

BLUEVAULT™

2016 ANNUAL BRIEF

Nontraded REIT Year in Review

February 17, 2017

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Nontraded REIT Year in Review

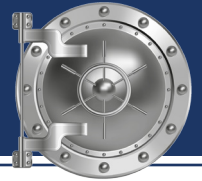


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Introduction

Welcome to the Blue Vault Brief: 2016 Year in Review!

The year 2016 was again full of challenges for the nontraded REIT industry:

- FINRA Regulatory Notice 15-02 introduced new reporting requirements for nontraded REITs on customer account statements sent after April 11, 2016.
- The U.S. Department of Labor adopted a proposed fiduciary rule that would go into effect on April 10, 2017, requiring financial advisors to “act in their client’s best interest” and making investments in nontraded REITs with their normal selling commissions more problematic.
- The election of Donald Trump in November 2016, heralded a potential sea change for both the U.S. economy and the commercial real estate industry with regard to regulation, tax reform and economic growth.
- The Federal Reserve finally raised the federal funds rate on December 14, a signal that both inflation and unemployment rates had finally approached the Fed’s benchmarks for returning to more “normal” lending rates.

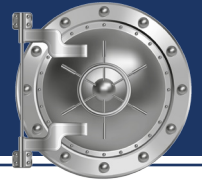
While these events continued the pressure for the nontraded REIT industry to respond with lower commission rates and more transparent net asset value reporting for investor statements, they also apparently sent a chill through the industry. Sales by effective nontraded REIT programs fell further in 2016, reflecting both uncertainty and fear among investors and their advisors.

The results were a mix of good and bad news, and not all as worrisome as the sales figures:

- The industry raised an estimated \$4.8 billion, down about 52% from the \$10 billion in 2015.
- There were nine new offerings, down from ten in 2015.
- Four nontraded REITs had full-cycle events in 2016, down from 11 in 2015.
- Total assets under management within the nontraded REIT industry increased from \$82.3 billion at December 31, 2015 to \$85.4 billion by September 30, 2016.
- The entry of Blackstone Real Estate Income Trust, Inc., which broke escrow at year-end, having raised \$279 million in three months, was a much-needed positive sign for the nontraded REIT industry.

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Summary of Topics

This report will summarize and illustrate the most important trends in the nontraded REIT industry observed in 2016.

- **Macro View:** What macroeconomic trends occurred in 2016, and how might that affect real estate investments and nontraded REITs?
- **Capital Markets Recap:** Which sponsors raised the most capital in 2016 and what are the trends in new offerings entering the market?
- **Full-cycle Events:** What were the nature of the four full-cycle events during 2016 and what programs are likely to complete full-cycle liquidations, mergers or listings in 2017?
- **New Offering Structures:** How is the industry continuing its response to regulatory changes with new product designs and lower fees?
- **New Net Asset Value Announcements:** How did the newly announced NAVs compare to original offering prices and previous NAVs?
- **Status of the Industry:** Overall, is the industry experiencing a period of growth and innovation or going through a period of consolidation as it relates to new product introductions, new nontraded REIT sponsors, and new products?

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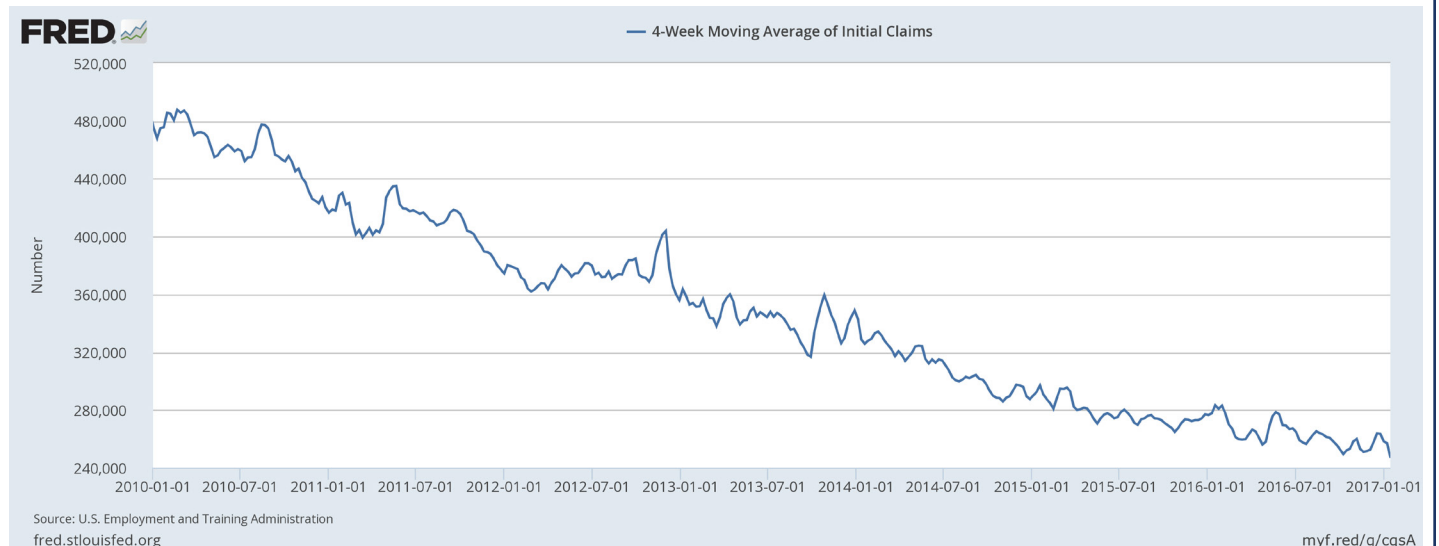
Key Macroeconomic Trends in 2016

It was “d  ja vu all over again” as investors and sponsors awaited a further action by the Federal Reserve to raise its benchmark interest rate for the second time in a decade. Finally, on December 14, the Fed came through with a modest increase of 0.25% from the range of 0.25% to 0.5% to 0.5% to 0.75%, mirroring the increase on December 16, 2015.

Economic projections also released by the central bank indicated that the Fed now expected the economy to grow 1.9 percent in 2016 and 2.1 percent in 2017. The projections show that the Fed expects to increase rates three times in 2017, to a rate of 1.4 percent by year’s end. Its September projections had signaled only two expected hikes in 2017.

Fed Chair Janet L. Yellen said the Federal Open Market Committee were “recognizing the considerable progress the economy has made” toward full employment and the inflation target of 2 percent. She indicated that she did not see much need for a large, deficit-financed boost from federal fiscal policy, either tax cuts or spending increases. “I would say at this point that fiscal policy is not obviously needed to provide stimulus to help us get back to full employment,” Yellen said. She then added that she was not trying to advise Trump and Congress on fiscal issues.

The trend in initial claims for unemployment benefits illustrates the Fed’s views:

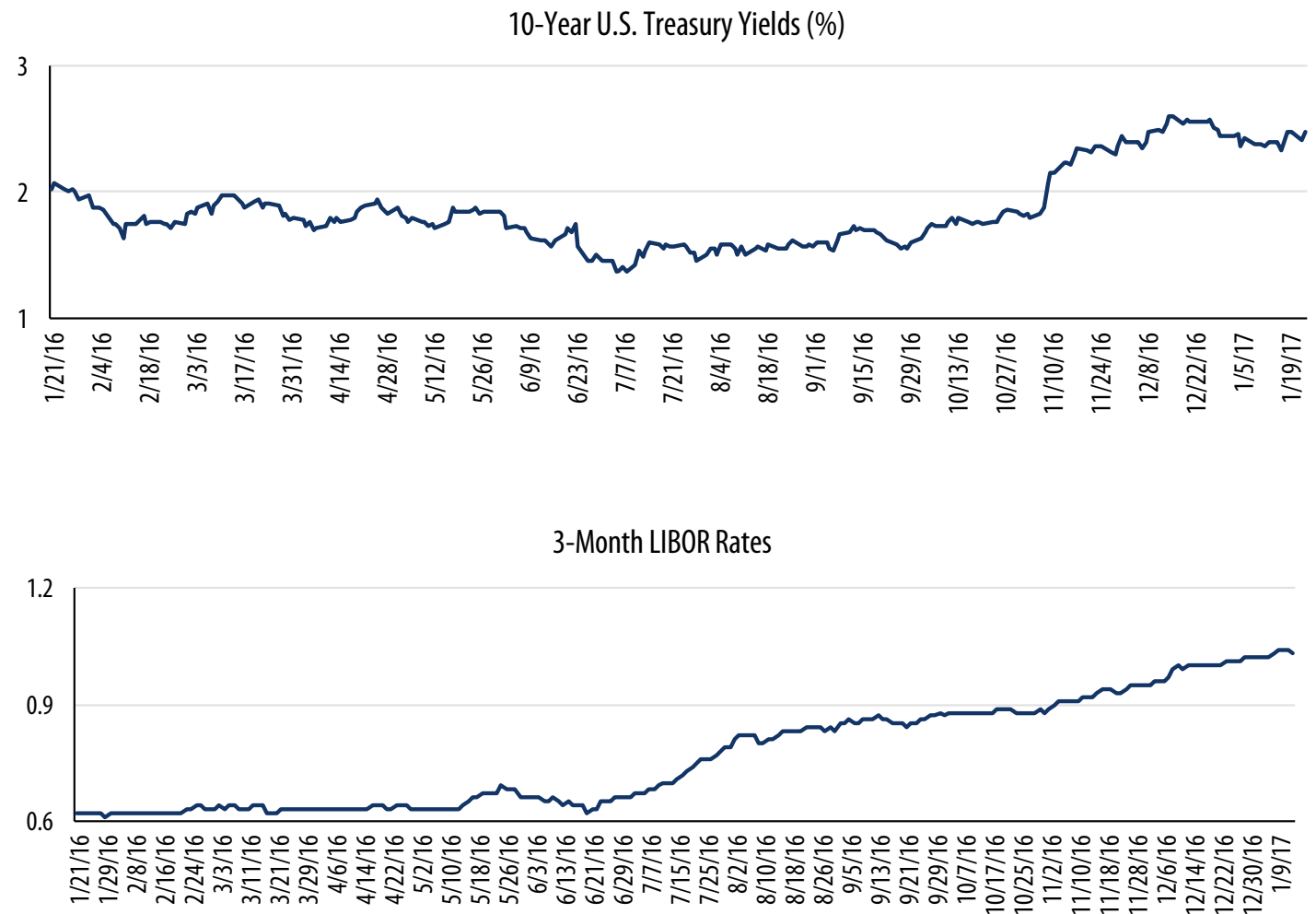


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Rising interest rates in response to both the Fed's action and the outcome of the November presidential election were evident in the 10-Year U.S. Treasury yield and 3-Month LIBOR rates:



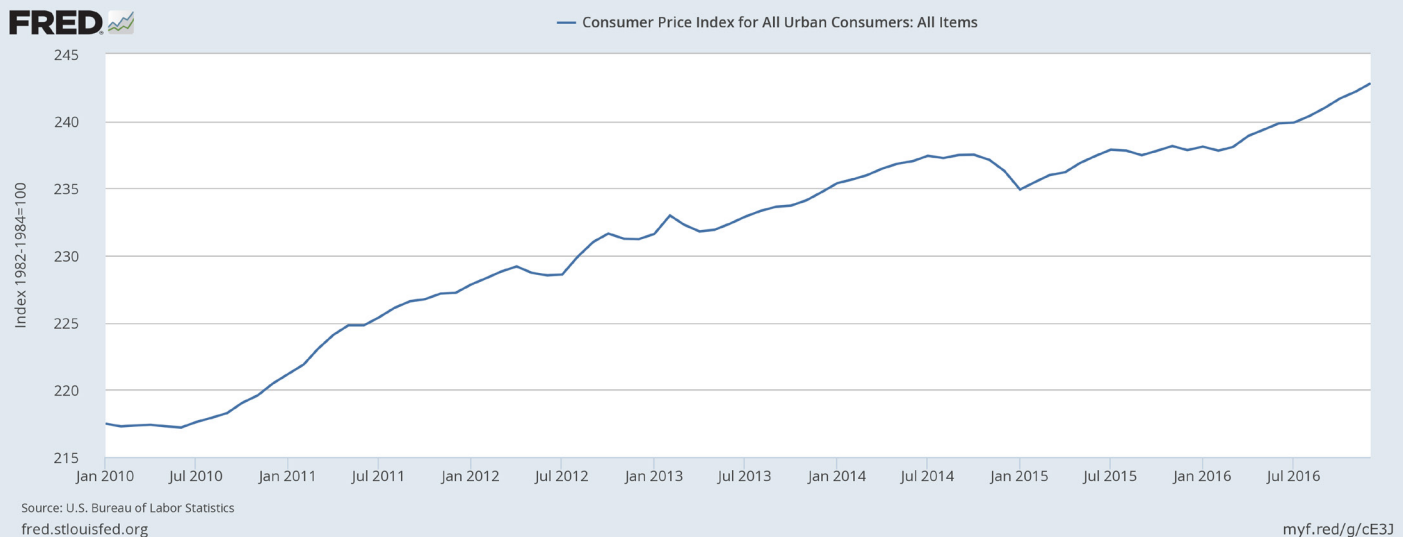
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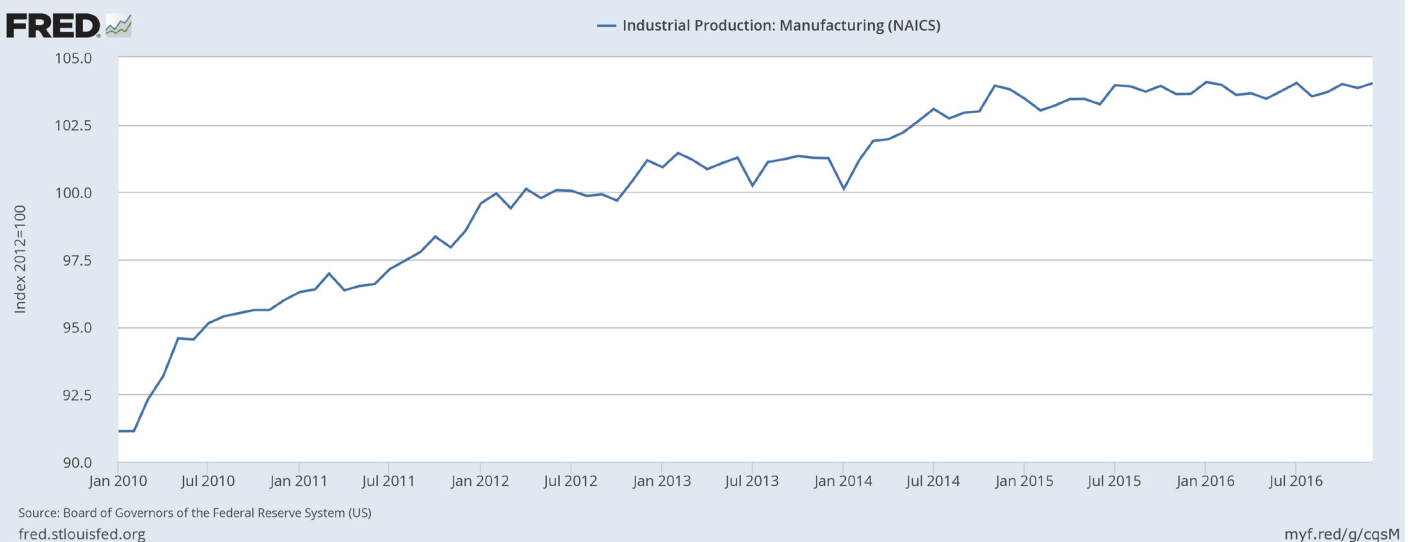
Inflation Picks Up in 2016

The Consumer Price Index for All Urban Consumers (CPI) increased during 2016 from a value of 237.8 in December 2015, to 242.8 in December 2016, a rate of increase of 2.1%. The price index for gross domestic purchases increased only 0.4 percent in 2015 compared to 1.5 percent in 2014.



U.S. Industrial Production Still Flat

In our **2015 Year in Review** report we focused on economists' concern about the trajectory of U.S. industrial production which had declined during 2015 due to slow-downs in the world economy, both in Asia and in Europe. Unfortunately, the trend has not been positive in 2016, with a slight uptick late in the year. Commercial real estate investors are watching industrial production for its impact directly on demand for industrial properties and indirectly on both employment and wages which fuel demand for office, multifamily and retail properties.



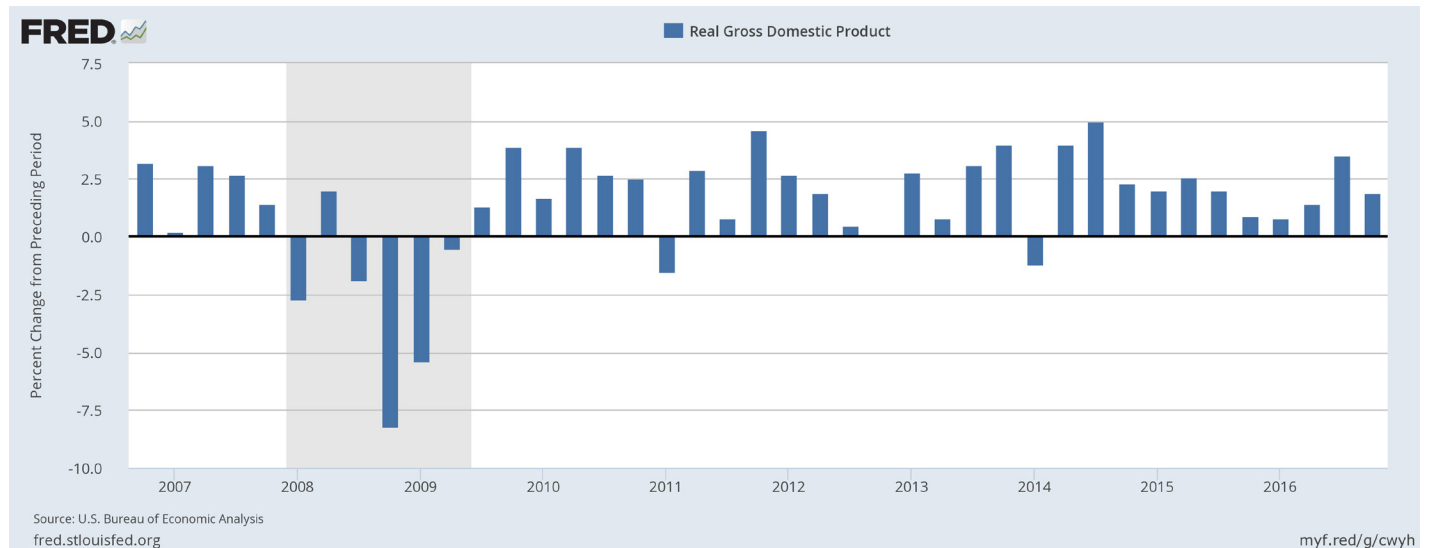
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Real U.S. GDP Growth at 1.9% Annualized in Q4 2016 and 1.9% for 2016

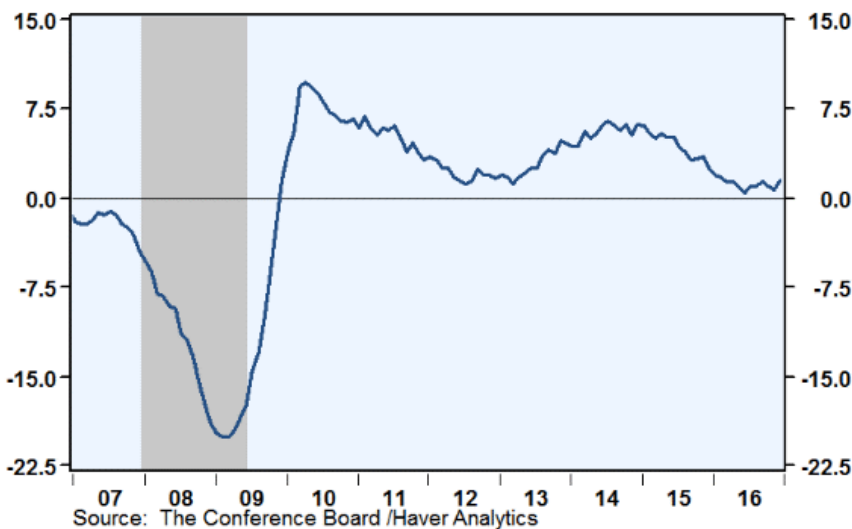
Growth in the U.S. economy averaged 1.9% in both the fourth quarter of 2016 and for the year, recording a 3.5% rate in Q3 2016 but slowing to 1.9% in Q4. The 1.9% rate was exactly the rate for the year in 2015, down from 2.5% for 2014. The federal deficit as a percentage of 2016 GDP was 3.2% for FY 2016, up from 2.5% for FY 2015 and 2.8% for FY 2014.



The Conference Board's Composite Index of Leading Economic Indicators increased 0.5% during December, the strongest gain since July 2016. During all of 2016, the index rose 1.1%, the weakest rise of the economic expansion.

Composite Index of 10 Leading Indicators

% Change - Year to Year 2010=100



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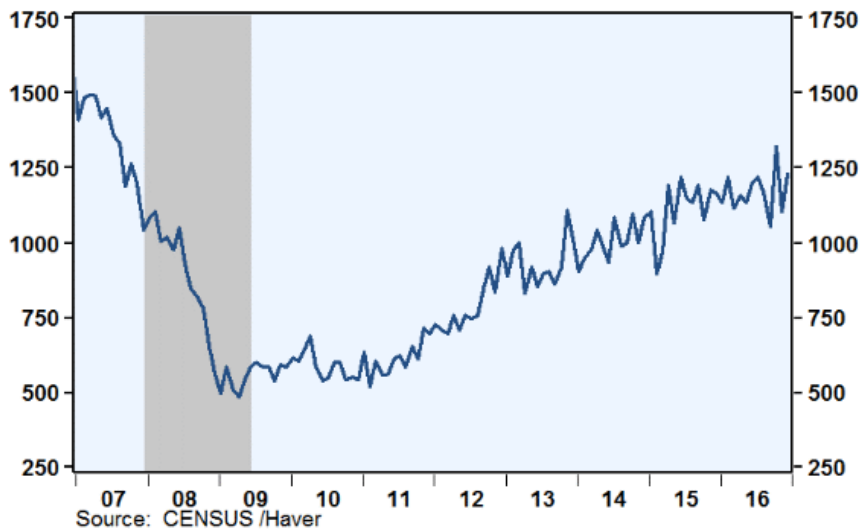
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The housing market exhibited firm growth in 2016. Overall housing starts increased to 1.168 million, the highest level since 2007. The gain was paced by a rise in single-family starts to 783,000. Multi-family starts rose to 385,000. Building permits declined slightly last year to 1.171 million.

Housing Starts

SAAR, Thous. Units



The Traded REIT Market and CRE Values

Total investor returns for the NAREIT All Equity REITs Index for 2016 were 9.28 percent compared to 2.29 percent for 2015 and 11.96 percent for the S&P 500 Index, according to NAREIT. Total returns for All Equity REITs outperformed other leading U.S. benchmarks over 15 to 25 year holding periods and over the 40-year holding period. The three popular stock indices each outperformed All Equity REITs in 2016.

Historical Compound Annual Total Returns of Listed U.S. Equity REITs and Leading Benchmarks for Periods Ending 12/30/16

	FTSE NAREIT All Equity REITs	S&P 500	Russell 2000	Dow Jones Industrial Average
1-Year	9.28	11.96	21.31	16.50
5-Year	12.00	14.66	14.46	12.92
10-Year	4.70	6.95	7.07	7.52
15-Year	10.34	6.69	8.49	7.28
20-Year	9.13	7.68	8.25	8.21
25-Year	10.58	9.15	9.69	7.60
30-Year	9.07	10.16	9.62	8.13
35-Year	10.45	11.50	10.16	9.32
40-Year	11.16	11.07	N/A	7.73

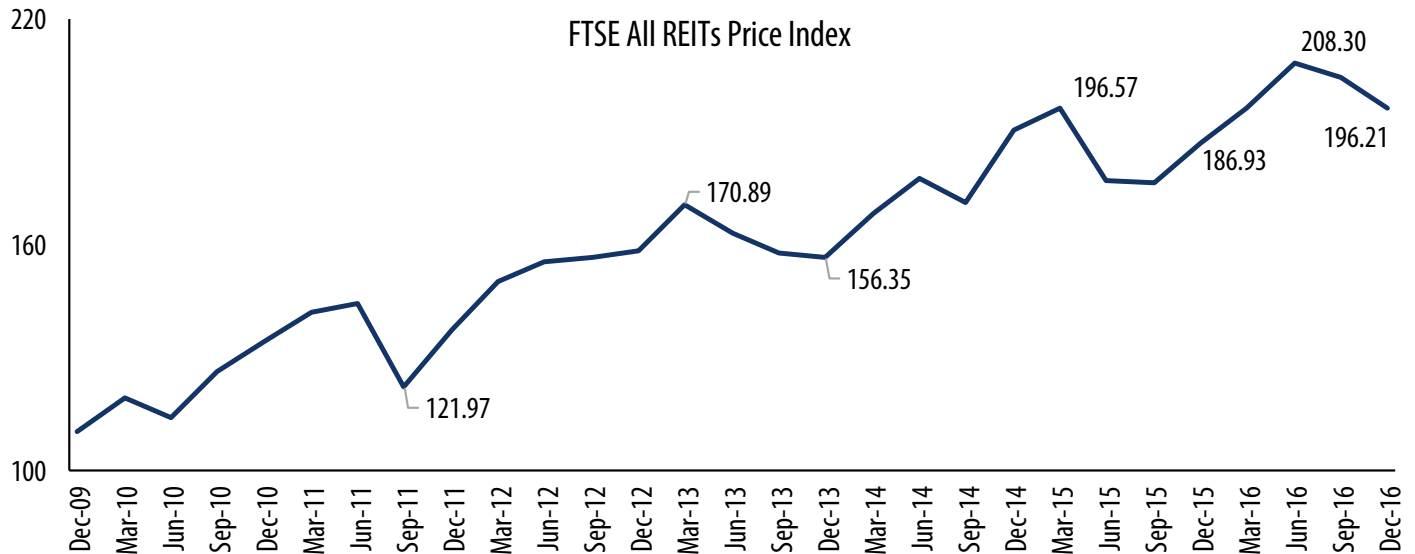
Source: www.REIT.com

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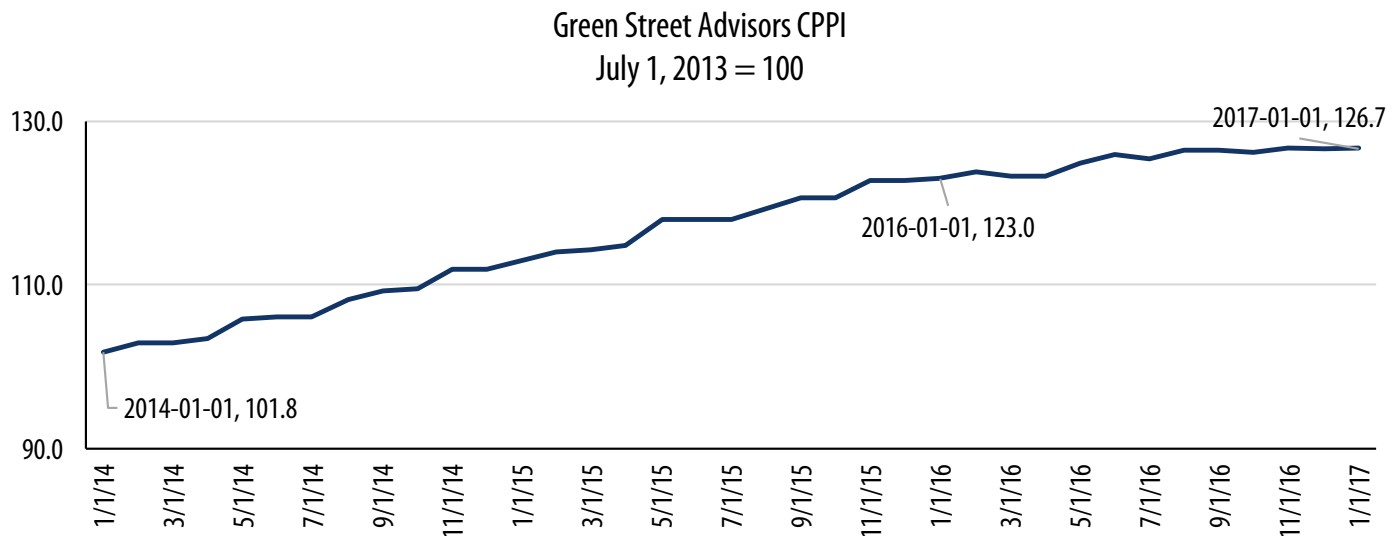
Nontraded REIT Year in Review



The FTSE All REITs price index began 2016 at 186.93 and ended at 196.21 after peaking in June at 208.30, for a net gain of five percent for the year.



The Green Street Commercial Property Price Index rose three percent during the past 12 months, bringing it to 126.7 in January, up 24 percent over the last three years. Those analysts that predicted a cooling off in CRE prices in 2016 appear to have been correct, with rising interest rates and the lofty valuations based upon low cap rates and limited supply beginning to suggest a plateau in the pricing cycle.



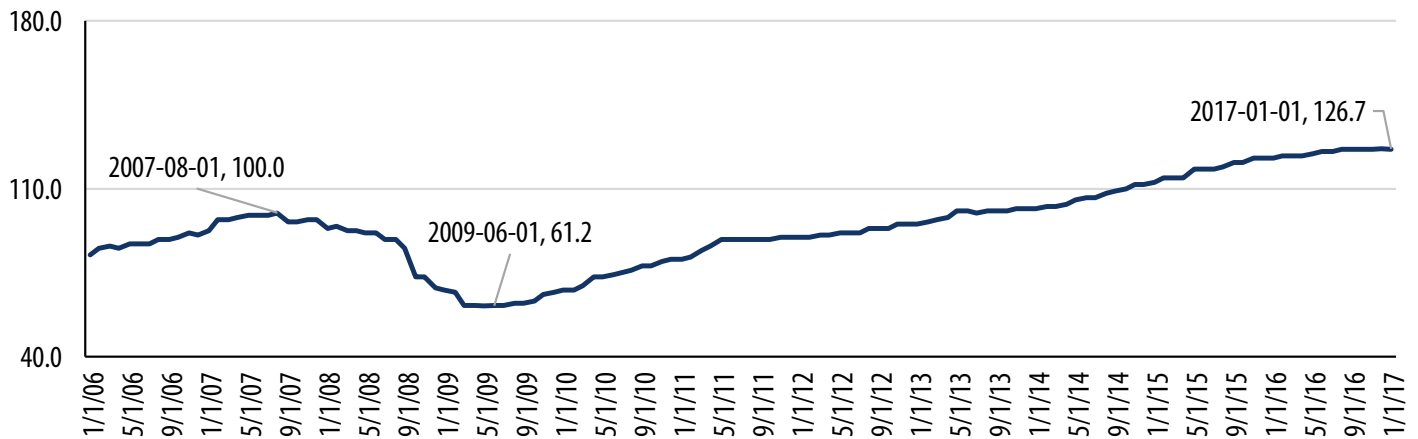
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The slow but steady rise in commercial real estate prices in 2016 hints at a plateau rather than a peaking, due to less of the over-building that contributed to the steep declines in valuations that began in September, 2007 and persisted until the bottoming out in June, 2009. During that cycle the CPPI fell roughly 39%, creating a valuation deficit that hit nontraded REITs particularly hard.

Green Street Advisors CPPI
July 1, 2013 = 100



Capital Raise

At some time during 2016 there were a total of 34 nontraded REITs raising capital. Due to offering closings, by the end of the year there were 28 offerings still raising capital.

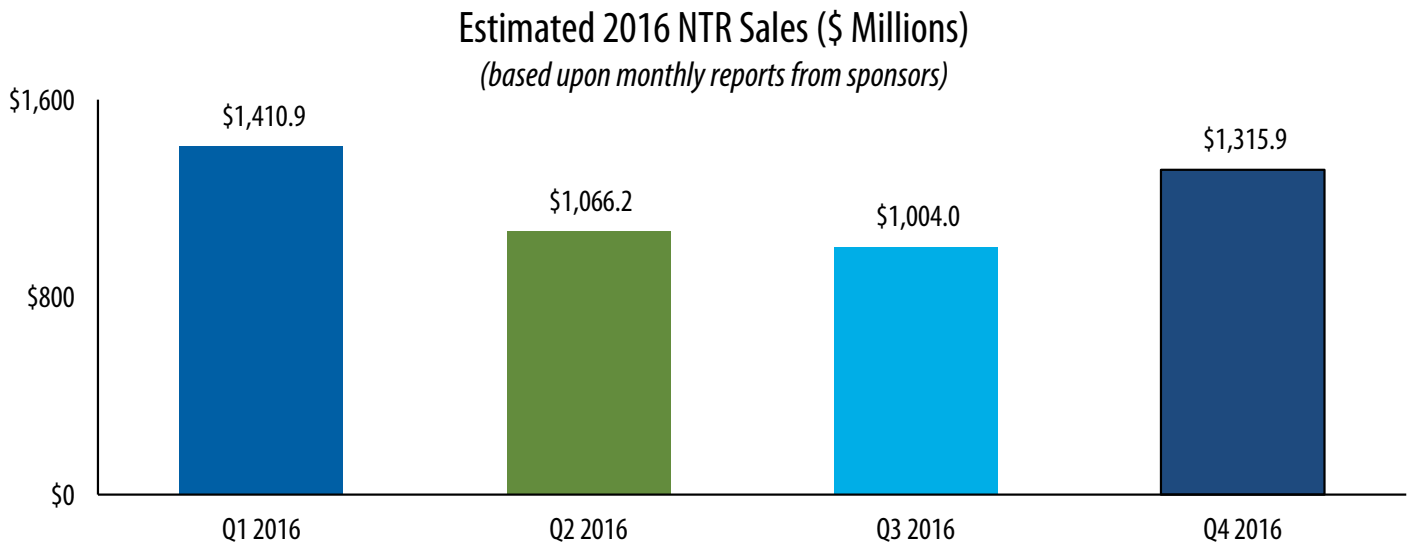
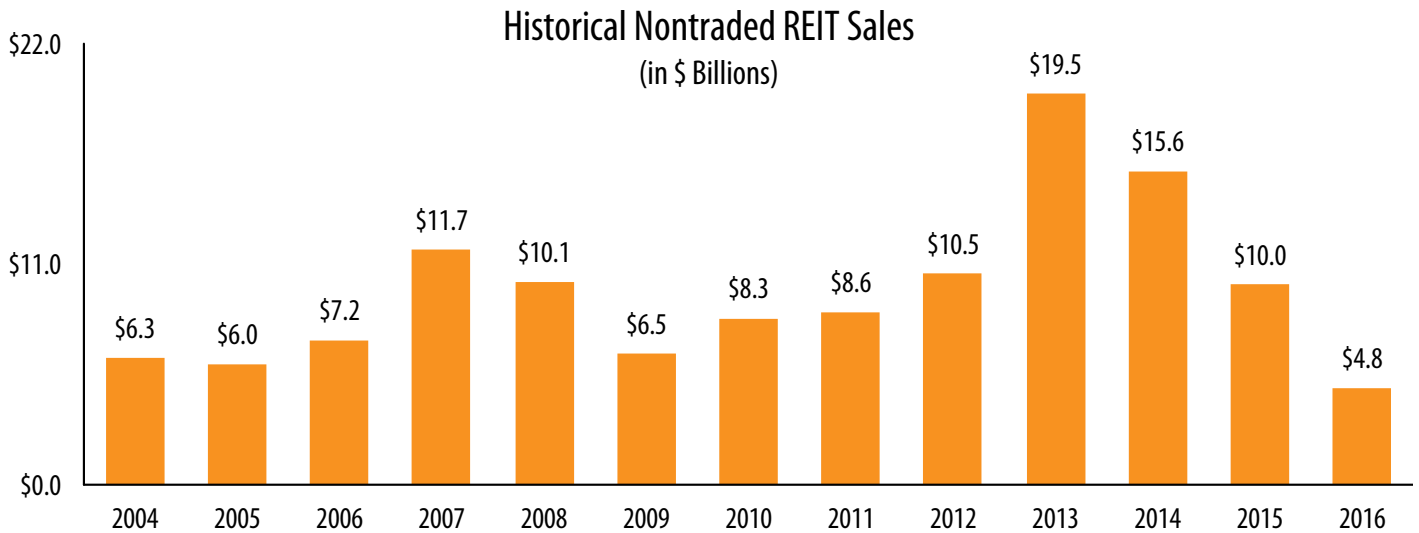
Based on current SEC filings, sponsor reports directly to Blue Vault, and sales trends, it is estimated that the nontraded REIT industry raised approximately \$4.8 billion in 2016 versus \$10.0 billion in 2015.

The steep decline in sales can be attributed to the impacts of new FINRA reporting standards and the Department of Labor Fiduciary Rule which was approved in 2016 and was originally scheduled to take effect in April 2017. Despite the Trump administration's executive order which asks the Department of Labor to review the economic impact of the new rule, the chilling effect it had on broker dealers and financial advisors who sell nontraded REITs had already been felt.

The small number of full-cycle events in 2016 did not contribute much in the way of potential reinvestments with less than \$1.5 billion in liquidity value created compared to the \$10 billion from the full-cycle events in 2015.

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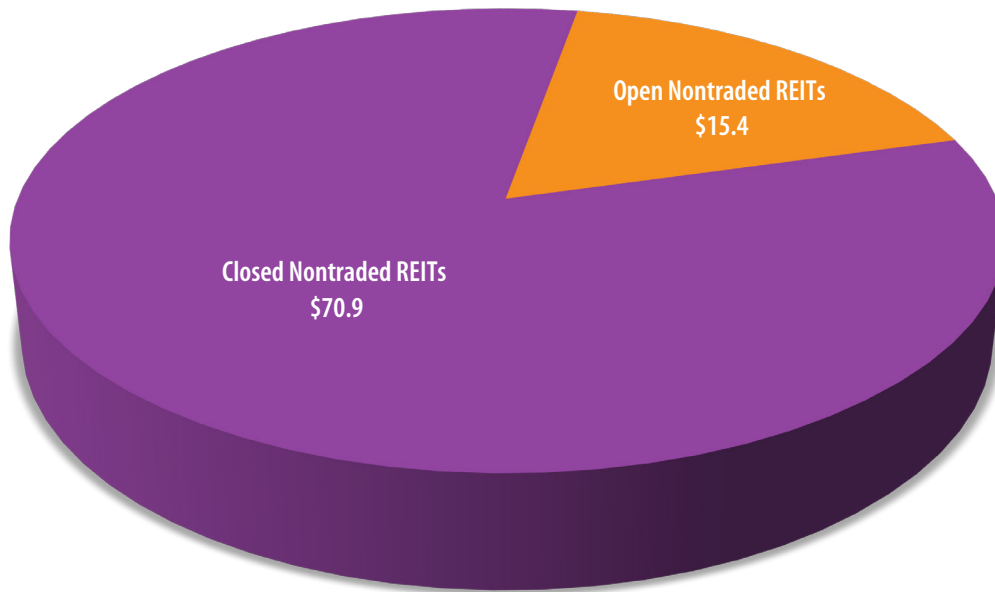
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Assets Under Management

The net effect of capital raise and full-cycle events among nontraded REITs has been an increase in assets under management for the sector from \$82.3 billion in 2015 to \$85.4 billion at September 30, 2016. With one full-cycle event in Q4 2016 and approximately \$1.3 billion in sales, and taking into account cash distributions, at year-end 2016 the total assets for all nontraded REITs would be close to \$86.2 billion.

Total Nontraded REIT Assets:
Estimated \$86.2 Billion as of 4Q 2016



Sponsor Trends

As of December 31, 2016, 28 companies advised or sponsored the 75 nontraded REITs that make up the nontraded REIT industry. This number excludes two REITs that have internalized their management.

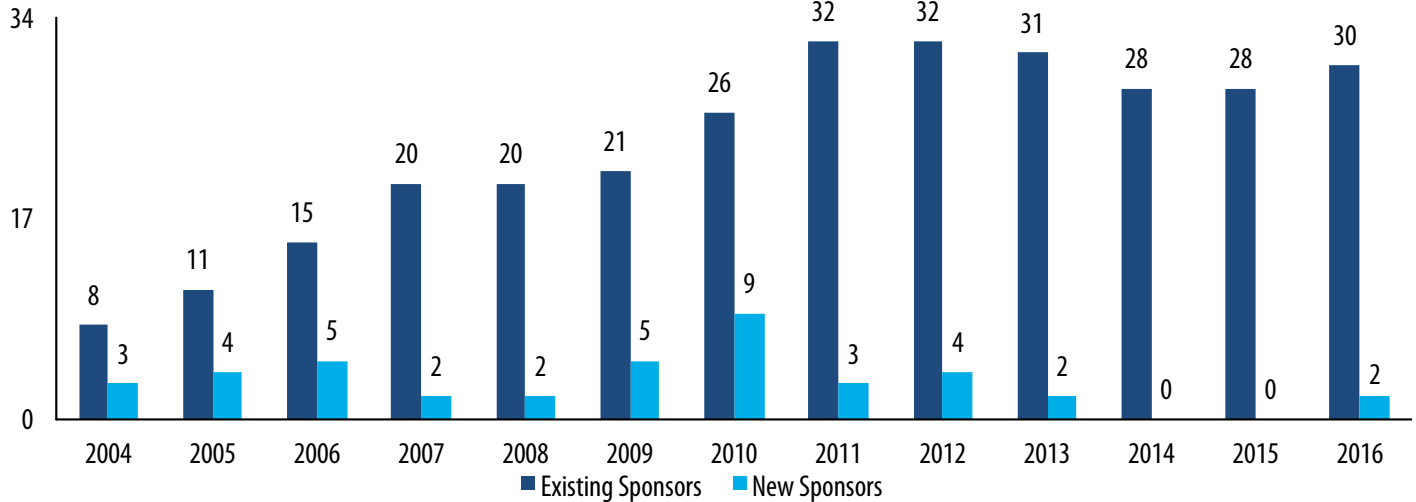
Looking ahead into the remainder of 2017 this figure is expected to increase by at least one as no current sponsors have announced full-cycle events that would remove them from the current roster and at least one new sponsor, Cantor Fitzgerald Investors, LLC, will be introducing a program (Rodin Global Property Trust, Inc.).

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Number of Existing vs. New Sponsors by Year

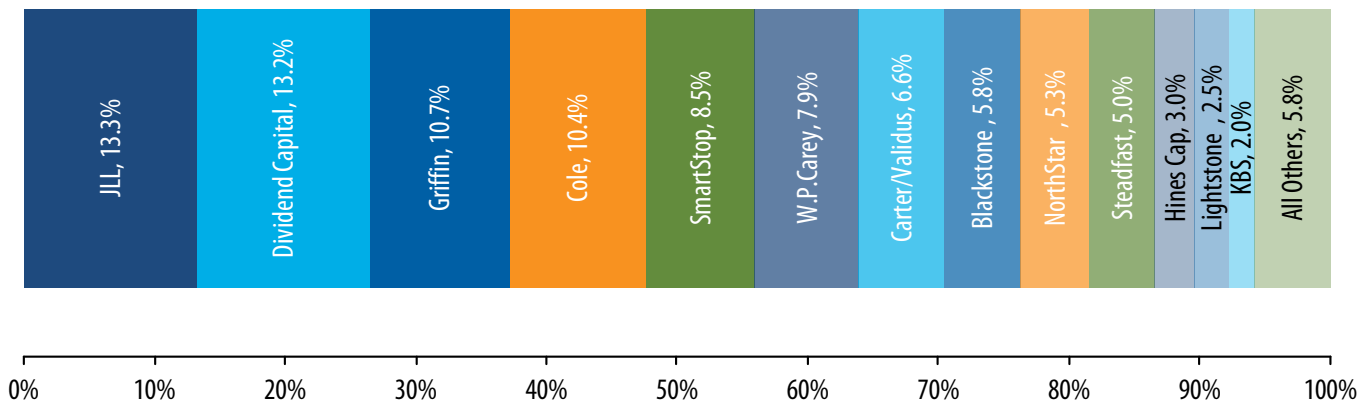


Capital Raise by Nontraded REIT Sponsors

In 2016 the top five sponsors raised an estimated \$2.7 billion of the total capital raised by all nontraded REITs, or 56% of the estimated \$4.8 billion total. The market share of the top five sponsors in 2016 did not change compared to 2015.

Early Blue Vault estimates also show that the top sponsor in sales in 2016 was Jones Lang LaSalle, with roughly \$636.0 million in sales, followed by Dividend Capital with \$632.4 million, Griffin Capital with \$514.5 million, and Cole Capital with \$498.5 million. SmartStop raised an estimated \$405.8 million, followed closely by W.P. Carey at \$377.9 million. All estimates include DRIP proceeds.

2016 Nontraded REIT Estimated Market Share by Sponsor



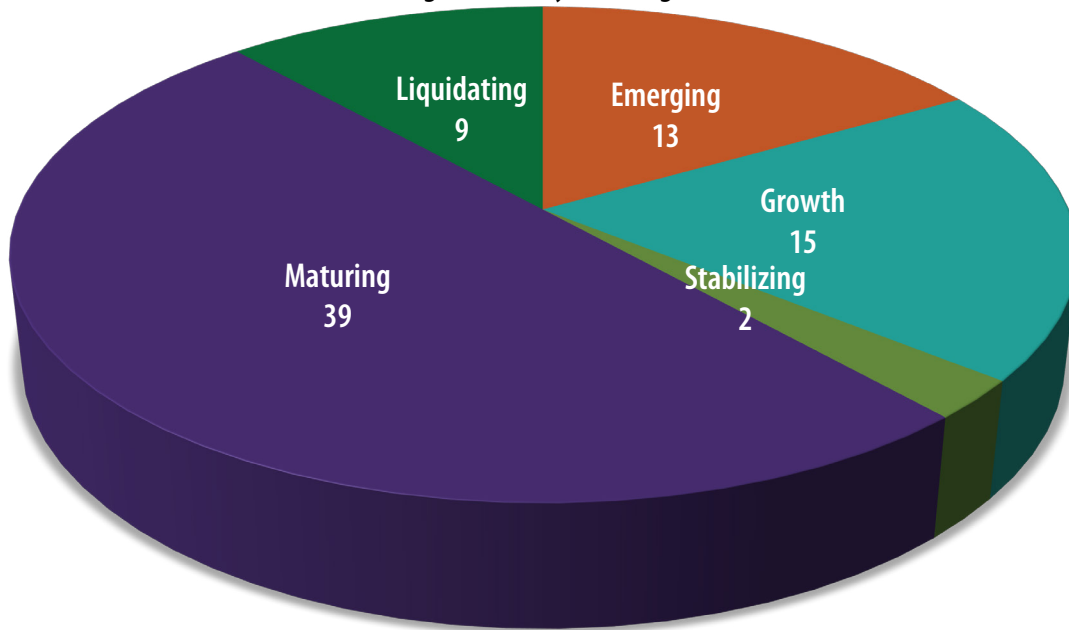
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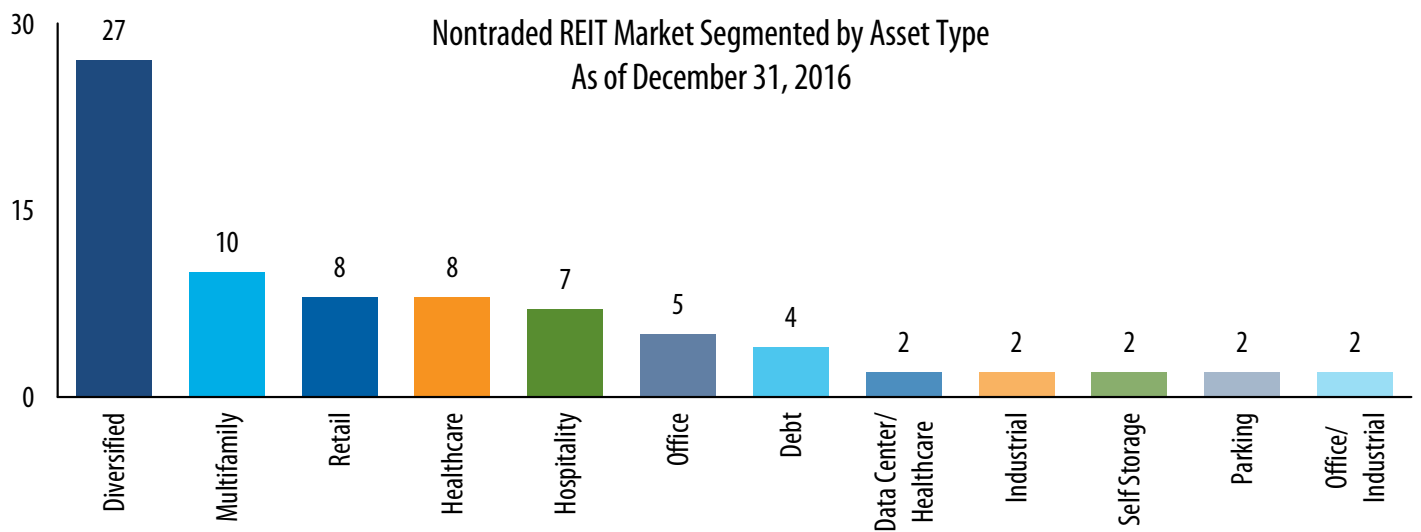
Nontraded REITs by LifeStage™

Nontraded REIT Market Segmented by LifeStage™ at December 31, 2016



Nontraded REITs by Asset Type

Nontraded REIT Market Segmented by Asset Type
As of December 31, 2016



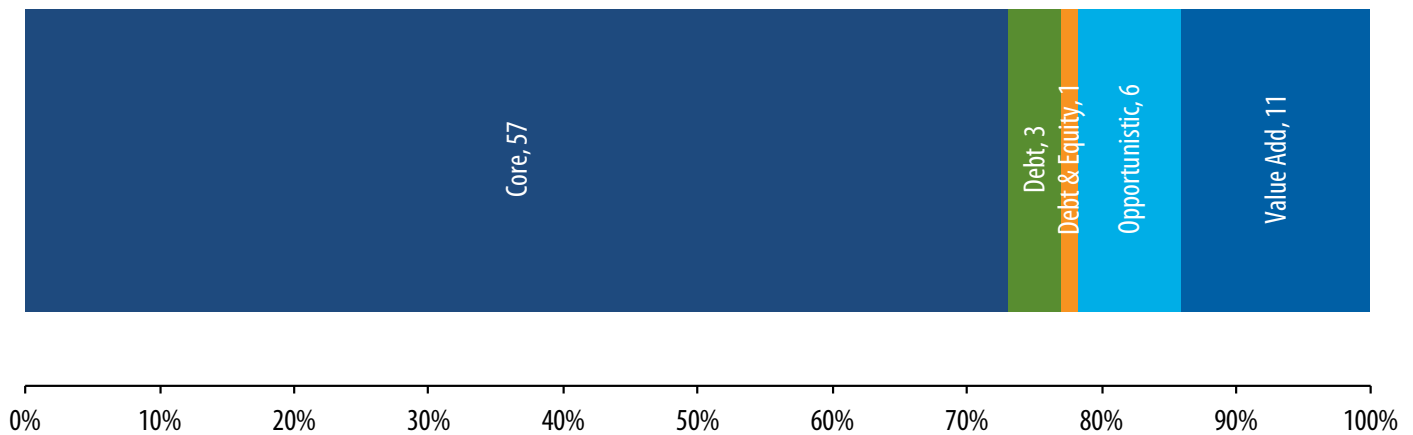
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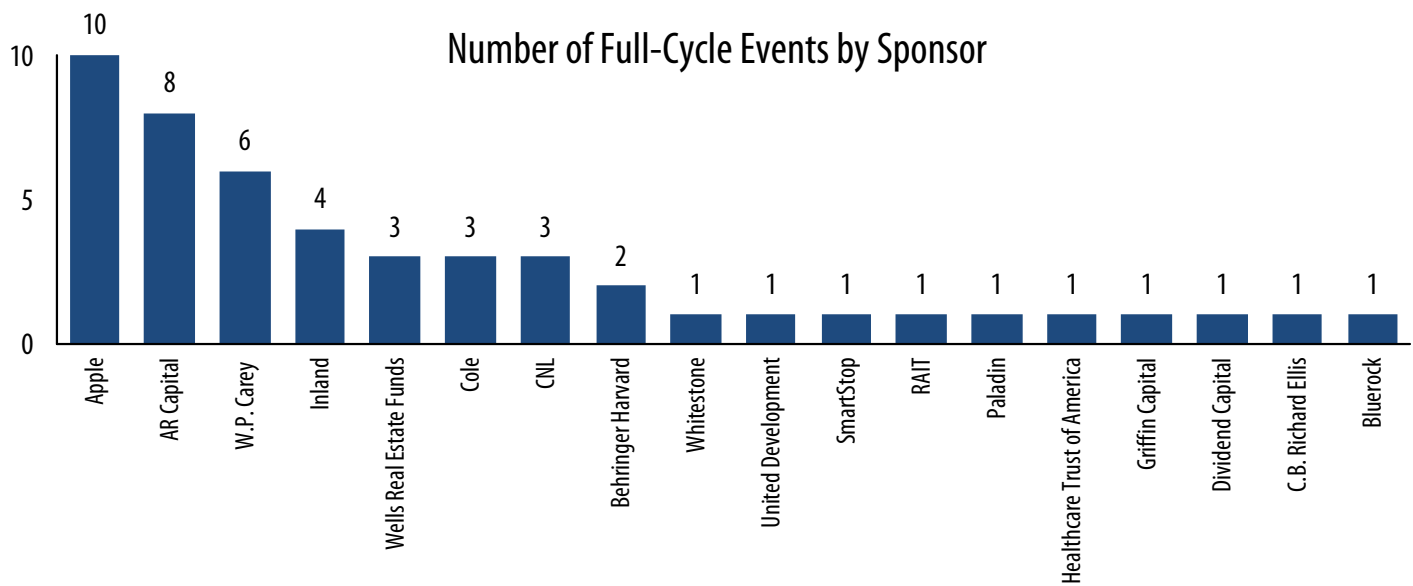
Nontraded REITs by Investment Style

Nontraded REIT Market Segmented by Investment Strategy



Sponsor Trends and Full-Cycle Events

By the end of 2016, 18 industry sponsors had completed full-cycle events, and three out of the four 2016 full-cycle events were by sponsors with previous such events. In those instances where a nontraded REIT had merged with another nontraded REIT and its shareholders received nontraded shares, the full-cycle event as defined by Blue Vault only occurs when the surviving entity lists or otherwise provides full liquidity for all common shares.



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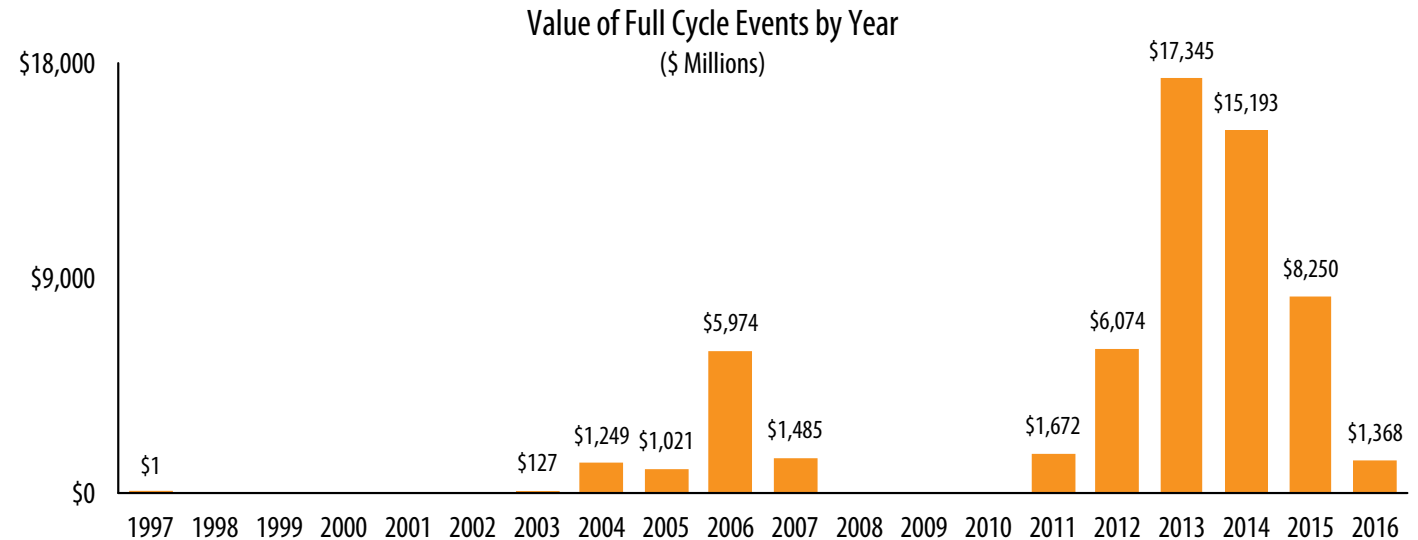
Number of Full-Cycle Events by Year

Including the four liquidity events in 2016, the cumulative number of full-cycle events that have taken place since 1990 increased to 49 as defined by Blue Vault*. Of the completed liquidity events in 2016, one was via a listing on a national exchange, two were accomplished by mergers with listed firms, and one REIT was liquidated.

*Blue Vault defines a full-cycle liquidity event as occurring at the date that all common shares can be liquidated for cash.

- ARC Daily NAV Trust has completed liquidation in March 2016.
- American Realty Capital Global Trust II merged with GNL on December 22, 2016.
- Apple REIT Ten merged with Apple Hospitality REIT on September 1, 2016.
- Blue Rock Residential Growth REIT last shares became exchange traded on March 17, 2016.

Industrial Income Trust merged with GLP on November 4, 2015, but has yet to provide full liquidity to common shareholders.



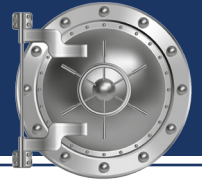
Watch-List for Full-Cycle Events in 2017

On February 14, 2017, American Finance Trust (“AFIN”) and American Realty Capital – Retail Centers of America (“RCA”) announced the results of their respective stockholder meetings where a merger of the two REITs was approved. Under the terms of the merger, AFIN will acquire all of the outstanding common stock of RCA at an exchange ratio of 0.385 AFIN common shares per RCA share, plus a cash payment of \$0.95 per share. AFIN has received authorization from the New York Stock Exchange and may list before August 2017.

Other REITs that are currently in the process of liquidating include Behringer Harvard Opportunity REITs I and II, CNL Lifestyle Properties, Hines Real Estate Investment Trust, and KBS Real Estate Investment Trust.

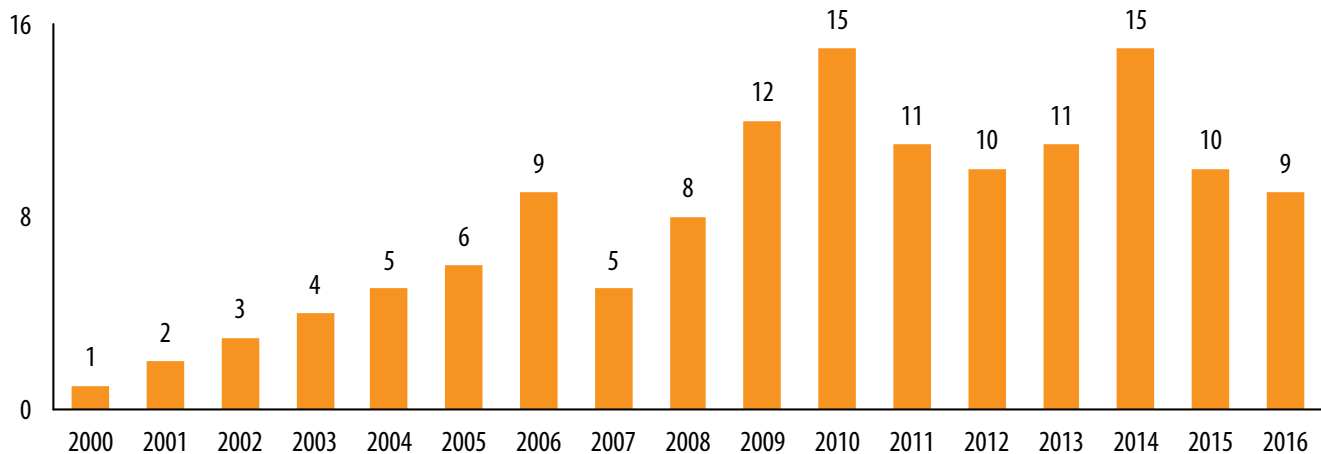
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New Offerings in 2016

New Nontraded REIT Offerings by Year



Nine new nontraded REITs launched initial public offering in 2016, one less than in 2015. All, but one of the new offerings were by experienced sponsors and no sponsor introduced more than one. Highlands REIT, Inc. was spun-off from InvenTrust, its former parent, through a pro rata distribution by InvenTrust of 100% of the outstanding stock of Highlands to InvenTrust's common stockholders on April 25, 2016. As a result, Highlands became an independent, self-advised, nontraded REIT. Because Highlands did not have an offering, it is not included in the count of new offerings but is included in the total number of nontraded REITs.

REIT	Sponsor	Type	Share Classes	Style
Steadfast Apartment REIT III, Inc.	Steadfast REIT Investments, LLC	Multifamily	A, R & T	Value Add
Griffin-American Healthcare REIT IV, Inc.	Griffin Capital Corporation	Healthcare	T only	Core
Industrial Logistics Realty Trust Inc. (Logistic Property Trust)	Dividend Capital Property Management LLC	Industrial	A & T	Core
CNL Healthcare Properties II, Inc.	CNL Financial Group	Healthcare	A, T & I	Value Add
KBS Growth & Income REIT, Inc.	KBS Capital Advisors LLC	Office	A & T	Core
Resource Apartment REIT III, Inc.	Resource Real Estate, Inc.	Multifamily	A, R & T	Value Add
Hartman vREIT XXI, Inc.	Hartman Income REIT Management, Inc	Diversified	A & T	Value Add
Blackstone Real Estate Income Trust, Inc.	BX REIT Advisors LLC (Blackstone Group LP)	Diversified	T, S, D & I	Core
Cole Office & Industrial REIT (CCIT III), Inc.	Cole Real Estate Investments	Office/Industrial	A & T	Core

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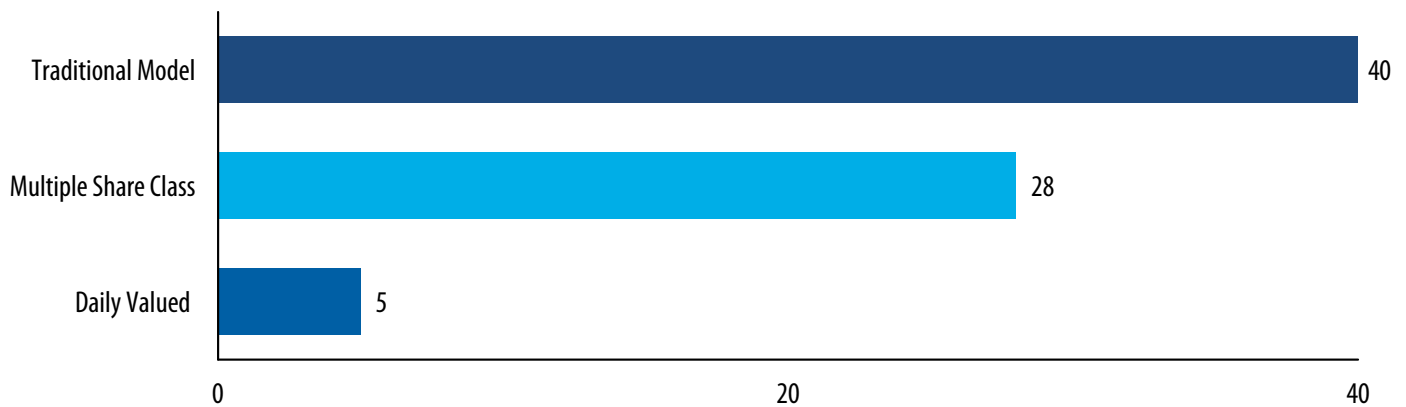
Offering Innovations

Each of the nine new offerings that broke escrow in 2016 offered Class T shares with trailing stockholder servicing fees and eight of the nine had multiple share classes available to investors. This continues the trend seen in 2015 when five of the eight new offerings that year had Class T shares.

Multiple Share Classes

In 2013 there were five nontraded REITs with multiple common share classes. At the end of 2016 there were 28 REITs with more than one share class with differing commission structures and distribution rates. Distribution rates for Class T shares with stockholder servicing fees deducted from distributions annually until total underwriting expenses reach a 10% threshold were the most popular share classes sold in 2016 capital offerings.

New Products Introduced Between 2011 and 2016
Daily-Valued , Multiple Share Classes and Traditional Offerings



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Front Loads for Open Offerings

With the introduction of more share classes by nontraded REIT offerings the trend has been toward Class T shares with reduced front loads and trailing stockholder servicing fees. The following table shows the front loads for both Class A and Class T share classes for open offering during 2016.

Class A Front Loads

REIT	Fundraising Status 12/31/16	Offering Close Date	Selling Commissions	Dealer Manager Fees	Total Front Load	Annual Distribution/ SH Servicing Fee
Dividend Capital Diversified Property Fund Inc.	Open	Perpetual	3.00%	0.60%	3.00%	0.50%
RREEF Property Trust, Inc.	Open	Perpetual	3.00%	0.55%	3.00%	0.50%
Jones Lang LaSalle Income Property Trust, Inc.	Open	Perpetual	3.50%	1.05%	3.50%	
Cole Real Estate Income Strategy (Daily NAV), Inc.	Open	Perpetual	3.75%	0.55%	3.75%	0.50%
NexPoint Multifamily Capital Trust, Inc.	Open	8/12/2017	7.00%	1.00%	8.00%	
KBS Strategic Opportunity REIT II, Inc.	Open	8/12/2017	6.50%	2.00%	8.50%	
KBS Growth & Income REIT, Inc.	Open	4/28/2018	6.50%	2.00%	8.50%	
Hines Global REIT II, Inc.	Open	8/20/2017	7.00%	1.50%	8.50%	
Inland Residential Properties Trust, Inc.	Open	2/17/2017	6.00%	2.75%	8.75%	
Cole Office & Industrial (CCIT III) REIT, Inc.	Open	9/22/2018	7.00%	2.00%	9.00%	
Cole Credit Property Trust V, Inc.	Open	3/17/2017	7.00%	2.00%	9.00%	
Industrial Logistics Realty Trust Inc.	Open	2/18/2018	7.00%	2.50%	9.50%	
CNL Healthcare Properties II, Inc.	Open	3/2/2018	7.00%	2.75%	9.75%	
Strategic Storage Trust II, Inc.	Open	1/10/2017	7.00%	3.00%	10.00%	
Strategic Storage Growth Trust, Inc.	Open	1/20/2017	7.00%	3.00%	10.00%	
Steadfast Apartment REIT III, Inc.	Open	2/5/2018	7.00%	3.00%	10.00%	
Resource Innovation Office REIT, Inc.	Open	6/10/2017	7.00%	3.00%	10.00%	
Resource Apartment REIT III, Inc.	Open	4/28/2018	7.00%	3.00%	10.00%	
NorthStar/RXR New York Metro Real Estate, Inc.	Open	2/9/2017	7.00%	3.00%	10.00%	
Moody National REIT II, Inc.	Open	1/20/2018	7.00%	3.00%	10.00%	
Lightstone Value Plus Real Estate Investment Trust III, Inc.	Open	7/15/2017	7.00%	3.00%	10.00%	
Lightstone Real Estate Income Trust Inc.	Open	2/26/2017	7.00%	3.00%	10.00%	
Carter Validus Mission Critical REIT II, Inc.	Open	5/29/2017	7.00%	3.00%	10.00%	
Carey Watermark Investors 2 Inc.	Open	3/31/2017	7.00%	3.00%	10.00%	

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Class T Front Loads

REIT	Fundraising Status 12/31/16	Offering Close Date	Selling Commissions	Dealer Manager Fees	Total Front Load	Annual Distribution/ SH Servicing Fee
Hines Global REIT II, Inc.	Open	8/20/2017	2.00%	1.25%	3.25%	1.00%
Blackstone Real Estate Income Trust	Open	Perpetual	3.00%	0.50%	3.50%	0.85%
NexPoint Multifamily Capital Trust, Inc.	Open	8/12/2017	3.00%	1.00%	4.00%	0.80%
Industrial Logistics Realty Trust Inc.	Open	2/18/2018	2.00%	2.00%	4.00%	1.00%
Griffin-American Healthcare REIT IV, Inc.	Open	2/16/2018	3.00%	1.00%	4.00%	1.00%
Griffin Capital Essential Asset REIT II, Inc.	Open	7/31/2017	3.00%	1.00%	4.00%	1.00%
NorthStar/RXR New York Metro Real Estate, Inc.	Open	2/9/2017	2.00%	2.75%	4.75%	1.00%
Inland Residential Properties Trust, Inc.	Open	2/17/2017	2.00%	2.75%	4.75%	1.00%
CNL Healthcare Properties II, Inc	Open	3/2/2018	2.00%	2.75%	4.75%	1.00%
Carey Watermark Investors 2 Inc.	Open	3/31/2017	2.00%	2.75%	4.75%	1.00%
Strategic Storage Trust II, Inc.	Open	1/10/2017	2.00%	3.00%	5.00%	1.00%
Strategic Storage Growth Trust, Inc.	Open	1/20/2017	2.00%	3.00%	5.00%	1.00%
Resource Innovation Office REIT, Inc.	Open	6/10/2017	2.00%	3.00%	5.00%	1.00%
Resource Apartment REIT III, Inc.	Open	4/28/2018	2.00%	3.00%	5.00%	1.00%
KBS Strategic Opportunity REIT II, Inc.	Open	8/12/2017	3.00%	2.00%	5.00%	1.00%
KBS Growth & Income REIT, Inc	Open	4/28/2018	3.00%	2.00%	5.00%	1.00%
Cole Office & Industrial (CCIT III) REIT, Inc.	Open	9/22/2018	3.00%	2.00%	5.00%	1.00%
Cole Credit Property Trust V, Inc.	Open	3/17/2017	3.00%	2.00%	5.00%	0.80%
Steadfast Apartment REIT III, Inc.	Open	2/5/2018	3.00%	2.50%	5.50%	1.13%
RREEF Property Trust, Inc.	Open	Perpetual	3.00%	2.75%	5.75%	1.00%
Carter Validus Mission Critical REIT II, Inc.	Open	5/29/2017	3.00%	3.00%	6.00%	1.00%

2016 ANNUAL BRIEF

Nontraded REIT Year in Review



NAVs Announced in 2016

As the nontraded REIT industry continues to evolve and adapt to the new regulatory environment which requires per share net asset values based upon third-party appraisals to be published within 150 days after the second anniversary of breaking escrow (NASD Rule 2340 and FINRA Rule 2310) we are seeing more updated NAVs.

The following is a list of all announcements by nontraded REITs of new net asset values per share (NAVs) that were as of a date within 2016. The list does not include any nontraded REIT that had an NAV which had been reduced by the payment of liquidating distributions or special distributions which would represent a return of capital or partial liquidation.

2016 NAV Announcements by Nontraded REITs (excluding those that have made liquidating or special distributions)

REIT	Offering Price	Latest NAV in 2016	Days Since Breaking Escrow	NAV/Offering Price
American Realty Capital Hospitality Trust, Inc.	\$25.00	\$21.48	787	85.9%
American Realty Capital New York City REIT, Inc.	\$25.00	\$21.25	763	85.0%
Carter Validus Mission Critical REIT II, Inc.	\$10.00	\$9.07	728	90.7%
Carter Validus Mission Critical REIT, Inc.	\$10.00	\$10.02	1,984	100.2%
Cole Credit Property Trust IV, Inc.	\$10.00	\$9.92	1,631	99.2%
Cole Credit Property Trust V, Inc.	\$25.00	\$24.00	713	96.0%
Cole Office & Industrial (CCIT II) REIT, Inc.	\$10.00	\$10.00	777	100.0%
Griffin Capital Essential Asset REIT, Inc.	\$10.00	\$10.44	2,612	104.4%
Griffin-American Healthcare REIT II, Inc.	\$10.00	\$9.37	830	93.7%
Griffin-American Healthcare REIT III, Inc.	\$10.00	\$9.01	780	90.1%
Hartman Short Term Income Properties XX, Inc.	\$10.00	\$13.15	2,111	131.5%
Hines Global REIT II, Inc.	\$10.00	\$9.03	521	90.3%
Industrial Property Trust, Inc.	\$10.00	\$9.74	1,181	97.4%
KBS Legacy Partners Apartment REIT, Inc.	\$10.00	\$9.35	2,122	93.5%
KBS Real Estate Investment Trust III, Inc.	\$10.00	\$10.63	2,017	106.3%
KBS Strategic Opportunity REIT, Inc.	\$10.00	\$14.81	2,356	148.1%
Lightstone Real Estate Income Trust, Inc.	\$10.00	\$10.00	384	100.0%
Lightstone Value Plus Real Estate Investment Trust III, Inc.	\$10.00	\$10.00	567	100.0%
MVP REIT, Inc.	\$9.00	\$9.14	1,205	101.6%
NorthStar Healthcare Income, Inc.	\$10.00	\$9.10	1,235	91.0%
NorthStar Real Estate Income II, Inc.	\$10.00	\$9.26	1,108	92.6%
Phillips Edison Grocery Center REIT II, Inc.	\$25.00	\$22.50	812	90.0%
Realty Finance Trust, Inc.	\$25.00	\$20.05	1,235	80.2%
		Averages	1,261	98.8%
		Medians	1,145	96.7%

*Footnote:

These data may not include all 2016 NAV announcements due to the delays between the "as of" date of the NAV and the REIT's announcements. Also, different REITs may define the "as of" dates differently in their NAV announcements. Data are reported for announcements up to February 1, 2017.

2016 ANNUAL BRIEF

Nontraded REIT Year in Review



Daily NAV REITs and Estimated Total Returns

Using the daily NAV's reported for retail shares during 2016, as well as the distributions paid, we are able to calculate estimated total returns to shareholders for the four daily NAV nontraded REITs. Given that in some cases the shares may not be liquidated at their reported NAVs, the returns below represent only estimates of the potential capital gains plus actual distribution income realized by investors. (American Realty Capital Daily NAV was liquidated in 2016 via a sale of all real estate assets and a liquidating distribution to shareholders.) Using the published NAVs and distributions paid during 2015, the four daily NAV products with daily values for every day during 2016 had estimated annualized returns for the 12-month period ending December 31, 2016 as follows:

Daily NAV REIT	NAV 12/31/2015	NAV 12/31/16	NAV Change	Distribution Yield	Estimated Total Return
Cole Real estate Income Strategy (Class W)	\$18.24	\$18.15	-0.49%	5.36%	4.87%
Dividend Capital Diversified Property Fund (Class W)	\$7.47	\$7.57	1.34%	4.22%	5.56%
Jones Lang LaSalle Income Property Trust (Class A)	\$11.17	\$11.22	0.45%	4.39%	4.83%
RREEF Property Trust (Class A)	\$13.09	\$13.35	1.99%	4.79%	6.78%

Future Trends and Expectations for 2017

The 2016 presidential election and inauguration of Donald Trump raises a mixed bag of possibilities for the commercial real estate industry in general and nontraded REIT programs specifically:

- A more pro-business administration has already delivered on some promises of reducing regulation and delaying implementation of the DOL Fiduciary Rule. Whether the review of the rule results in changes beneficial to the nontraded REIT industry remains to be seen. Many broker dealers have already instituted changes in their policies and practices to comply with the rule as it stands.
- A pick-up in economic growth can have positive impacts across the REIT sectors as employment and wage gains increase potential demand for multifamily, retail, office, and hospitality sectors. Industrial properties that rely heavily on distribution, particularly related to imports, may be affected by the trade policies of the new administration. Likewise, healthcare properties could be impacted if reforms to Obamacare legislation are enacted, although those changes could take years to play out.
- Along with the possibilities of accelerated economic growth come higher expected inflation and higher interest rates, as already seen in the pronouncements of the Federal Reserve. Still, the spread between commercial property cap rates and Baa bond yields will be a major determinant of REIT profitability, and those spreads remain at historically comfortable levels. Cap rates appear to have bottomed out and will likely rise with interest rates in 2017. Some experts expect that cap rates can remain steady in markets where fundamentals are improving.
- Foreign investors, particularly China, are likely to continue to find U.S. commercial real estate attractive. The Chinese have become the number one foreign investor, surpassing Canada for the first time. U.S. commercial real estate is attractive to foreign buyers seeking both safety and high yields. Chinese investment in U.S. commercial real estate was \$17.1 billion between 2010 and 2015 and is accelerating.
- Even with trending-lower average distribution yields, nontraded REIT yields are over two percentage points higher than traded REIT yields, making them attractive to income-seeking investors.
- The recent entry into the nontraded REIT market by Blackstone, Cantor Fitzgerald and FS Holdings (formerly Franklin Square) could bode well for a pick-up in NTR sales. Already the Blackstone REIT raised \$279 million in Q4 2016, with approximately \$41 million from sales of Class I shares to fee-based and institutional accounts. These big players could provide the boost the sector badly needs.

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