

JULY 30, 2015

INDUSTRIAL INCOME TRUST TO SELL \$4.55BN PORTFOLIO TO GLOBAL LOGISTIC PROPERTIES

Latest Non-Traded REIT sale confirms investment appeal of warehouses

- Global Logistic Properties Ltd. (GLP) has agreed to pay \$10.30/share in cash to acquire a 58 million sq. ft. portfolio of warehouse/logistic properties from Industrial Income Trust, Inc. (IIT). In addition, IIT shareholders may receive payments of \$0.26/share on deal closing and a further \$0.56/share on the ultimate sale of 11 properties under development/lease-up that are excluded from the portfolio sale. In total, IIT shareholders might receive \$11.12/share.
- The deal is expected to close on or before November 16, 2015 subject to certain conditions, including IIT shareholder approval.
- Total potential consideration of \$11.12/share is a slight premium to IIT's estimated NAV of \$11.04/share at December 31, 2014, an 11% premium to the original \$10/share offering price, and a 7% premium to the follow-on offering price of \$10.40/share.
- At December 31, 2014, IIT had invested \$3.85 billion in properties. The deal in total, suggests IIT will be selling its properties (including the development/lease-up properties) for \$4.7 billion, implying a 22% gain over cost.
- GLP will acquire 58 million sq. ft. located in 20 U.S. markets. The largest markets include Los Angeles, Metro D.C. and Pennsylvania. The portfolio was 93% leased at June 30, 2015, with a weighted average lease expiration of nearly 5.5 years. The portfolio will increase GLP's U.S. portfolio by about 50% to 173 million sq. ft., which would represent about a third of GLP's global portfolio.
- The deal pricing implies \$78/sq. ft. GLP believes the cap rate is 5.6% based on first year NOI. Pricing is well below the average cap rate reported for individual property transactions in Q2'15 (6.9% as reported by Real Capital Analytics).
- GLP expects to initially fund the deal principally with cash (\$1.9 billion) and existing credit facilities (\$2.7billion). GLP does not need to raise additional equity to help fund the deal.
- GLP intends to reduce its ownership in IIT's portfolio to 10% by April 2016 by putting 90% into its institutional fund management business.
- IIT is a non-traded REIT sponsored by Dividend Capital open for investment from December 2009 through July 2013 and raised \$2.1 billion. IIT has distributed an annualized distribution of \$0.625/share from January 2010 through June 2015. This represents a yield of 6.25% at the original offering price and 5.6% at the deal price.
- Industrial/warehouse properties have exhibited strong operational performance over the last several years on strong demand. Development activity is increasing, albeit from a 50-year low point. At the same time, E-commerce and an improving housing market have boosted demand for institutional quality warehouse assets, which has in turn attracted the attention of foreign investors into the asset class. Q1'15 sales volume was the

highest recorded for industrial assets and the trend is continuing well into Q2 and Q3'15. Average cap rates have declined from a post-recession high of 8.6% in Q3'09 to 6.9% in Q2'15.

We have estimated shareholder returns (assuming both all cash distributions and DRIP participation) based on the following scenarios:

- Including only the payment of \$10.56 per share on closing in mid-November 2015 (including the estimated \$0.26/per share).
- Including payment of both \$10.56 per share on closing in mid-November 2015 and an additional \$0.56 per share one year later, following the sale of the 11 development/lease-up properties. Note the payments related to the development/lease-up properties are based on estimates provided by IIT.

Our estimates of various shareholder returns are summarized in the table below:

Based on \$10.56 in merger consideration paid on 11/16/15

	IRR	
Primary Offering	Cash	DRIP
First In	6.83%	7.16%
Last In	7.83%	8.00%
Follow-On Offering		
First In	6.54%	6.83%
Last In	6.79%	7.02%

Based on \$10.56 in merger consideration paid on 11/16/15 and then \$0.56 paid on 11/16/16

	IRR	
Primary Offering	Cash	DRIP
First In	7.55%	8.01%
Last In	9.11%	9.40%
Follow-On Offering		
First In	7.82%	8.23%
Last In	8.82%	9.17%

Open industrial/warehouse-focused NTRs include – Dividend Capital - Industrial Property Trust, initially effective 7/24/13, total assets of \$469.0m at 3/31/15; Cole Office and Industrial REIT II (CCIT II), initially effective 9/17/13, total assets of \$654.8m at 3/31/15; Griffin Capital Essential Asset REIT II, initially effective 7/31/14, total assets of \$5.7m at 3/31/15.

Sources:

- Industrial Income Trust Inc. and Global Net Lease Inc. SEC Filings and Press Releases
- Real Capital Analytics, US Capital Trends – Industrial, Q2 2015

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