITs that had subsequent full-cycle events. The average rate of return to shareholders who tendered their shares was negative 2.88% vs. the average IRR for those who ignored tender offers and held their shares until the full-cycle event of 4.29%, a discount of 7.17% in IRR. The average discount offered by the third-party tenderers to the eventual full-cycle price was 35.97%.

These discounts to eventual full-cycle pricing were so large and significant, it is unlikely that benchmark comparisons, with an order of magnitude less difference between the average nontraded REIT full-cycle returns and the custom benchmark returns, 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.

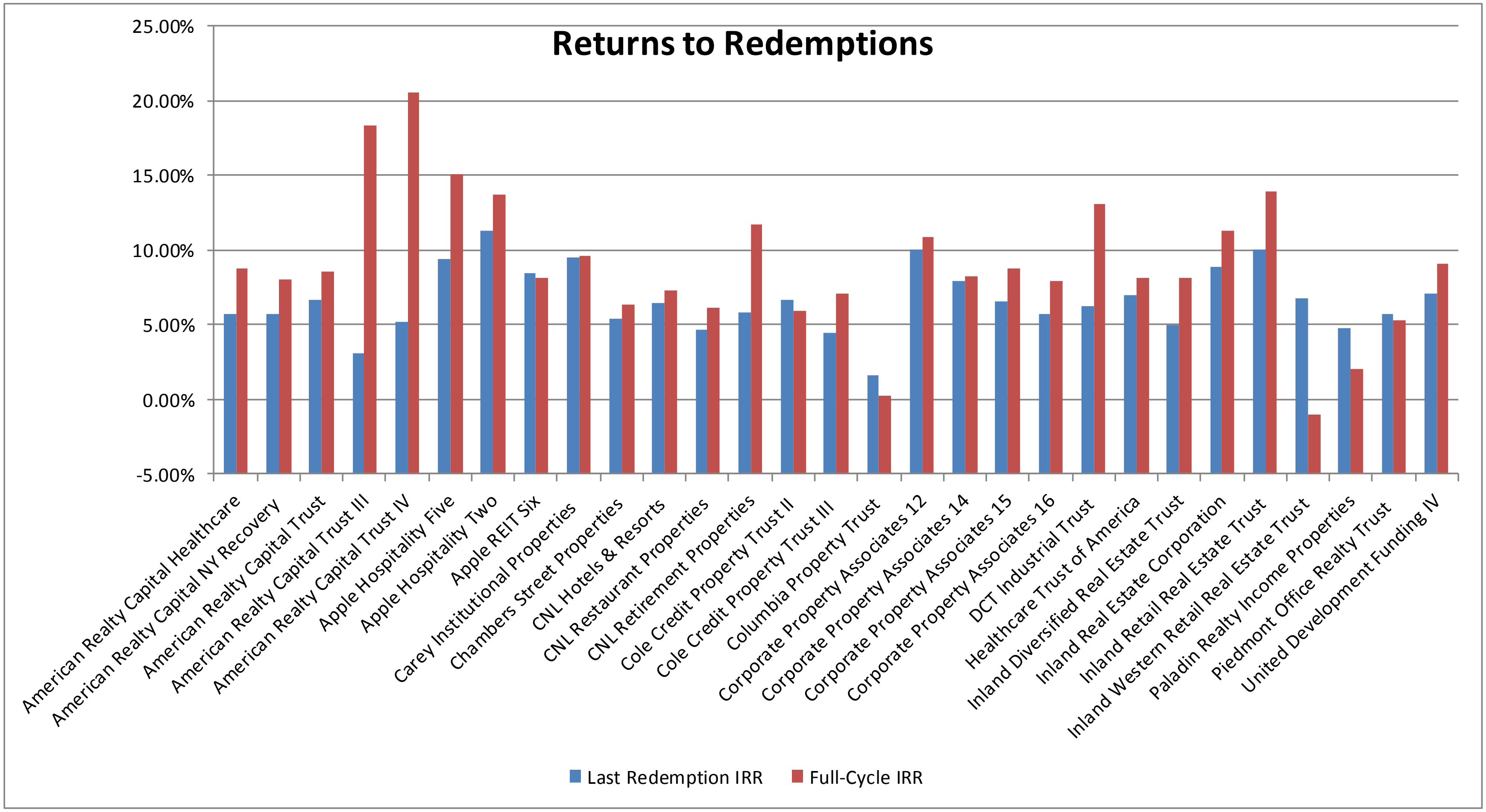
Nontraded REIT	Tender Offer Price	Tender Offer IRR Actual	IRR Private Benchmark*	IRR Publicly-Traded Benchmark*	Full-Cycle Price	Discount or Premium to FC Price	Full-Cycle IRR Actual	Difference Tender Offer IRR vs. FC IRR
Apple REIT Six $5.50 Tender Offer	$5.50	0.25%	8.05%	6.06%	$11.10	-50.45%	8.12%	-7.87%
Apple REIT Six $6.00 Tender Offer	$6.00	1.00%	7.91%	6.12%	$11.10	-45.95%	8.12%	-7.12%
Apple REIT Six $8.50 Tender Offer	$8.50	5.07%	8.05%	6.54%	$11.10	-23.42%	8.12%	-3.05%
CNL Restaurant Properties	$7.00	2.70%	10.36%	12.36%	$8.70	-19.54%	6.13%	-3.43%
Cole Credit Property Trust II	$6.00	0.25%	8.90%	8.72%	$9.32	-35.62%	5.97%	-5.72%
Columbia Property Trust $3 Tender Offer	$3.00	-11.92%	6.37%	8.62%	$5.65	-46.90%	0.20%	-12.12%
Columbia Property Trust $4 Tender Offer	$4.00	-7.95%	6.37%	8.62%	$5.65	-29.20%	0.20%	-8.15%
Corporate Property Associates 14	$6.00	2.78%	7.69%	9.77%	$11.50	-47.83%	8.25%	-5.47%
Healthcare Trust of America 2012 Tender Offer	$7.00	1.05%	4.93%	13.38%	$10.79	-35.13%	8.13%	-7.08%
Healthcare Trust of America 2013 Tender Offer	$7.00	1.42%	5.78%	14.79%	$10.79	-35.13%	8.13%	-6.71%
Inland Diversified Real Estate Trust, Inc.	$8.00	1.27%	16.52%	27.09%	$10.92	-26.74%	8.13%	-6.86%
Piedmont Office Realty Trust $4.67 Tender Offer	$4.67	2.33%	8.82%	10.09%	$6.59	-29.14%	5.28%	-2.95%
Piedmont Office Realty Trust $4.83 Tender Offer	$4.83	2.53%	8.48%	9.85%	$6.59	-26.71%	5.28%	-2.75%
Piedmont Office Realty Trust $5.03 Tender Offer	$5.03	2.94%	8.82%	10.09%	$6.59	-23.67%	5.28%	-2.34%
Whitestone REIT $1.33 Tender Offer	$1.33	-26.84%	2.99%	-7.21%	$4.47	-70.25%	-4.13%	-22.71%
Whitestone REIT $2.67 Tender Offer	$2.67	-15.30%	6.91%	1.91%	$4.47	-40.27%	-4.13%	-11.17%
Whitestone REIT $3.33 Tender Offer	$3.33	-10.47%	7.61%	2.76%	$4.47	-25.50%	-4.13%	-6.34%
	Average	-2.88%			Average	-35.97%	4.29%	-7.17%


Rates of Return for Tender Offers vs. Full-Cycle IRRs
15.00%
10.00%
5.00%
0.00%
-5.00%
-10.00%
-15.00%
-20.00%
-25.00%
-30.00%
IRR
Tender Offer IRR
Full-Cycle IRR
Apple REIT Six $5.50 Tender Offer
Apple REIT Six $6.00 Tender Offer
Apple REIT Six $8.50 Tender Offer
CNL Restaurant Properties
Cole Credit Property Trust II
Columbia Property Trust $3 Tender Offer
Columbia Property Trust $4 Tender Offer
Corporate Property Associates 14
Healthcare Trust of America 2012 Tender Offer
Healthcare Trust of America 2013 Tender Offer
Inland Diversified Real Estate Trust, Inc.
Piedmont Office Realty Trust $4.67 Tender Offer
Piedmont Office Realty Trust $4.83 Tender Offer
Piedmont Office Realty Trust $5.03 Tender Offer
Whitestone REIT $1.33 Tender Offer
Whitestone REIT $2.67 Tender Offer
Whitestone REIT $3.33 Tender Offer

Investor Returns for Share Redemptions

For 29 of the 35 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 6.63%, and the median IRR was 6.44%, compared to 9.02% and 8.25% 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 2.8 quarters. Accordingly, the effective penalty for early redemptions for those shareholders was significant, which can again be viewed as a cost of seeking liquidity. The average discount for the last redemption price vs. the full-price was 5.54% and the median discount was 7.41%. Annualized over the average of 2.8 quarters, this represents an average negative rate of return of 7.82% for exiting the investment prior to the full-cycle event.

				IRR's for Investors who redeemed shares during last redemption quarter				IRR's for full-cycle investors				
Nontraded REIT	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	Price Difference for Redemption	IRR Difference for Redemption
American Realty Capital Healthcare	$ 9.85	1Q 2014	4/7/2014	5.77%	16.31%	11.28%	$ 10.79	8.77%	19.82%	13.90%	-8.71%	-3.00%
American Realty Capital NY Recovery	$ 10.00	1Q 2014	4/15/2014	5.74%	17.03%	15.98%	$ 10.75	8.06%	18.50%	18.03%	-6.98%	-2.32%
American Realty Capital Trust	$ 9.81	4Q 2011	3/1/2012	6.72%	-13.40%	0.75%	$ 10.49	8.59%	-12.12%	2.79%	-6.48%	-1.87%
American Realty Capital Trust III	$ 9.79	3Q 2012	2/28/2013	3.13%	13.98%	12.22%	$ 12.57	18.34%	13.96%	13.83%	-22.10%	-15.21%
American Realty Capital Trust IV	$ 25.00	4Q 2013	1/3/2014	5.22%	16.00%	8.50%	$ 30.54	20.52%	22.13%	13.85%	-18.14%	-15.30%
Apple Hospitality Five	$ 10.96	2Q 2007	10/11/2007	9.43%	15.20%	13.02%	$ 14.05	15.13%	16.14%	9.68%	-21.99%	-5.70%
Apple Hospitality Two	$ 9.99	1Q 2007	5/23/2007	11.29%	16.82%	11.79%	$ 11.20	13.67%	17.75%	10.95%	-10.80%	-2.38%
Apple REIT Six	$ 10.99	3Q 2012	5/14/2013	8.46%	7.97%	6.09%	$ 11.10	8.12%	8.25%	6.47%	-0.99%	0.34%
Carey Institutional Properties	$ 13.55	2Q 2004	8/25/2004	9.53%	5.97%	13.72%	$ 13.90	9.65%	6.28%	13.95%	-2.52%	-0.12%
Chambers Street Properties	$ 9.48	1Q 2013	5/21/2013	5.38%	3.55%	2.93%	$ 10.00	6.39%	3.95%	2.86%	-5.20%	-1.01%
CNL Hotels & Resorts	$ 9.50	1Q 2007	4/12/2007	6.44%	19.53%	3.66%	$ 10.25	7.29%	20.39%	3.28%	-7.32%	-0.85%
CNL Restaurant Properties	$ 7.87	4Q 2003	2/25/2005	4.69%	11.35%	15.09%	$ 8.70	6.13%	13.95%	15.15%	-9.60%	-1.44%
CNL Retirement Properties	$ 9.50	4Q 2005	10/5/2006	5.87%	15.31%	14.14%	$ 13.89	11.74%	16.75%	16.84%	-31.61%	-5.87%
Cole Credit Property Trust II	$ 9.84	2Q 2013	7/18/2013	6.72%	9.30%	8.30%	$ 9.32	5.97%	9.82%	7.92%	5.63%	0.75%
Cole Credit Property Trust III	$ 9.84	4Q 2012	6/20/2013	4.44%	0.43%	7.87%	$ 10.90	7.14%	2.81%	8.13%	-9.72%	-2.70%
Columbia Property Trust	$ 6.57	2Q 2013	10/10/2013	1.67%	10.12%	8.79%	$ 5.65	0.20%	10.58%	8.75%	16.31%	1.47%
Corporate Property Associates 12	$ 12.63	3Q 2006	12/1/2006	10.07%	13.74%	12.58%	$ 13.49	10.86%	14.10%	12.95%	-6.38%	-0.79%
Corporate Property Associates 14	$ 11.16	4Q 2010	5/2/2011	7.88%	7.69%	9.77%	$ 11.50	8.25%	8.38%	10.22%	-2.96%	-0.37%
Corporate Property Associates 15	$ 9.99	2Q 2012	9/28/2012	6.55%	2.42%	12.95%	$ 12.65	8.75%	2.59%	12.84%	-21.03%	-2.20%
Corporate Property Associates 16	$ 9.21	3Q 2013	1/31/2014	5.75%	8.46%	7.57%	$ 11.25	7.90%	8.88%	8.36%	-18.12%	-2.15%
DCT Industrial Trust	$ 9.81	3Q 2006	12/13/2006	6.24%	21.14%	18.25%	$ 12.35	13.08%	21.67%	18.96%	-20.57%	-6.84%
Healthcare Trust of America	$ 9.99	4Q 2013	11/8/2013	6.98%	7.03%	12.13%	$ 10.79	8.13%	7.03%	12.13%	-7.41%	-1.15%
Inland Diversified Real Estate Trust	$ 9.60	4Q 2013	7/1/2014	5.02%	16.28%	27.24%	$ 10.92	8.13%	17.73%	33.74%	-12.09%	-3.11%
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%	-18.41%	-2.46%
Inland Retail Real Estate Trust	$ 10.50	3Q 2006	3/14/2007	10.01%	20.63%	20.73%	$ 14.00	13.95%	20.82%	22.32%	-25.00%	-3.94%
Inland Western Retail Real Estate Trust	$ 10.00	4Q 2008	10/7/2013	6.75%	22.90%	5.54%	$ 5.50	-1.04%	14.71%	12.02%	81.82%	7.79%
Paladin Realty Income Properties	$ 9.30	3Q 2012	1/31/2014	4.76%	12.08%	13.24%	$ 7.25	2.06%	14.22%	13.50%	28.28%	2.70%
Piedmont Office Realty Trust	$ 7.03	4Q 2009	1/30/2011	5.71%	7.91%	9.59%	$ 6.59	5.28%	9.14%	10.51%	6.68%	0.43%
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%	-5.27%	-1.97%
Mean				6.63%	11.38%	11.34%		9.02%	12.19%	12.33%	-5.54%	-2.39%
Median				6.44%	12.08%	11.79%		8.25%	13.95%	12.13%	-7.41%	-1.97%



Returns to Redemptions
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
-5.00%
American Realty Capital Healthcare
American Realty Capital NY Recovery
American Realty Capital Trust
American Realty Capital Trust III
American Realty Capital Trust IV
Apple Hospitality Five
Apple Hospitality Two
Apple REIT Six
Carey Institutional Properties
Chambers Street Properties
CNL Hotels & Resorts
CNL Restaurant Properties
CNL Retirement Properties
Cole Credit Property Trust II
Cole Credit Property Trust III
Columbia Property Trust
Corporate Property Associates 12
Corporate Property Associates 14
Corporate Property Associates 15
Corporate Property Associates 16
DCT Industrial Trust
Healthcare Trust of America
Inland Diversified Real Estate Trust
Inland Real Estate Corporation
Inland Retail Real Estate Trust
Inland Western Retail Real Estate Trust
Paladin Realty Income Properties
Piedmont Office Realty Trust
United Development Funding IV
Last Redemption IRR
Full-Cycle IRR

Appendix I (REITs Excluded from Sample)

Catchmark Timber Trust (formerly Wells Timberland REIT) On October 24, 2013, the REIT effectuated a ten-to-one reverse stock split of its then outstanding common stock. On October 25, 2013, CatchMark Timber Trust paid a stock dividend pursuant to which each outstanding share of its Class A common stock on October 24, 2013, after effectiveness of the reverse stock split, received one share of Class B-1 common stock; plus one share of Class B-2 common stock; plus one share of Class B-3 common stock. The REIT listed its Class A shares on the NYSE on December 12, 2013. Class B-1, B-2, and B-3 shares (which are not listed on the NYSE) will not be available for trading on the NYSE until they convert to Class A shares no later than 6 months, 12 months, and 18 months, respectively, after listing.

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.

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

T REIT: Board and shareholders approved full liquidation in 2005. Because the REIT did not complete a full liquidation within a 24 month time frame, the REIT transferred its remaining assets into a liquidating trust in 2007. An extension was approved to allow for a complete liquidation by 2013. On October 23, 2012, the T REIT Liquidating Trust closed on the sale of its only remaining real estate asset, an interest in the Congress Center, for cash and other considerations. No public filings have been available to verify the results of the liquidation and the Liquidating Trust has been unresponsive in reporting results.

Appendix II (Classification of Geographical Regions)

Abbrev	State	Region	Region Abbrev
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
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