

# MTS Report

## Non-Listed REIT Summary

3Q 2014

## **Disclaimer**

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## MTS Report

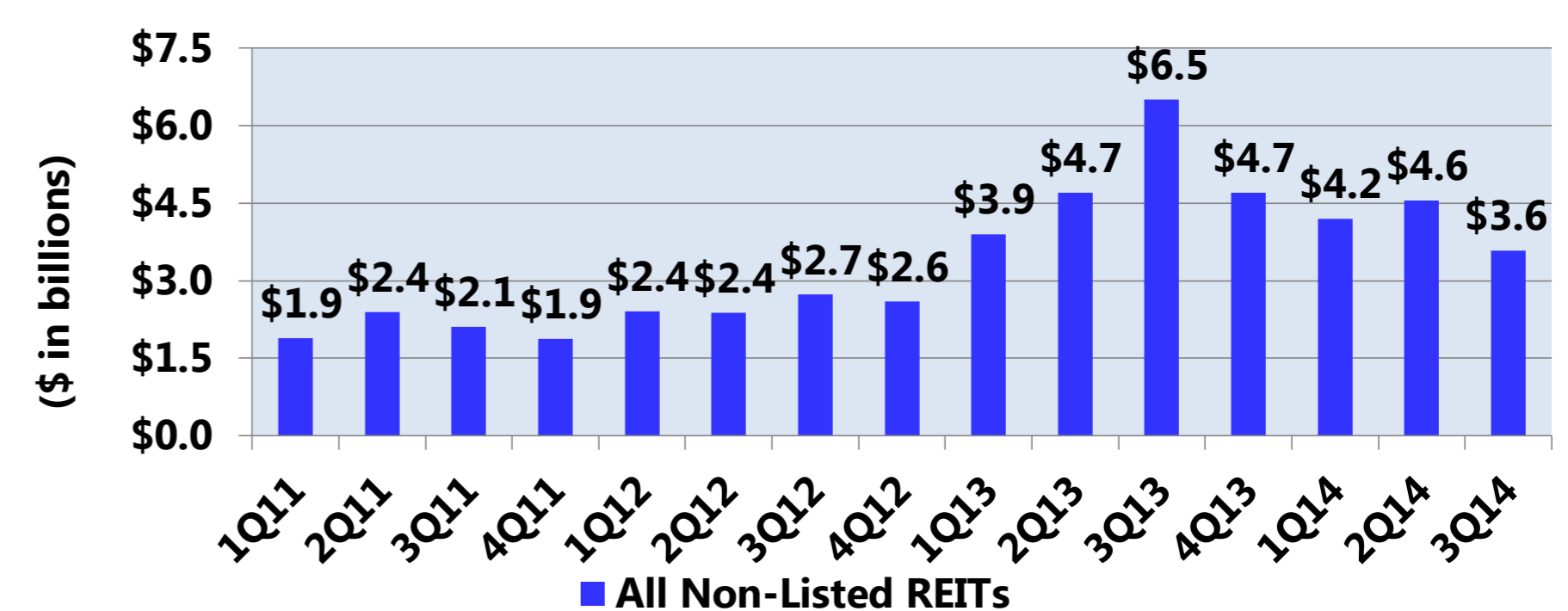
The **MTS Report** is a high-level industry review of the non-listed REIT market. The MTS Report includes four sections: 1) Non-Listed REIT Market Summary, 2) Non-Listed REIT Investment Summary, 3) Non-Listed REIT Performance Summary, and 4) Non-Listed REIT Fee Summary. The **Non-Listed REIT Market Summary** reviews current equity capital raising by the top individual non-listed REITs and highlights capital raising trends over the last two years. The **Non-Listed REIT Investment Summary** details current acquisition activity, highlights historical acquisition trends, summarizes the largest non-listed REITs by Invested Assets, and highlights the growth in non-listed REITs by Invested Assets. The **Non-Listed REIT Performance Summary** highlights distribution rate and leverage trends by effective non-listed REITs (open to new investors) and closed non-listed REITs (closed to new investors) and reviews historical trends in distribution payouts broken out between effective and closed non-listed REITs. The **Non-Listed Fee Summary** reviews average front-end and on-going fee structures of non-listed REITs as a percent of equity and provides specific fee structures of non-listed REITs that are representative of current non-listed REIT sponsors.

### Non-Listed REIT Market Summary

EQUITY FUNDRAISING - 3Q 2014 (\$ in millions)	Equity Raised	
	3Q 2014	TTM 3Q14
American Realty Capital Healthcare Trust II	\$ 751	\$ 1,926
ARC - Retail Centers of America	\$ 469	\$ 806
American Realty Capital New York City REIT	\$ 276	\$ 339
NorthStar Healthcare Income	\$ 207	\$ 533
Phillips Edison - ARC Grocery Center REIT II	\$ 204	\$ 425
Griffin-American Healthcare REIT III	\$ 164	\$ 207
Inland Real Estate Income Trust	\$ 155	\$ 283
CNL Healthcare Properties	\$ 151	\$ 435
ARC Realty Finance	\$ 134	\$ 267
Cole Office & Industrial REIT (CCIT II)	\$ 109	\$ 186
Carey Watermark Investors	\$ 106	\$ 231
American Realty Capital Hospitality Trust	\$ 103	\$ 124
Apple REIT Ten	\$ 95	\$ 212
KBS Real Estate Investment Trust III	\$ 95	\$ 461
Cole Credit Property Trust V	\$ 88	\$ 112
Industrial Property Trust	\$ 74	\$ 144
NorthStar Real Estate Income II	\$ 66	\$ 185
Lightstone Value Plus REIT II	\$ 58	\$ 101
Corporate Property Associates 18 Global	\$ 56	\$ 1,072
American Realty Capital Global Trust	\$ 39	\$ 1,663
Steadfast Apartment REIT	\$ 38	\$ 61
Other Non-Listed REITs	\$ 150	\$ 7,310
<b>Total - All Non-Listed REITs</b>	<b>\$ 3,586</b>	<b>\$ 17,081</b>

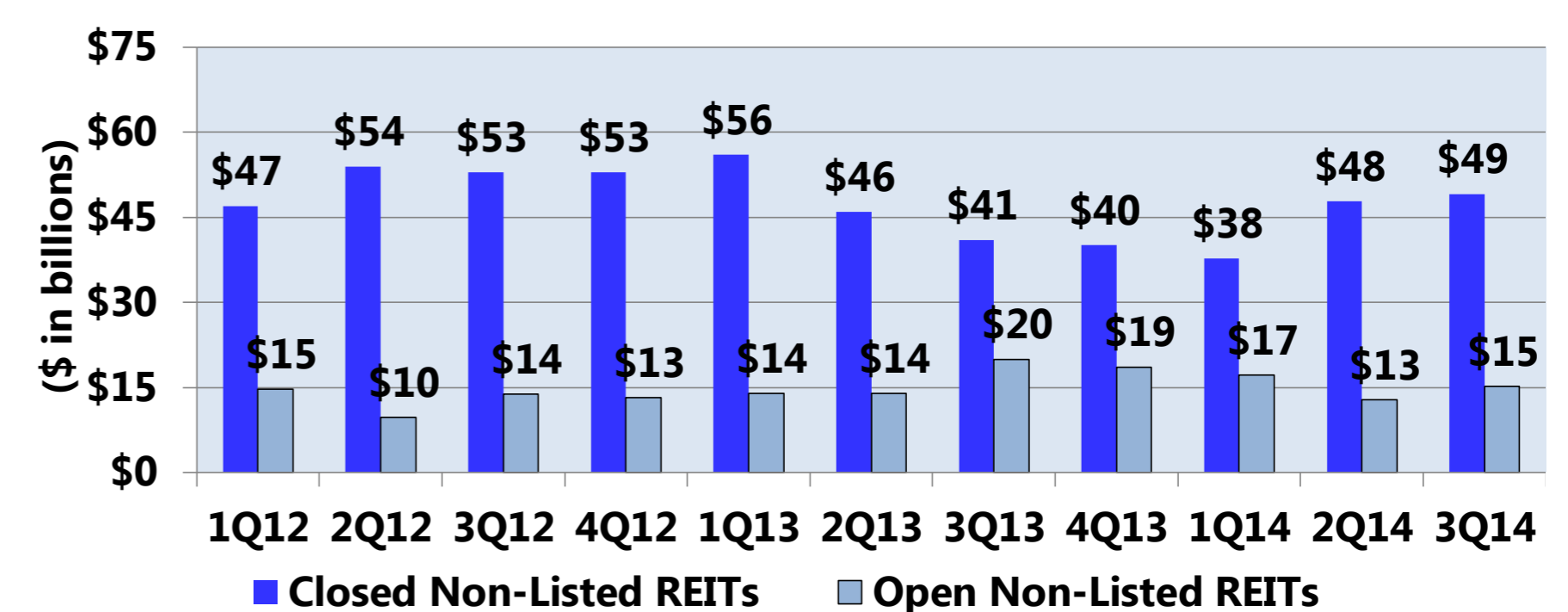
Non-listed REITs raised \$3.6 billion equity capital in 3Q14 led by ARC Healthcare II and ARC - Retail Centers of America with \$751 million and \$469 million respectively. ARC continues to dominate fundraising with a 55% market share in 3Q14. The top ten non-listed REITs raised 73% of all equity in 3Q14. Non-listed REITs have raised \$12.4 billion equity year-to-date through 3Q14, which is 19% below the same period in 2013.

#### EQUITY FUNDRAISING - BY QUARTER



Non-Listed REITs raised \$3.6 billion equity in 3Q14, which is a 22% decline from 2Q14. Non-listed REIT equity fundraising decreased to \$17.1 billion for the trailing twelve months. Despite recent and expected liquidity events, non-listed REIT fundraising will likely decline in 4Q14.

#### TOTAL EQUITY CAPITAL - ALL NON-LISTED REITs



Total equity capital for non-listed REITs increased to \$64 billion in 3Q14. Continued strong equity fundraising, including recycled capital from recent liquidity events, has helped offset the loss of equity from several non-listed REIT liquidity events year-to-date through 3Q14.



## Non-Listed REIT Investment Summary

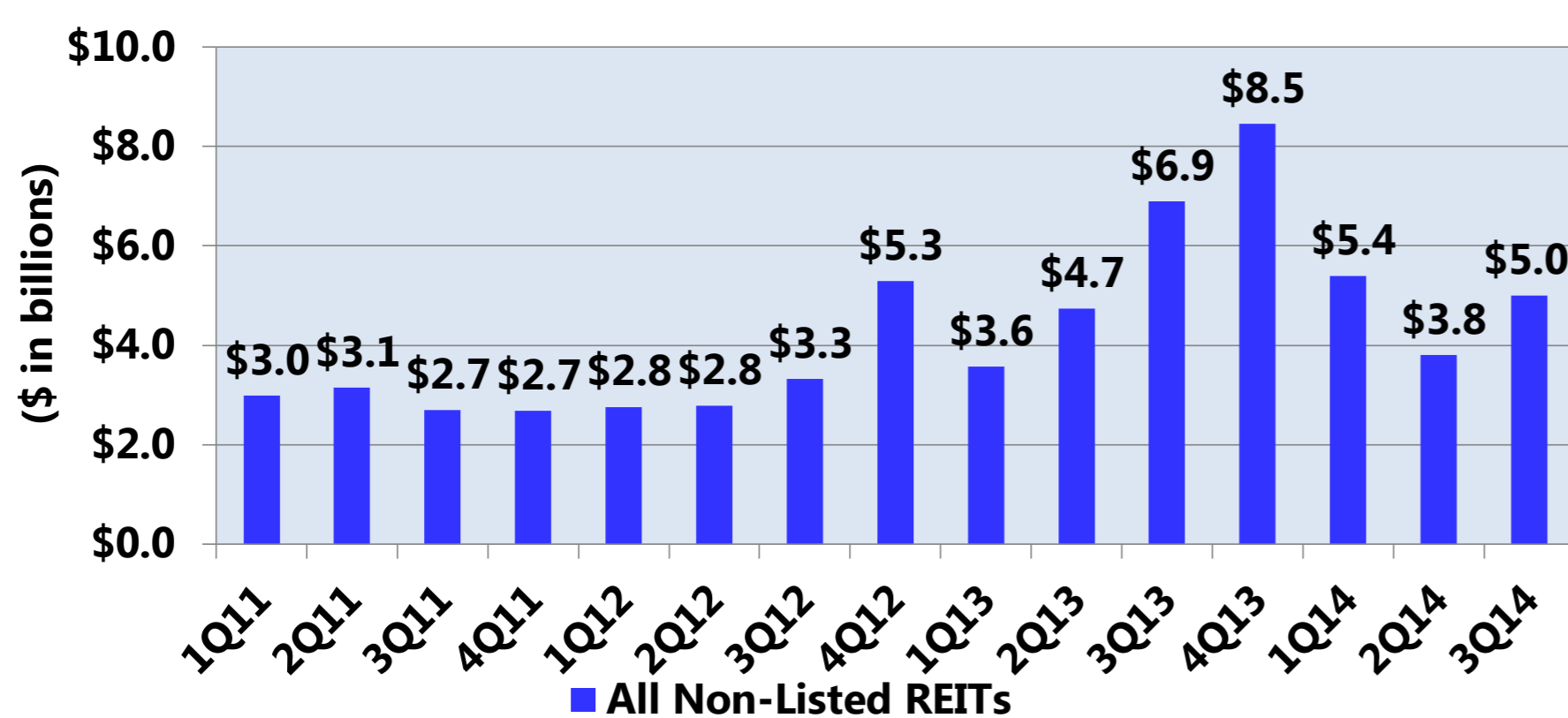
ACQUISITIONS (\$ in millions)	Acquisitions	
	3Q 2014	TTM 3Q14
American Realty Capital Global Trust	\$901	\$1,612
American Realty Capital Healthcare Trust II	\$815	\$956
Cole Credit Property Trust IV	\$724	\$1,930
Carter Validus Mission Critical REIT	\$548	\$936
American Realty Capital - Retail Centers of America	\$191	\$286
Phillips Edison - ARC Shopping Center REIT	\$165	\$1,130
CNL Healthcare Properties	\$162	\$891
Cole Credit Property Trust V	\$161	\$190
KBS Real Estate Investment Trust III	\$132	\$935
NorthStar Healthcare Income	\$125	\$267
CNL Lifestyle Properties	\$101	\$315
Cole Office & Industrial REIT (CCIT II)	\$91	\$309
Phillips Edison - ARC Grocery Center REIT II	\$88	\$116
American Realty Capital New York City REIT	\$85	\$92
Industrial Property Trust	\$82	\$147
Dividend Capital Diversified Property Fund	\$75	\$190
Corporate Property Associates 18 Global	\$73	\$622
Cole Real Estate Income Strategy (Daily NAV)	\$72	\$142
Cole Corporate Income Trust	\$61	\$1,066
Inland Real Estate Income Trust	\$46	\$251
Other Non-Listed REITs	\$279	\$9,902
<b>Total - All Non-Listed REITs</b>	<b>\$4,978</b>	<b>\$22,285</b>

Non-Listed REIT acquisitions increased to \$5.0 billion in 3Q14, as non-listed REITs deployed excess capital in the quarter. Acquisitions targeted a variety of commercial real estate sectors, including net lease, retail shopping centers, office, industrial, hotels, apartments, and medical office.

TOTAL INVESTED ASSETS (\$ in millions)	3Q 2014	3Q 2014
	Status	
Inland American Real Estate Trust	Closed	\$9,944
Hines Global REIT	Closed	\$4,265
Corporate Property Associates 17 - Global	Closed	\$4,210
Apple Hospitality	Closed	\$3,974
Industrial Income Trust	Closed	\$3,843
Cole Credit Property Trust IV	Closed	\$3,585
TIER REIT (fka BH REIT I)	Closed	\$3,441
CNL Lifestyle Properties	Closed	\$3,069
Griffin-American Healthcare REIT II	Closed	\$3,019
Monogram Residential Trust (fka BH Multifamily)	Closed	\$3,015
Dividend Capital Diversified Property Fund	Open	\$2,787
Cole Corporate Income Trust	Closed	\$2,668
Hines Real Estate Investment Trust	Closed	\$2,390
American Realty Capital Trust V	Closed	\$2,220
Phillips Edison - ARC Shopping Center REIT	Closed	\$2,022
KBS Real Estate Investment Trust	Closed	\$2,018
Carter Validus Mission Critical REIT	Closed	\$1,967
Landmark Apartment Trust	Closed	\$1,918
Griffin Capital Essential Asset REIT	Closed	\$1,882
KBS Real Estate Investment Trust II	Closed	\$1,759
Other Non-Listed REITs		\$17,417
<b>Total - All Non-Listed REITs</b>		<b>\$81,413</b>

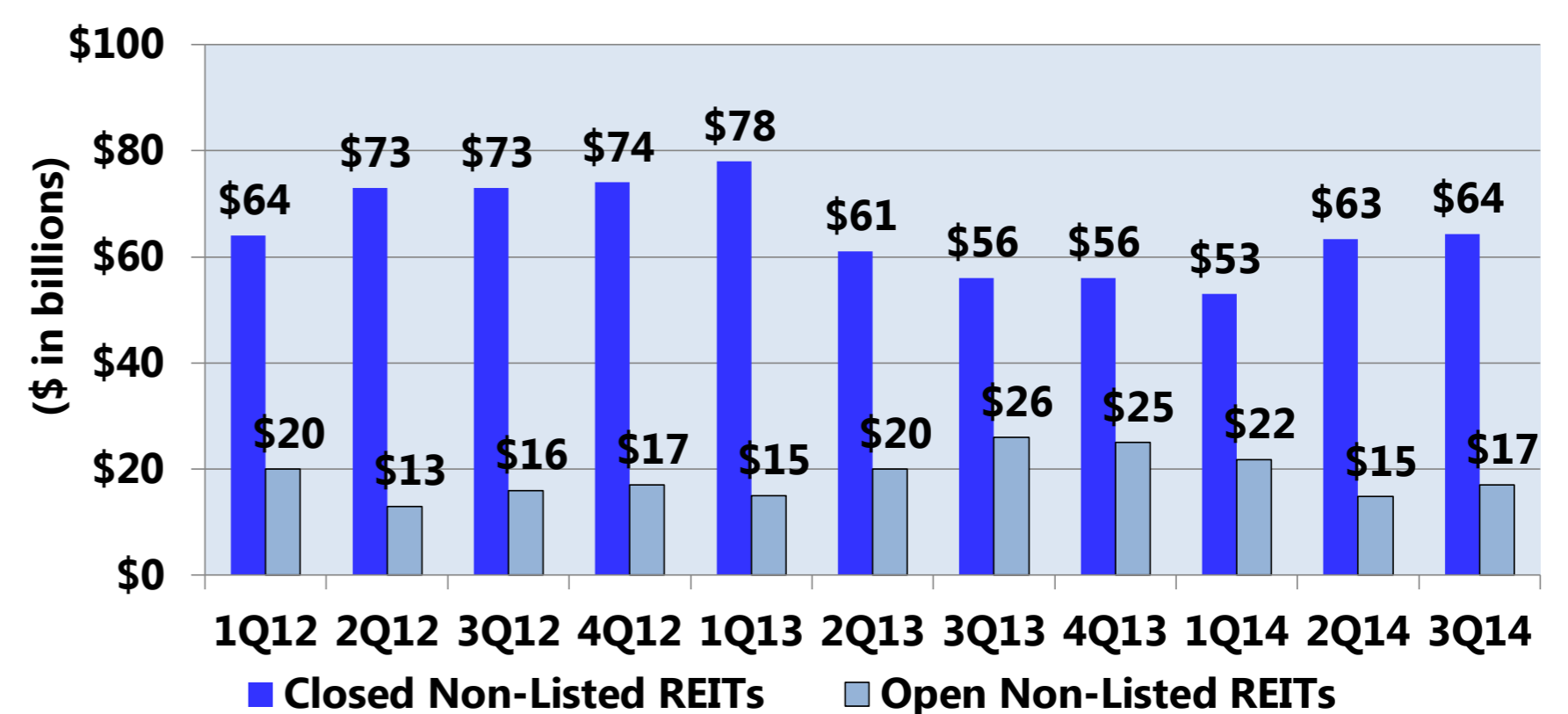
Non-Listed REITs have accumulated \$81 billion in commercial real estate assets. Several of the largest non-listed REITs, such as Griffin-American Healthcare II, KBS REIT II, Inland American, & Monogram Residential, have announced liquidity events or plans for a liquidity event in 2014.

### ACQUISITIONS - BY QUARTER



Non-Listed REITs acquired \$5.0 billion in core commercial real estate assets in 3Q14, which brings year-to-date 3Q14 non-listed REIT acquisitions to \$14.2 billion. Large cash balances and recycled capital from expected liquidity events should increase acquisitions in 4Q14.

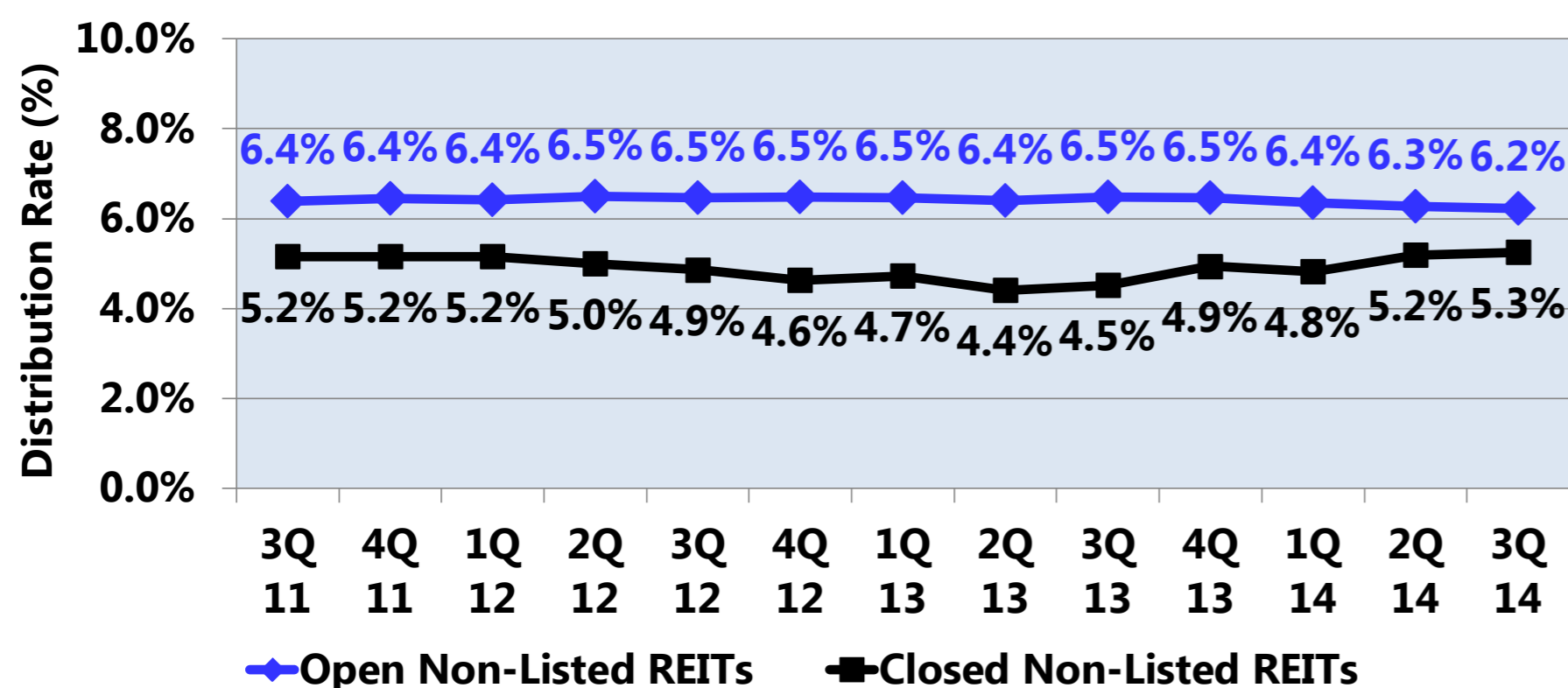
### TOTAL INVESTED ASSETS - ALL NON-LISTED REITs



Total invested assets for non-listed REITs have grown by 40% over the last four years, rising from \$58 billion in 4Q10 to \$81 billion in 3Q14. Liquidity events by closed non-listed REITs should lower invested assets in 4Q14, offsetting expected strong asset growth by open non-listed REITs.

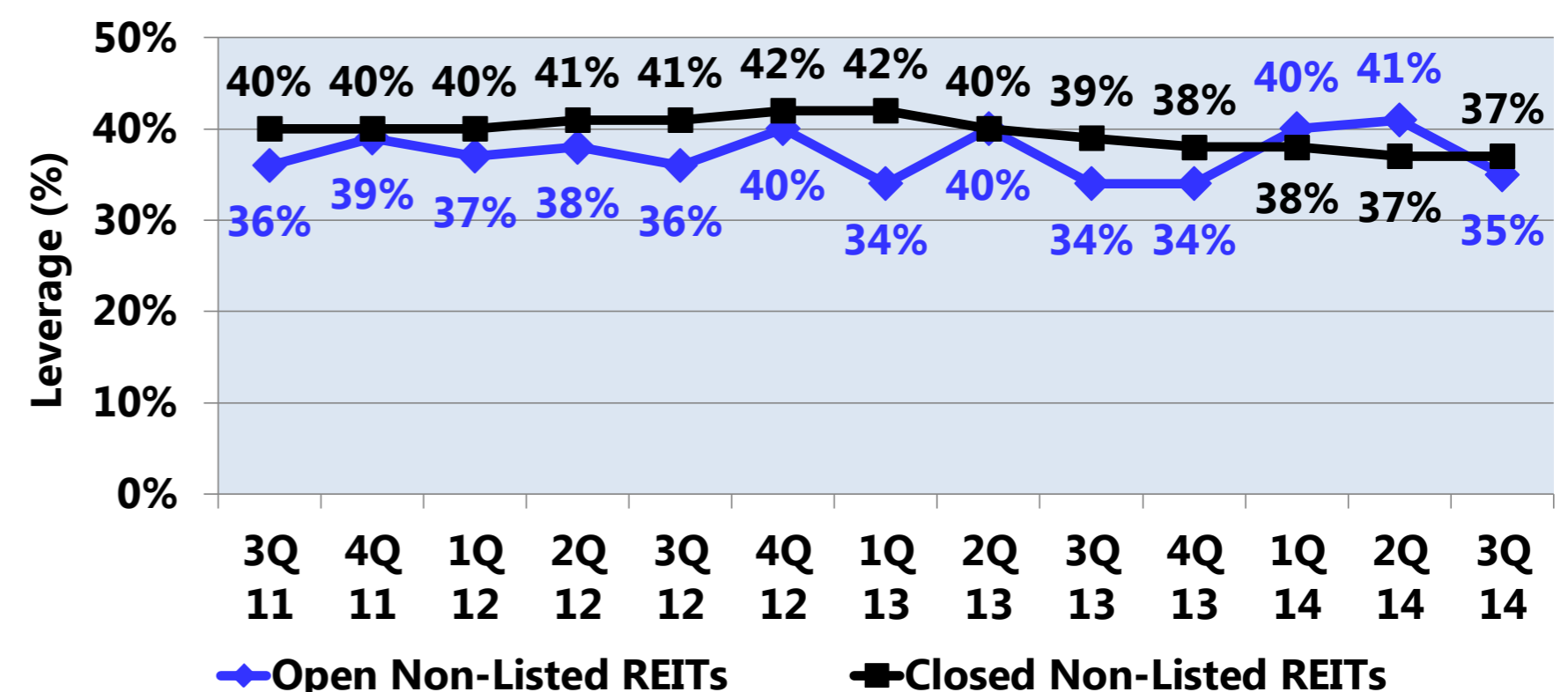
## Non-Listed REIT Performance Summary

### DISTRIBUTION RATE - NON-LISTED EQUITY REITS



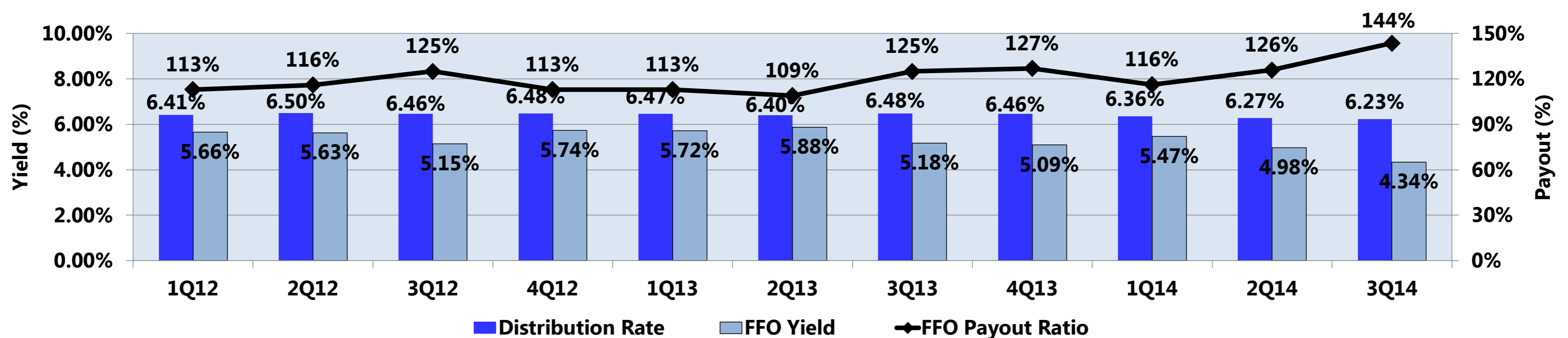
The average cash distribution rate for open non-listed REITs declined for the third straight quarter to 6.2%. Most REITs offer 6%-7% distributions. The distribution rate of closed non-listed REITs increased to 5.3% due primarily to higher distribution rates on recently closed non-listed REITs.

### LEVERAGE - NON-LISTED EQUITY REITS



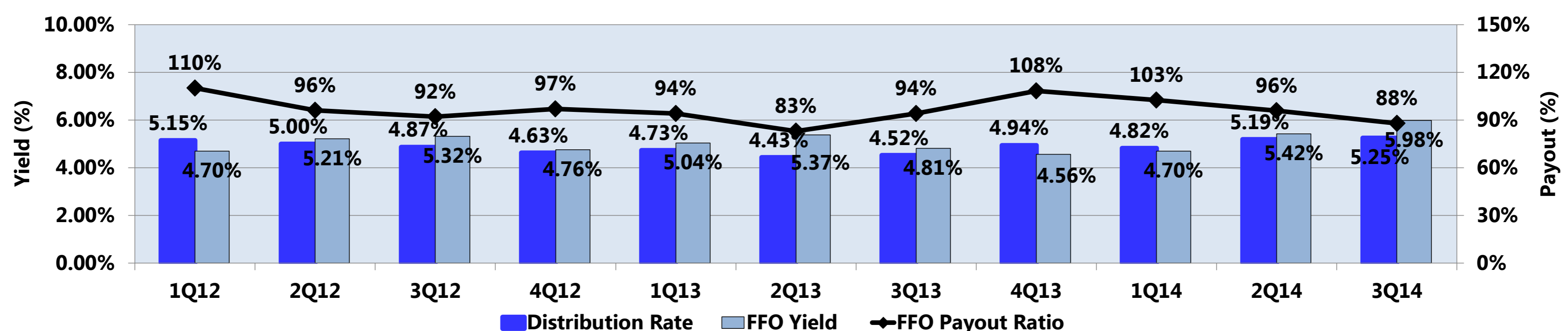
The leverage ratio of open non-listed REITs decreased sharply to 35% in 3Q14, as new debt financing didn't keep up with new investments. Open non-listed REITs are still securing low interest rates on permanent financing. Closed non-listed REITs had a stable 37% leverage ratio.

### DISTRIBUTION PAYOUTS - OPEN NON-LISTED EQUITY REITS



The average FFO yield for open non-listed REITs decreased to 4.34% in 3Q14, which is their lowest FFO yield in four years. With further capital deployment and higher leverage ratios, their FFO yields should recover and increase towards 5.5%. Investment markets still provide moderate yield spreads, but market cap rates continue to compress in the current low interest rate environment. With the recent FFO yield decrease, the distribution payout ratio jumped to 144% in 3Q14. Capital deployment and permanent financing should bring the distribution payout down towards 125% in 4Q14.

### DISTRIBUTION PAYOUTS - CLOSED NON-LISTED EQUITY REITS

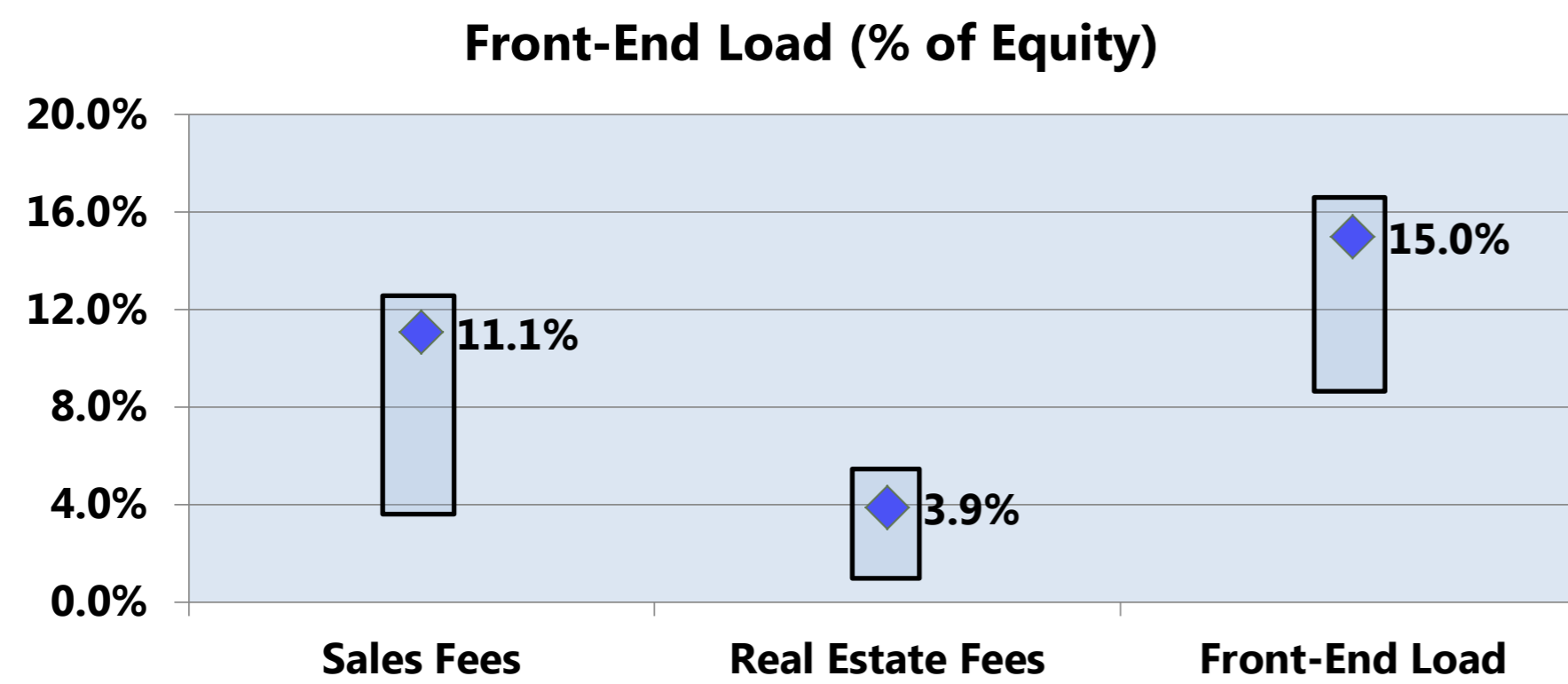


The average FFO payout ratio for closed non-listed REITs decreased to 88% in 3Q14, which continues a steady decline from 108% in 4Q13. Several recently closed non-listed REITs have deployed their remaining capital, obtained permanent financing, and generated significantly higher FFO yields in 3Q14. The average FFO yield for closed non-listed REITs jumped from 5.42% in 2Q14 to 5.98% in 3Q14. The next several quarters, however, will produce volatility as several more non-listed REITs close fundraising and several closed non-listed REITs liquidate in 4Q14 and 1Q15.

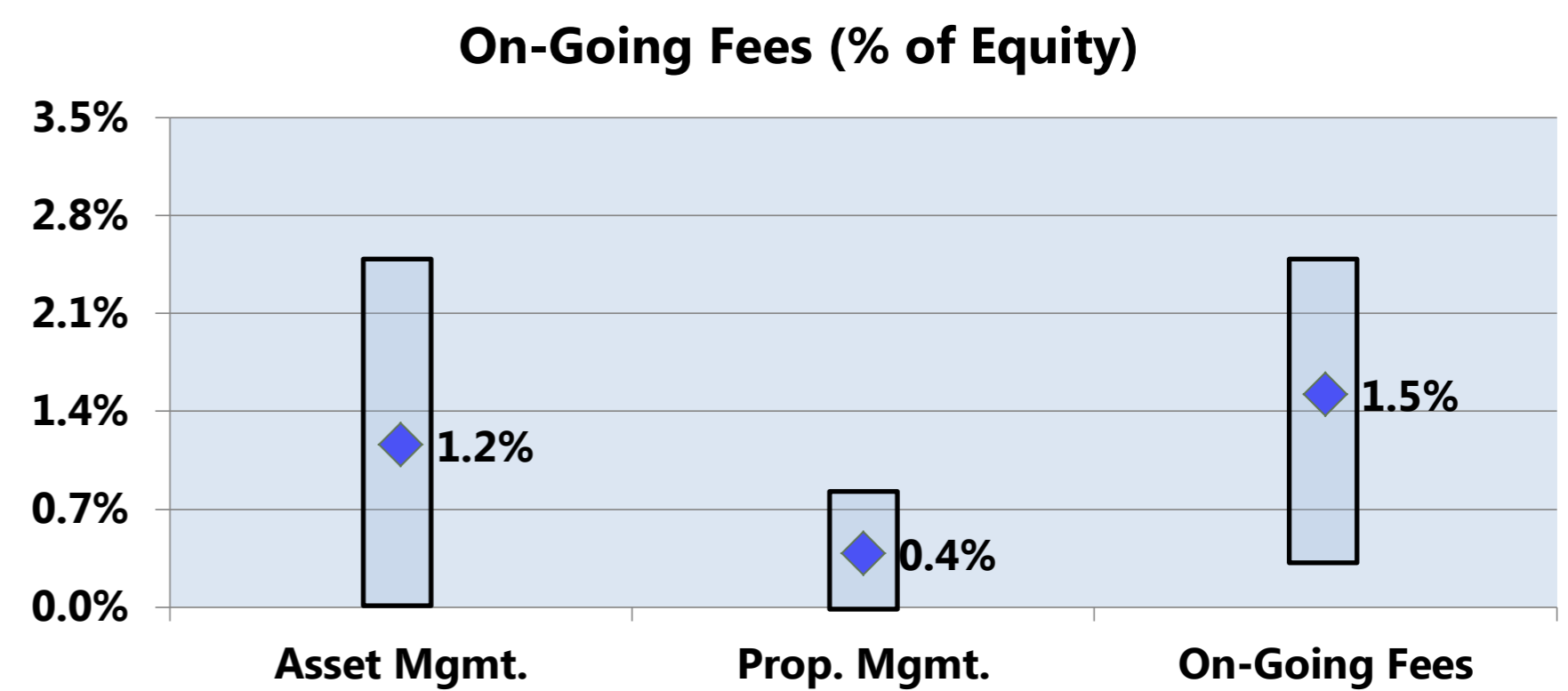


## Non-Listed REIT Fee Summary

### NON-LISTED REIT FEE SUMMARY



The average front-end load, which is primarily sales fees, increased to 15.0%. A few non-listed REITs are lowering front-end real estate fees and increasing management fees to get more equity invested up-front.



The average annual on-going fee burden, which is primarily asset management fees, declined to 1.5% of equity in 3Q14. The average annual on-going fee burden on equity decreased from 1.7% in 1Q14.

### NON-LISTED REIT FEE COMPARISON

Non-Listed REITs - Open	Front-End Load			On-Going Fees (Annual)			Back-End Fees		
	Sales Fees % equity	Real Estate Fees % equity	Front-End Load % equity	Asset Mgmt. Fee % cost	Property Mgmt. Fee % income	On-Going Fee Impact % equity	Disposition Fee	Preferred Return	Profit Split
American Realty Capital Healthcare Trust III	12.0%	3.6%	15.7%	0.00%	1.5%-2.5%	0.25%	2.00%	6.00%	15.00%
American Realty Capital New York City REIT	12.0%	3.6%	15.7%	0.00%	4.00%	0.50%	3.00%	6.00%	15.00%
Carter Validus Mission Critical REIT II (A shares)	11.3%	4.2%	15.4%	0.75%	3.00%	1.63%	2.00%	6.00%	15.00%
CNL Healthcare Trust	11.0%	5.2%	16.3%	1.00%	2.0%-4.0%	2.04%	1.00%	6.00%	15.00%
Cole Credit Property Trust V	11.0%	4.2%	15.2%	0.65%-0.75%	0.00%	1.17%	1.00%	6.00%	15.00%
CPA 18 Global (A shares)	10.7%	4.2%	14.9%	0.5% Value	0.00%	0.83%	3.00%	6.00%	15.00%
Griffin-American Healthcare REIT III	11.0%	4.6%	15.6%	0.75%	4.50%	1.81%	2.00%	7.00%	15.00%
Hartman Short-Term Income Properties XX	11.0%	5.3%	16.4%	0.75%	3.0%-5.0%	1.75%	3.00%	6.00%	15.00%
Hines Global REIT II (A shares)	10.8%	4.6%	15.4%	0.75%	2.5%-4.0%	1.13%	1.00%	6.00%	15.00%
Industrial Property Trust	11.3%	3.3%	14.6%	0.80%	2.0%-5.0%	1.77%	2.00%	6.50%	15.00%
Inland Real Estate Income Trust	11.5%	3.3%	14.8%	0.65%	1.9%-3.9%	1.45%	3.00%	7.00%	10.00%
KBS REIT III	10.2%	2.9%	13.2%	0.75%	0.00%	1.25%	1.00%	8.00%	15.00%
Lightstone Value Plus REIT III	12.0%	2.8%	14.9%	0.75%	Market	1.63%	2.00%	6.00%	15.00%
Moody National REIT I	12.2%	3.7%	16.0%	1.00%	Market	2.04%	3.00%	8.00%	15.00%
MVP REIT	3.8%	5.8%	9.6%	0.85%	6.00%	2.17%	3.00%	N/A	N/A
NorthStar Real Estate Income Trust II	11.5%	2.5%	14.0%	1.25%	0.00%	2.08%	1.00%	7.00%	15.00%
Phillips Edison - ARC Grocery Center REIT II	12.0%	3.1%	15.1%	0.00%	4.50%	0.56%	2.00%	6.00%	15.00%
Resource Real Estate Opportunity REIT II	11.7%	3.5%	15.3%	1.00%	4.50%	2.23%	2.00%	7.00%	15.00%
Steadfast Apartment REIT	11.9%	3.3%	15.3%	1.00%	Market	2.04%	1.00%	6.00%	15.00%
Strategic Storage Trust II	11.8%	4.6%	16.3%	0.63%	6.00%	1.79%	1.00%	6.00%	15.00%
United Realty Trust	11.7%	2.9%	14.7%	0.75%	4.50%	1.81%	2.00%	7.00%	15.00%

**Notes:** For sponsors with multiple non-listed REIT products, a single non-listed REIT from their offerings is presented as a representative sample for this fee comparison.

**Front-End Load:** For non-listed REITs with a financing fee, the analysis assumes 40% leverage to calculate real estate fees & total front-end load.

**On-Going Fees:** On-going fee impact assumes a 40% leverage and 7.5% average cap rate to convert asset mgmt. & property mgmt. fee impacts to an equity basis.