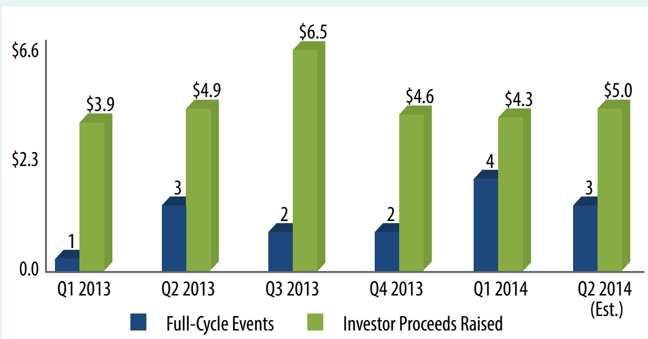
Nontraded REIT Industry Review: First Quarter 2014

BlueVault PARTNERS, LLC

Top Line Assessment of the Nontraded REIT Industry – 1st Quarter 2014

The momentum from 2013 has continued through the first quarter of 2014 as the industry shows signs of breaking new records in terms of both fundraising and full-cycle events. For the first three months of the year, new capital raised from investors was up over 10% compared to 1Q 2014. Currently, we anticipate that the industry is also on pace to raise roughly $8 billion by mid-year. This is a direct result of the seven full-cycle events that have been completed through June 4, 2014.

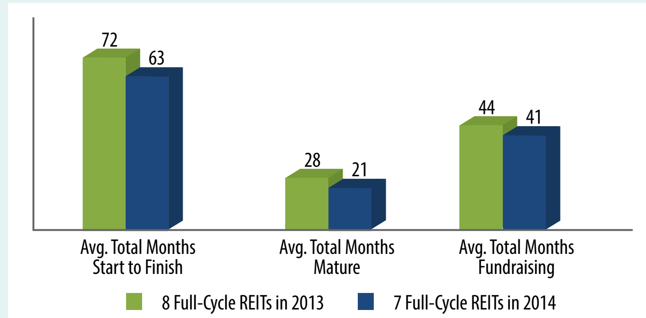
Full-Cycle Events vs. Investor Capital Raised per Quarter
(in $ Billions)



Since we began tracking key metrics for the nontraded REIT market in 2009, over the past two quarters we have begun to see a significant shift as the industry is comprised of more "closed" REITs than "open" REITs. Year to date through May 2014, there have been seven additional nontraded REITs that closed to new investments bringing the total number of closed REITs to 36 compared to 33 open REITs. While the difference isn't a large number, we do believe these changes indicate a positive trend in the industry as more nontraded REITs decide to limit the number of months they spend raising capital and focus more on completing full-cycle events more quickly.

In fact, looking back at the past 18 months, we see a clear pattern as it relates to shorter fundraising and holding periods. As the chart in the upper right illustrates, for the 15 nontraded REITs that have completed full-cycle events between January 1, 2013 and June 4, 2014, the average number of months from inception to the completion of a liquidity event dropped from 6 years (72 months) down to 5.25 years (63 months). Additionally, as it relates to the period post fundraising and prior to a liquidity event, we see that the average number of months spent "maturing" the portfolio dropped from 2.3 years (28 months) down to 1.8 years (21 months). Overall, we believe this is both good for investors as well as for the industry.

Nontraded REIT Life Cycle Trends: 2013 vs. 2014 Monthly Averages



As we have noted in prior quarters, the top-10 sponsors continue to capture the majority of new investments entering the market. During 1Q 2014, the top-10 sponsors raised approximately $4.1 billion or 96% of all new capital. This is up from 91% in 1Q 2013. Looking solely at the top-10 REITs that raised capital during this period, collectively they raised $3.7 billion or 87% of all capital raised during the period.

The Top-10 Nontraded Sponsors During 1Q 2014 Were:

1.	AR Capital	$	1,051.2
2.	Cole Real Estate	$	880.7
3.	Griffin Capital	$	495.2
4.	WP Carey	$	416.6
5.	Hines	$	358.9
6.	Carter	$	311.8
7.	CNL	$	155.5
8.	Northstar	$	150.0
9.	KBS	$	144.1
10.	Phillips Edison	$	102.4

As of 1Q 2014, total industry assets declined slightly from approximately $84 billion down to $81.6 billion. This is above our earlier estimates and is due to more rapid fundraising among new offerings launched by larger more well-known sponsors.

Total Nontraded REIT Industry Assets:
2008 – March 2014 (in $ Billions)

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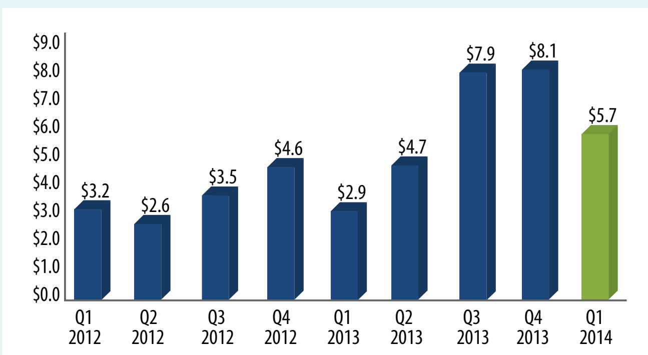
Nontraded REIT Acquisitions

Fueled by a steady inflow of new capital, nontraded REITs have continued to acquire significant volumes of commercial properties. As noted in the chart below, nontraded REITs (both open and closed) purchased approximately $5.7 billion of commercial real estate properties in 1Q 2014 compared to $2.9 billion in 1Q 2013. As it relates to the commercial real estate industry at large, according to estimates published by Real Capital Analytics, domestic commercial property sales during 1Q 2014 were estimated to total $87 billion. Referencing this figure, nontraded REITs purchased 6.5% of all commercial properties purchased during the same period*.

*Source: Prudential Real Estate Investors, U.S. Quarterly Outlook, April 2014.

Nontraded REIT Real Property Acquisitions by Quarter:
(in $ Billions)



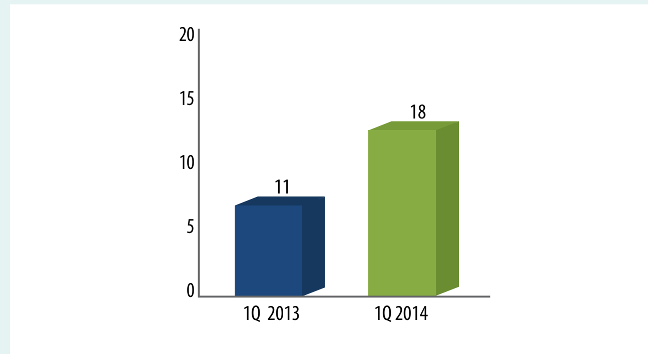
The five most active REITs acquiring properties during the first three months of the year were responsible for purchasing a total of $2.5 billion worth of properties or 45% of all nontraded REIT purchases made during 1Q 2014.

The Five Most Active Nontraded REITs in Terms of Acquisitions During 1Q 2014 Were:

1.	American Realty Capital Trust V, Inc.	$ 855.4
2.	Hines Global REIT, Inc.	$ 548.0
3.	Hines Real Estate Investment Trust, Inc.	$ 510.7
4.	Landmark Apartment Trust of America, Inc.	$ 319.5
5.	American Realty Capital Global Trust, Inc.	$ 311.0

The number of nontraded REITs acquiring properties has also increased over the past 12 months as there were 39 nontraded REITs that acquired real property during 1Q 2014 compared to only 32 nontraded REITs in 1Q 2013. The top ten REITs continue to be a driving force behind these acquisitions as they were responsible for approximately 68% of all real property acquisitions during the first three months of 2014. Moreover, more REITs are now able to purchase larger volumes of properties. As the chart shows in the upper right, as of 1Q 2013, only 11 REITs purchased $100 million or more worth of commercial properties compared to 18 as of 1Q 2014.

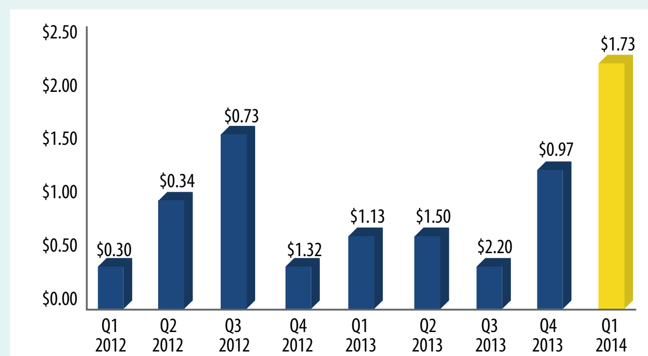
Number of Nontraded REITs by Quarter Purchasing $100+ Million Worth of Commercial Properties



Nontraded REIT Dispositions

As discussed in previous quarterly reports, we continue to see a growth trend in terms of the number and volume of commercial properties being sold. We believe this is a direct result of the increase in the number of nontraded REITs transitioning into the Maturing and Liquidating LifeStages.

Nontraded REIT Real Property Dispositions by Quarter:
(in $ Billions)



And consistent with 4Q 2013, during 1Q 2014, nine nontraded REITs sold a total of $1.7 billion worth of commercial properties. This represents an increase of 78% compared to the prior quarter and a 54% increase compared to 1Q 2013. In addition, the top-five most active nontraded REITs represented 98% of the total volume sold during the quarter.

The Five Most Active Nontraded REITs in Terms of Dispositions During 4Q 2013 Were:

1.	Inland American Real Estate Trust, Inc.	$1,112.3 Million
2.	Inland Diversified Real Estate Trust, Inc.	$274.3 Million
3.	Dividend Capital Diversified Property Fund Inc.	$201.3 Million
4.	Behringer Harvard Multifamily REIT I, Inc.	$ 52.9Million
5.	KBS Real Estate Investment Trust, Inc.	$ 48.9Million

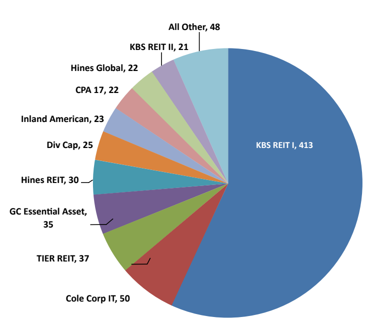
Office and Industrial Sectors Overview

Among the nontraded REITs in this Review, thirteen have significant investments in office and/or industrial property types that constitute the majority of their portfolio properties. Additionally, at least five diversified nontraded REITs have large holdings within the office and industrial property sectors, even though the majority of their properties are within other sectors.

The largest holdings among nontraded REITs within the office and industrial sectors (and ranks within the sectors) as of March 31, 2014.

Nontraded REIT	Office Properties (Rank)	Industrial Properties (Rank)	Total All Assets ($ Mil)	Total All Properties
KBS Real Estate Investment Trust, Inc.	413 (1)	4	$1,623.6	423
Industrial Income Trust, Inc.	0	287 (1)	$3,615.5	297
Cole Corporate Income Trust, Inc.	50 (2)	31 (4)	$2,484.8	82
Corporate Property Associates 17 - Global Incorporated	22 (8)	35 (2)	$4,720.6	429
Inland American Real Estate Trust, Inc.	23 (7)	32 (3)	$9,114.8	272
Griffin Capital Essential Asset REIT, Inc.	35 (4)	6	$1,687.1	46
Dividend Capital Diversified Property Fund, Inc.	25 (6)	13 (6)	$2,161.5	68
TIER REIT, Inc.	37 (3)	0	$2,401.2	38
Hines Real Estate Investment Trust, Inc.	30 (5)	1	$2,625.8	39
Hines Global REIT, Inc.	22 (8)	8 (7)	$4,428.6	40
KBS Real Estate Investment Trust II, Inc.	21 (10)	7 (9)	$2,861.6	31
Lightstone Value Plus Real Estate Investment Trust, Inc.	1	15 (5)	$671.2	39
Jones Lang LaSalle Income Property Trust, Inc.	7	8 (7)	$833.5	27
Signature Office REIT, Inc.	13	0	$667.3	13
KBS Real Estate Investment Trust III, Inc.	12	0	$1,488.2	13
MVP REIT, Inc.	6	0	$66.0	14
Behringer Harvard Opportunity REIT I, Inc.	5	1	$317.4	9
Corporate Property Associates 18 - Global Incorporated	4	7 (9)	$983.8	18

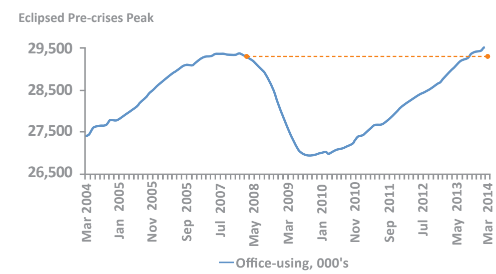
Number of Office Properties Owned by Nontraded REITs



Office Sector

The office sector continues to recover in 1Q 2014. Office-using employment has finally recovered to the pre-crisis peak level.

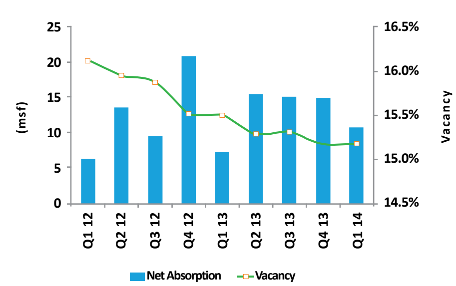
Office-using Employment



Source: U.S. Bureau of Labor Statistics

Office prices increased 6.2% for the 12 months ended 1Q 2014. Vacancy rates declined 10 basis points and absorption rates were 50 percent higher than their quarterly average in 2013. Office vacancy rates should decline another 0.3% from 1Q 2014 to 2Q 2015. Rent growth jumped at a 3.1 percent annualized rate. The recent acceleration of job growth may boost absorption rates and rent growth even further. The average effective rent for U.S. office space in the first quarter was $23.66 per s.f., compared with $23.14 a year earlier, according to data from REIS Inc. Rents are projected to increase 2.5% in 2014 and 3.2% next year. Construction of office space totaled 6.3 million square feet in the first quarter, compared with 60 million square feet in 2007 before the real estate crisis. Net absorption of office space in the U.S., which includes the leasing of new space coming on the market as well as space in existing properties, is likely to total 39.7 million square feet this year and 49.8 million in 2015.

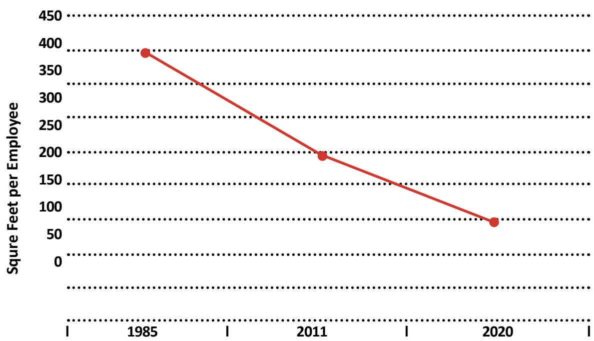
U.S Office Absorption vs. Vacancy



Source: CassidyTurley.com

One trend that may work against office space demand is the more efficient use of office space in terms of square feet per worker. Projections show a continuing decline in the average space required per worker.

Average Space per U.S. Employee, All Industries

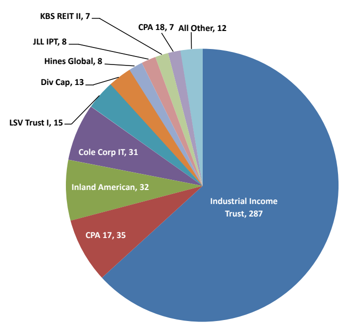


Source: Jones Lang LaSalle.

U.S. Net Absorption vs. Vacancy

Source: CassidyTurley.com

Industrial Properties



The industrial property sector is showing improvements due to increasing international trade volume, positive growth in U.S. GDP, increasing consumer spending (especially in online retailing), strong absorption in key markets and continuing positive trends in population and employment. U.S. international trade has grown at an average 8% annual rate over the last five years, generating increased demand for industrial space in important U.S. logistics markets. Vacancies now are lower than pre-recession levels. Forecasts for the coming year are for a decline of 0.3% to 8.7% by 2Q 2015. On a quarterly basis, the sector is recovering from the unusually harsh winter, absorbing 26.1 million square feet of space in 1Q 2014, 6.6 million square feet less than 1Q 2013, but still outpacing supply.

Investor demand has been strongest in the West region, leading all regional property types with 17.4% annual growth. The industrial property recovery is evident across different sizes and quality classes. While modern logistics buildings have led the recovery, those smaller industrial buildings with less than 50,000 square feet have also gained. The Industrial Index increased 11.5% for the 12 months ended 1Q 2014, up 20.1% from its low in 2012. Net absorption of industrial space nationally is seen at 107.8 million square feet in 2014 and 107.1 million next year.

Office and Industrial Sector Highlights for Top Ten Nontraded REITs in Each Sector

KBS Real Estate Investment Trust

- As of March 31, 2014, had $1.2 billion in real estate held for investment in office properties with $513 million book value and industrial properties with $130 million book value, plus the GKK Properties portfolio with $740 million book value, net of $178 accumulated depreciation and amortization. (The GKK Properties, a portfolio originally made up of 867 properties, including 291 office buildings, operations centers and other properties, was acquired in 2011 from Gramercy Capital Corp. in satisfaction of debt obligations.) Top tenants include B of A (20.9% of revenues), Citizens Financial and Wells Fargo.
- During the year ended December 31, 2013, the Company disposed of 112 properties (of which 111 were GKK Properties). During the three months ended March 31, 2014, the Company disposed of five properties (of which four were GKK Properties), transferred a portfolio of five properties to the lender in satisfaction of the debt and other obligations due under the BOA Windsor Mortgage Portfolio and classified eight properties (of which seven were GKK Properties) with an aggregate net book value of $13.3 million as held for sale.

Industrial Income Trust

- During 1Q 2014 the Company acquired one property for a purchase price of approximately $18.7 million.
- As of March 31, 2014, Trust owned and managed a consolidated portfolio that included 297 industrial buildings totaling approximately 57.6 million square feet in 20 major industrial markets throughout the U.S with 548 customers that had a weighted-average remaining lease term of 5.2 years. The operating portfolio was comprised of 286 buildings and development portfolio of 11 buildings.
- In January 2014, it acquired the Imperial Distribution Center, which is one building totaling 328,000 square feet in the Houston market, for a purchase price of approximately $18.7 million. The building is currently vacant.
- As of March, 31, 2014, the Company's aggregate gross investment in properties was $3.6 billion. Top tenants include Amazon (5.8% of revenues), Home Depot (4.4%), Hanesbrands

(2.6%), Belkin (2.3%), CEVA Logistics (2.2%).

- Sold 20 buildings in April, 2014, representing $100.4 million in net investment and 2.8 million square feet, consisting of one in Atlanta, five in Dallas, 13 in Portland and one in the Tampa markets respectively.

Cole Corporate Income Trust

- As of March 31, 2014, the Company owned $2.4 billion of real estate assets consisting of $1.8 billion of office properties and $598 million of industrial properties with 11.8 years weighted average remaining lease term. Top tenants include: Amazon (7.8% of revenues), Tesoro Minerals (7.5%), FS Networks (5.4%) and FedEx (3.8%).
- During 1Q 2014 the Company acquired 5 properties for $97.2 million. These consisted of $86.2 million of office properties and $11.0 million of industrial properties, with a weighted average lease term of 10.2 years.
- After March 31, 2014, the Company acquired one property for $18.0 million.

Corporate Property Associates 17 - Global

- At March 31, 2014, the leased portfolio was comprised of full or partial ownership interests in 354 properties, substantially all of which were net-leased to 106 tenants, and totaled approximately 34 million square feet.
- The Company acquired the 143,650 SF Raytheon Company property in Tucson, AZ, for $18.975 million and the Bank Pekao S.A. property in Warsaw, Poland, for $73.952 million.

Inland American Real Estate Trust

- The Company sold 223 properties and surrendered one property to the lender during the three months ended March 31, 2014 for a gross disposition price of $1,112.3 million. There were 38 properties disposed of and one property surrendered to the lender for the three months ended March 31, 2013 for a gross disposition price of $115.3 million.
- Top tenants include AT & T (9.4% of revenues), GEO Group (3.3%) and Lockheed Martin (2.7%).
- The REIT and its business manager agreed to terminate the management agreement, and the REIT hired all of its business manager's employees and acquired the assets of its business manager necessary to perform the REIT's day-to-day operations. The property management fee was lowered for 2014.

Griffin Capital Essential Asset REIT

- As of the end of the quarter, including the acquisitions made during the quarter of properties tenanted in whole or part corporations including Caterpillar, DigitalGlobe, Waste Management, and Infonet, the Essential Asset REIT's portfolio consisted of 46 assets encompassing approximately 11.0 million square feet of space. Other important tenants: General Electric, Comcast, Verizon, IBM and Nokia.
- During the first quarter of 2014, the REIT acquired four institutional-quality properties consisting of approximately 2.1 million square feet, with an aggregate purchase price of approximately $224.5 million. Each of these properties is either leased to, guaranteed by or has a tenant that is affiliated with an investment grade-rated tenant.
- Total acquisition value and portfolio square footage increased by 19% and 24% since December 31, 2013 and, as of March 31, 2014, respectively. The total capitalization of its portfolio exceeds $1.8 billion.

Dividend Capital Diversified Property Fund

- During 1Q 2014 the Company did not acquire any properties and sold 14 operating properties for a total of approximately $201.3 million.
- As of March 31, 2014, the Company held the majority ownership in 68 operating properties located in 24 geographic markets in the United States, aggregating approximately 11.7 million square feet. As of March 31, 2014, DPF's real property portfolio was approximately 92.2% leased to approximately 350 tenants. As of March 31, 2014, these properties had an estimated fair value of approximately $2.3 billion. Top tenants include Charles Schwab (11.5% of revenues), Northrop Grumman (8.9%), Sybase (8.8%).
- 25 office properties located in 15 geographic markets, aggregating approximately 5.0 million net rentable square feet, with an aggregate fair value amount of approximately $1.4 billion.
- 13 industrial properties located in nine geographic markets, aggregating approximately 3.7 million net rentable square feet, with an aggregate fair value amount of approximately $261.9 million.

TIER REIT

- Leased 675,000 SF during 1Q 2014, including 496,000 SF or 57% of the 863,000 SF expiring. Occupancy declined 140 basis points from December 31, 2013, to 85%.
- The REIT exited 11 markets over the two-year period reducing geographic presence to 19 markets. Top tenants include U.S. Government (6.0% of revenues), B of A (3%) and no others greater than 2%.
- Completed restructuring by disposing of troubled assets, exiting 2.4 million square feet and recapitalizing the 640,000 Paces West property.

Hines Real Estate Investment Trust

- As of March 31, 2014, the Company owned direct and indirect investments in 39 properties. These properties consisted of 30 U.S. office properties, one industrial property in Dallas, Texas and a portfolio of eight grocery-anchored shopping centers located in four states primarily in the southeastern United States. Tenants include Microsoft, Oracle, Honeywell and Raytheon.
- For the three months ended March 31, 2014, the Company acquired the assets and assumed certain liabilities of nine real estate operating properties located in the United States, for an aggregate net purchase price of $688.9 million.
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Hines Global REIT

- The Company acquired 25 Cabot Square, a 455,687 s.f. office building in London, England, for a total of $374.4 million. The 25 Cabot Square property was 100% occupied as of March 28, 2014.

KBS Real Estate Investment Trust II

- During the three months ended March 31, 2014, the Company classified seven office properties, one industrial property and a leasehold interest in one industrial property with an aggregate net book value of $1.0 billion as held for sale. During the three months ended March 31, 2014, the Company recorded an impairment charge of $1.1 million related to a real estate property held for sale.

Lightstone Value Plus REIT I

- During the three months ended March 31, 2014, the Company classified seven office properties, one industrial property and a leasehold.
- A 1.1 million square foot office property, 1407 Broadway in New York City, is owned by The Lightstone Group in partnership with Lightstone Value Plus Real Estate Investment Trust Inc., which has a 49% unconsolidated interest in a sub-leasehold interest in a ground lease, carried on the Company's books under the equity method at $9.36 million.

Jones Lang LaSalle Income Property Trust

- The Company acquired the Grand Prairie Distribution Center in Grand Prairie, TX, for $17.2 million in January, 2014. It has 277,000 leasable square feet and was 100% occupied.
- The Trust reported $157.6 million in Industrial assets and $259.9 million in Office assets as of March 31, 2014. All of the Industrial assets are distribution centers with a total of approximately 2.7 million square feet. The seven office properties contain approximately 893,000 net rentable square feet.

Corporate Property Associates 18 - Global

- During the three months ended March 31, 2014, the Company acquired a distribution center located in University Park, IL, for $80.7 million, which is leased to Solo Cup. On February 27, 2014, the Company acquired a Siemens AS office headquarters in Oslo, Norway, for $82.0 million. The building is leased to Siemens through 2025.
- Of the Company's total properties, base rents for 1Q 2014 were 59% related to office properties and 14% related to warehouse/distribution properties.

Performance Profiles: A More Detailed Look at "Operating Performance"

Blue Vault Partners was formed with the intent to provide the investment community with objective, transparent and easily understood measures of performance for nontraded REITs. The company was the first to develop standardized metrics and a quarterly reporting tool that others in the industry soon followed.

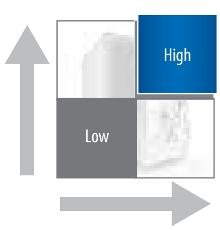
In April 2014, the new Performance Profile System was launched with the goal of enhancing our analysis and maintaining our commitment to objectivity and clarity. This new performance profiling system builds upon the foundation of classifying nontraded REITs by their fundraising status (Open and Closed) as well as by their LifeStage. To maintain objectivity, we have continued to rely upon financial data published by the companies in quarterly reports that follow certain IPA Guidelines and are prepared under GAAP accounting rules.

We apply principles of financial analysis which recognize that no single ratio can summarize a company's performance and that there are multiple dimensions to measuring the performance of nontraded REITs which must be considered. By adding multiple layers within our measurement system, we employ a four quadrant rating system that focuses on three essential areas; Operating Performance, Financing Outlook and Cumulative MFFO Payout,. Like many quadrant diagrams, the preferred location is the upper-right corner while the less than optimal location is the lower-left corner.

The first in a three part series, the following commentary is designed to explain the Operating Performance metric in more detail.

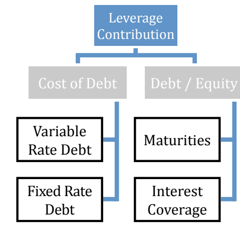
Defining Operating Performance

The Operating Performance metric is designed to examine the operations of a REIT based on the Leverage Contribution and Return on Assets. To provide shareholders with returns on a risk-adjusted basis, the REIT's return on assets, which we measure as the latest 12-month MFFO as a percentage of the REIT's assets, should exceed the yields available on 10-Year Treasuries. In addition, when adjusted for the REIT's use of debt, this return should exceed the REIT's cost of debt, which indicates that leverage is effectively adding to shareholder returns. When the upper right quadrant is highlighted, the REIT has managed its assets to provide a positive risk premium, and has been effective in using debt to magnify returns to shareholders. Over time, any portfolio that includes debt financing should meet and exceed these two criteria.



1. Leverage Contribution

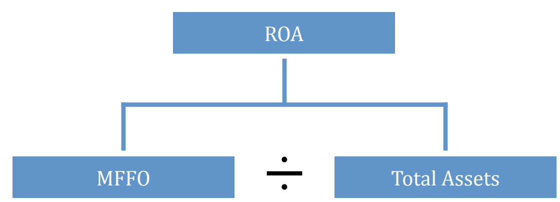
"Leverage Contribution" is part one of this two-dimensional Operating Performance metric and is calculated as follows:



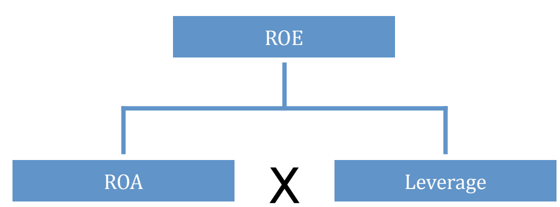
Other things equal, more debt can increase returns to shareholders if the cost of debt is less than the return on assets, but the increased expected returns are necessary to offset the increased financial risk that comes with leverage.

2. Return on Assets

"Return on Assets" is part two of this two-dimensional Operating Performance metric and is calculated as follows:



Due to the unique nature of real estate investments and requirements of GAAP that deduct large non-cash depreciation expenses from revenues in determining net income, a more useful measure of the earning power of a REIT's assets is modified funds from operations (MFFO) as a percentage of total assets. In order to reward shareholders for the risk of operating real estate investments, this return on assets must exceed a benchmark return that could be earned without operating risk. We use a REIT's average MFFO and total assets over a rolling four-quarter period to calculate an average return on assets. For a benchmark "risk-free" return, we use the yield to maturity on 10-year Treasury bonds at the beginning of the four-quarter period as a proxy for assets which have no operating risk (while recognizing that the realized returns on Treasury bonds are subject to interest rate risk).



Nontraded REITs generate returns for investors by investing in real assets which produce operating income, and each REIT makes decisions regarding the use of debt to leverage their portfolios. The return to shareholders will depend upon the ratio of operating income to invested capital, as well as the amount and cost of debt that the REIT uses to finance its assets. Return on equity is an accounting concept that literally is the product of return on assets and the effects of leverage, a two-dimensional and multiplicative relationship.