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# Fifth Edition NTR Full-Cycle Performance Study Webinar

# BLUEVAULT™

The University of Georgia <sup>\*</sup>  
**TERRY COLLEGE OF BUSINESS**  
<sup>\*</sup>Fourth and Fifth Editions

## **Fifth Edition Nontraded REIT Full-Cycle Performance Study**

First, Second and Third Editions of the BV NTR Full-Cycle Performance Studies  
with Dr. Jay Hartzell, University of Texas at Austin, McCombs School of Business,  
Real Estate Finance and Investment Center



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## Where to find the Full-Cycle Studies

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STRATEGIC STORAGE TRUST

**STABILIZED + GROWTH**  
**SELF STORAGE PROPERTIES**

Sponsor Corner



Sponsor Focus



### From Inside the V

Which nontraded REIT program announced that its sponsor's founding principals will invest net after-tax compensation in shares of the REIT?

Click on "Subscriber-Only Research"

The Vault

Subscriber-Only Research

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NONTRADED REITS

NTR Review

NTR Individual Reports

Individual Full-Cycle  
Summaries

NONTRADED BUSINESS  
DEVELOPMENT  
COMPANIES (BDCS)

BDC Review

BDC Individual Reports

NONTRADED REIT  
STUDIES

BRIEF (YEAR IN REVIEW)

INTERVAL FUNDS AND  
NONTRADED CEFS

IFCEF Reviews

IFCEF Individual Reports


INSIGHTS

# Blue Vault Fifth Edition Nontraded REIT Full-Cycle Performance Study On the Blue Vault Website Under “Subscriber-Only Research”



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 [BV 1st Edition Full-Cycle Study 2012 - Individual REIT Data](#)

 [BV 1st Edition Full-Cycle Study 2012 - Industry Summary](#)

 [BV 2nd Edition Full-Cycle Study 2013](#)

 [BV 3rd Edition Full-Cycle Study 2014](#)

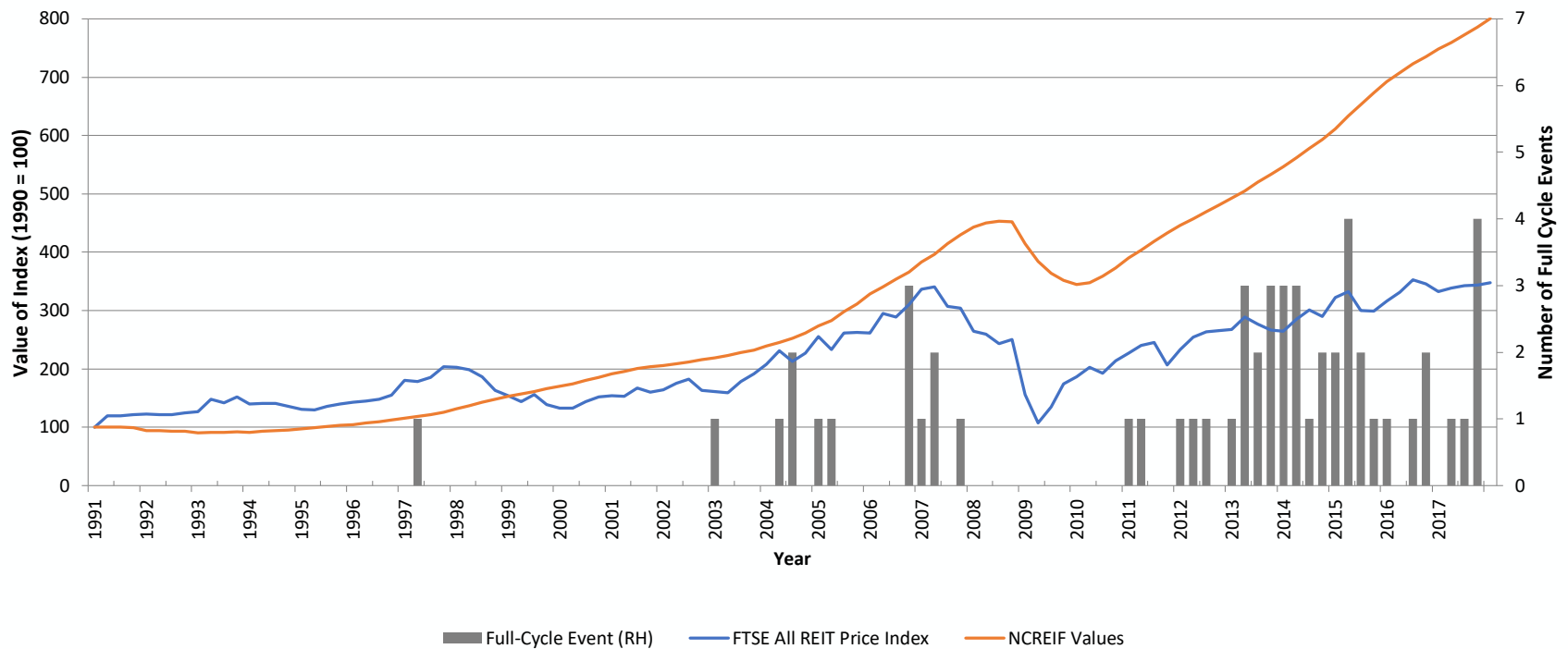
 [BV 4th Edition Full-Cycle Study 2016](#)

 [BV 5th Edition Full-Cycle Study 2018](#)



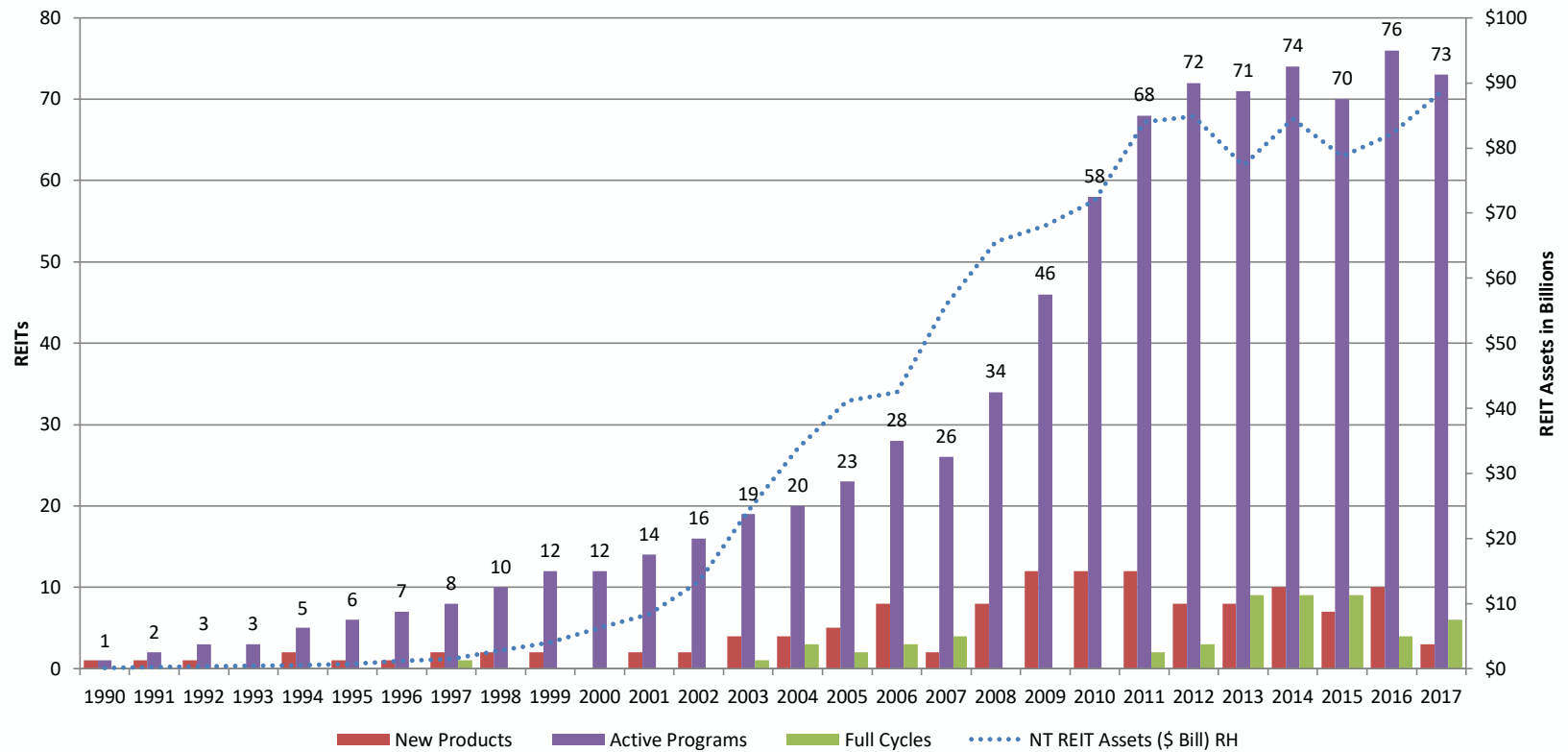
# Nontraded REIT Industry Overview

## Market Values and NTR Full-Cycle Events



# Nontraded REIT Industry Overview

## Nontraded REITs by Year



# Blue Vault Fifth Edition Nontraded REIT Full-Cycle Performance Study

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All 56 full-cycle events that have occurred in the industry from 1997 thru December 31, 2017.

Average investor returns calculated for early, middle and late investors when full liquidity is achieved

All NTR investor returns compared to custom benchmarks constructed for:

- FTSE-NAREIT Listed REIT Total Returns
- NCREIF Index Returns
- Adjusted for asset types, geographic diversification and leverage

Comparisons of returns for conventional indices (S&P 500, T-Bonds)

Comparisons of returns for tender offers and early redemptions

All data verified by sponsors and analyzed by University of Georgia Terry College of Business co-authors



## Latest Sample of NTR Full-Cycle Events

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- Between April 1997 and December 31, 2017, 56 nontraded REITs have experienced full-cycle events, providing investors with full liquidity for their common shares.
- The 11 most recent full-cycle events that took place between October 2015 and December 2017 consist of firms with average asset values of approximately \$0.92 billion vs. \$1.01 billion in the first study published in 2012. The average asset value for all 56 REITs over their lives was \$1.27 billion.
- The latest set of full-cycle REITs includes a nontraded REIT that offered a continuous offering and daily NAV updates, the first of its kind to liquidate. American Realty Capital Daily NAV Trust, Inc. adopted a plan of liquidation on July 30, 2015.

## First Sample of Full-Cycle NTRs: 17 Events

Nontraded REIT	Date of Inception	Date of Full Liquidity Event	Liquidity Event Type
Cornerstone Realty Income Trust, Inc.	12/31/1992	4/18/1997	Listed on NYSE
Apple Suites, Inc.	7/26/1999	1/31/2003	Merged with Apple Hospitality Two
Inland Real Estate Corporation	10/14/1994	6/9/2004	Listed on NYSE
Carey Institutional Properties Inc.	8/1/1991	8/25/2004	Merged with Corporate Property Associates 15
Corporate Property Associates 10, Inc.	6/20/1990	8/25/2004	Merged with Carey Institutional Properties Inc.
CNL Restaurant Properties, Inc.	4/29/1995	2/25/2005	Merged with U.S. Restaurant Properties
Apple Residential Income Trust, Inc.	11/19/1996	4/14/2005	Merged with Cornerstone Realty Income Trust, Inc.
CNL Retirement Properties, Inc.	9/18/1998	10/5/2006	Acquired by Health Care Property Investors
Corporate Property Associates 12, Inc.	2/18/1994	12/1/2006	Merged with Corporate Property Associates 14
DCT Industrial Trust Inc.	7/17/2002	12/13/2006	Listed on NYSE
Inland Retail Real Estate Trust, Inc.	2/11/1999	3/14/2007	Acquired by Developers Diversified Realty Corp.
CNL Hotels & Resorts, Inc.	7/9/1997	4/12/2007	Acquired by MS Resort Purchaser MSREF, Ashford Hospitality Trust
Apple Hospitality Two, Inc.	5/1/2001	5/23/2007	Acquired by Lion ES Hotels, LP (ING Clarion Partners)
Apple Hospitality Five, Inc.	12/3/2002	10/11/2007	Acquired by Inland American Real Estate Trust
Piedmont Office Realty Trust, Inc.	1/30/1998	1/30/2011	Listed on NYSE (2/10/2010)
Corporate Property Associates 14, Inc.	12/11/1997	5/2/2011	Merged with Corporate Property Associates 16 - Global
American Realty Capital Trust	1/25/2008	3/1/2012	Listed on NASDAQ

## Second Sample of Full-Cycle NTRs: 10 Events

Nontraded REIT	Date of Inception	Date of Full Liquidity Event	Liquidity Event Type
Whitestone REIT	9/15/2004	6/27/2012	Class A unlisted common shares converted to listed Class B shares
Corporate Property Associates 15, Inc.	11/30/2001	9/28/2012	Merged with W.P. Carey, Inc.
American Realty Capital Trust III	3/31/2011	2/28/2013	Merged with American Realty Capital Properties
Apple REIT Six, Inc.	1/23/2004	5/14/2013	Acquired by BRE Select Hotels
Chambers Street Properties	10/24/2006	5/21/2013	Listed on NYSE
Cole Credit Property Trust III, Inc.	10/1/2008	6/20/2013	Listed on NYSE
Cole Credit Property Trust II, Inc.	6/27/2005	7/18/2013	Listed on NYSE
Independence Realty Trust, Inc.	6/10/2011	8/13/2013	Listed on NYSE
Inland Western Retail Real Estate Trust, Inc.	9/15/2003	10/7/2013	Class B-3 common shares converted to listed Class A shares
Columbia Property Trust, Inc.	12/1/2003	10/10/2013	Listed on NYSE

## Third Sample of Full-Cycle NTRs: 8 Events

<b>Nontraded REIT</b>	<b>Date of Inception</b>	<b>Date of Full Liquidity Event</b>	<b>Liquidity Event Type</b>
Healthcare Trust of America, Inc.	9/20/2006	11/8/2013	Class B-3 shares converted to listed Class A shares
American Realty Capital Trust IV, Inc.	6/8/2012	1/3/2014	Merged with American Realty Capital Properties, Inc. (ARCP)
Corporate Property Associates 16, Inc.	12/1/2003	1/31/2014	Merged with W.P. Carey, Inc.
Paladin Realty Income Properties, Inc.	2/25/2005	1/31/2014	Acquired by Resource Real Estate Opportunity REIT for cash
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)
United Development Funding IV	11/12/2009	6/4/2014	Listed on NASDAQ Global Select Market
Inland Diversified Real Estate Trust, Inc.	8/24/2009	7/1/2014	Merged with Kite Realty Group (KRG)

## Fourth Sample of Full-Cycle NTRs: 10 Events

Nontraded REIT	Date of Inception	Date of Full Liquidity Event	Liquidity Event Type
Monogram Residential Trust, Inc.	9/5/2008	11/21/2014	Listing on NYSE
Griffin-American Healthcare REIT II, Inc.	8/24/2009	12/3/2014	Merger with NorthStar
Cole Corporate Income Trust, Inc.	2/10/2011	1/29/2015	Merger with SIR
CatchMark Timber Trust, Inc.	8/14/2006	2/27/2015	Class B-3 shares converted to Class A, eligible to trade on NYSE
Apple Hospitality REIT, Inc.	4/25/2008	5/18/2015	Listed NYSE
Apple REIT Eight, Inc.	7/19/2007	5/18/2015	Listed NYSE (merged with Apple Hospitality)
Apple REIT Seven, Inc.	7/28/2006	5/18/2015	Listed NYSE (merged with Apple Hospitality)
American Realty Capital Global Trust, Inc.	4/20/2012	6/2/2015	Listed NYSE
TIER REIT, Inc.	2/19/2003	7/23/2015	Listed NYSE
SmartStop Self Storage, Inc.	3/17/2008	9/29/2015	Merger with EXR

## Fifth Sample of Full-Cycle NTRs: 11 Events

Nontraded REIT	Date of Inception	Date of Full Liquidity Event	Liquidity Event Type
Global Income Trust, Inc.	4/23/2010	12/11/2015	Liquidating sale to GCEA
Bluerock Residential Growth REIT, Inc.	10/15/2009	3/17/2016	Listing NYSE Mkt
Apple REIT Ten, Inc.	1/19/2011	9/1/2016	Merger with Apple Hospitality REIT
American Realty Capital Daily NAV Trust, Inc.	8/15/2011	12/22/2016	Liquidation
American Realty Capital Global Trust II, Inc.	8/26/2014	12/22/2016	Merger with GNL
Hines Real Estate Investment Trust, Inc.	6/18/2004	4/18/2017	Liquidation
Sentio Healthcare Properties, Inc.	6/20/2008	8/31/2017	Purchased by Kayne Anderson RE Advisors
CNL Growth Properties, Inc.	10/20/2009	10/24/2017	Liquidation
CNL Lifestyle Properties, Inc.	4/16/2004	12/15/2017	Liquidation
KBS Real Estate Investment Trust, Inc.	1/13/2006	12/19/2017	Liquidation
Industrial Income Trust Inc.	12/18/2009	12/20/2017	Merger with GLP and liquidation

# All Cash Flow Data is Reviewed and Confirmed

Period	Quarter	Quarter	Year	Quarterly Dividend/Sh.	Share Price (\$)	Calculated Quarterly Yield	Reinvestment Price (\$)	Cumulative / Gross Aggregate Offering Proceeds (\$000)
				0	\$10.00			200
1	2Q 2010	2	2010	0	\$10.00		\$9.50	200
2	3Q 2010	3	2010	0	\$10.00		\$9.50	200
3	4Q 2010	4	2010	0.1638	\$10.00		\$9.50	8100
4	1Q 2011	1	2011	0.1602720	\$10.00		\$9.50	11900
5	2Q 2011	2	2011	0.1620528	\$10.00		\$9.50	16900
6	3Q 2011	3	2011	0.1638336	\$10.00		\$9.50	22200
7	4Q 2011	4	2011	0.1638336	\$10.00		\$9.50	28500
8	1Q 2012	1	2012	0.1602720	\$10.00		\$9.50	40100
9	2Q 2012	2	2012	0.1620528	\$10.00		\$9.50	51300
10	3Q 2012	3	2012	0.1638336	\$10.00		\$9.50	57200
11	4Q 2012	4	2012	0.1638336	\$10.00		\$9.50	74400
12	1Q 2013	1	2013	0.1602720	\$10.00		\$9.50	76400
13	2Q 2013	2	2013	0.1620528	\$10.00		\$9.50	83700
14	3Q 2013	3	2013	0.1638336				
15	4Q 2013	4	2013	0.1638336				
16	1Q 2014	1	2014	0.1602720				
17	2Q 2014	2	2014	0.1620528				
18	3Q 2014	3	2014	0.1638336				
19	4Q 2014	4	2014	0.1638336				
20	1Q 2015	1	2015	0.1602720			\$7.43	
21	2Q 2015	2	2015	0.1620528				
22	3Q 2015	3	2015	0.1638336				
23	4Q 2015	4	2015	no further filings				
24	1Q 2016	1	2016	7.01				

Inception	4/23/10 Payment	Per Share	
Distribution	Accrual Periods	Date	
10/7/2010	12/1/2010	12/16/10	\$ 0.097944
12/1/2010	1/1/2011	1/14/11	\$ 0.055205
1/1/2011	2/1/2011	2/16/11	\$ 0.055205
2/1/2011	3/1/2011	3/16/11	\$ 0.049862
3/1/2011	4/1/2011	4/15/11	\$ 0.055205
4/1/2011	5/1/2011	5/16/11	\$ 0.053424
5/1/2011	6/1/2011	6/16/11	\$ 0.055205
6/1/2011	7/1/2011	7/15/11	\$ 0.053424
7/1/2011	8/1/2011	8/16/11	\$ 0.055205
8/1/2011	9/1/2011	9/16/11	\$ 0.055205
9/1/2011	10/1/2011	10/14/11	\$ 0.053424
10/1/2011	11/1/2011	11/16/11	\$ 0.055205
11/1/2011	12/1/2011	12/16/11	\$ 0.053424
12/1/2011	1/1/2012	1/9/12	\$ 0.055205
1/1/2012	2/1/2012	2/8/12	\$ 0.055205
2/1/2012	3/1/2012	3/7/12	\$ 0.051643
3/1/2012	4/1/2012	4/9/12	\$ 0.055205
4/1/2012	5/1/2012	5/8/12	\$ 0.053424
5/1/2012	6/1/2012	6/6/12	\$ 0.055205
6/1/2012	7/1/2012	7/9/12	\$ 0.053424
7/1/2012	8/1/2012	8/8/12	\$ 0.055205
8/1/2012	9/1/2012	9/7/12	\$ 0.055205
9/1/2012	10/1/2012	10/8/12	\$ 0.053424
10/1/2012	11/1/2012	11/8/12	\$ 0.055205
11/1/2012	12/1/2012	12/6/12	\$ 0.053424

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# Full Sample Performance

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- Realized common shareholder returns for the 56 full-cycle REITs assuming reinvestment of distributions ranged from -9.98% to 20.52%, with an average of 6.52% and a median of 8.08%. Assuming no reinvestment of distributions, the average IRR was 6.13% and the median was 7.25%.
- The average annual distribution yield over the lives of the 56 REITs in this study was 6.66%, using quarters in which distributions were paid and based upon the initial offering prices.
- As 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.



# Full-Cycle Study NTR Returns

	Total Assets* (in \$ Millions)	*Leverage (Debt/Total Assets)	Conventional IRR** (excl. DRP)	Annual IRR (incl. DRP)	Conditional Annual Dividend yield***	Initial Price	Exit Price	Capital Gain
<b>Full Sample Mean</b>	\$1,269.67	42.9%	6.13%	6.52%	6.66%	\$10.71	\$10.56	-1.25%
<b>Full Sample Median</b>	\$959.25	46.1%	7.25%	8.08%	6.53%	\$10.00	\$10.63	4.95%
<b>2012 Original Sample Mean</b>	\$1,013.01	36.6%	9.70%	10.44%	8.06%	\$9.84	\$11.37	15.24%
<b>2012 Original Sample Median</b>	\$658.21	40.0%	9.69%	11.10%	8.08%	\$10.00	\$11.62	17.65%
<b>2013 Update Sample Mean</b>	\$2,087.44	46.3%	4.76%	5.12%	6.11%	\$10.05	\$9.19	-8.57%
<b>2013 Update Sample Median</b>	\$986.72	56.0%	5.92%	6.39%	6.23%	\$10.00	\$10.00	0.00%
<b>2014 Update Sample Mean</b>	\$1,053.02	48.8%	7.47%	9.02%	6.32%	\$13.13	\$13.99	4.71%
<b>2014 Update Sample Median</b>	\$1,066.08	50.4%	7.03%	8.13%	5.92%	\$10.00	\$10.86	7.90%
<b>2015 Update Sample Mean</b>	\$1,341.22	37.1%	4.43%	4.17%	6.38%	\$10.15	\$8.79	-13.36%
<b>2015 Update Sample Median</b>	\$1,272.70	36.3%	5.80%	5.45%	6.57%	\$10.00	\$9.13	-10.89%
<b>2018 Update Sample Mean</b>	\$917.74	49.3%	2.89%	2.53%	5.66%	\$11.40	\$9.86	-11.25%
<b>2018 Update Sample Median</b>	\$458.62	53.9%	3.04%	2.65%	6.25%	\$10.00	\$9.69	-29.90%

\* Average total assets and average leverage over the life of the REIT, excluding values after mergers with other nontraded REITs

\*\* Without reinvestment of distributions

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

# Performance of Latest Sample

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The 11 REITs with full-cycle events since October 2015 had average annualized full-cycle returns to early investors of 2.89% and median returns of 3.04%, with three experiencing negative average returns to early investors.

# Full-Cycle Study NTR Returns

	Total Assets* (in \$ Millions)	*Leverage (Debt/Total Assets)	Conventional IRR** (excl. DRP)	Annual IRR (incl. DRP)	Conditional Annual Dividend yield***	Initial Price	Exit Price	Capital Gain
Full Sample Mean	\$1,269.67	42.9%	6.13%	6.52%	6.66%	\$10.71	\$10.56	-1.25%
Full Sample Median	\$959.25	46.1%	7.25%	8.08%	6.53%	\$10.00	\$10.63	4.95%
2012 Original Sample Mean	\$1,013.01	36.6%	9.70%	10.44%	8.06%	\$9.84	\$11.37	15.24%
2012 Original Sample Median	\$658.21	40.0%	9.69%	11.10%	8.08%	\$10.00	\$11.62	17.65%
2013 Update Sample Mean	\$2,087.44	46.3%	4.76%	5.12%	6.11%	\$10.05	\$9.19	-8.57%
2013 Update Sample Median	\$986.72	56.0%	5.92%	6.39%	6.23%	\$10.00	\$10.00	0.00%
2014 Update Sample Mean	\$1,053.02	48.8%	7.47%	9.02%	6.32%	\$13.13	\$13.99	4.71%
2014 Update Sample Median	\$1,066.08	50.4%	7.03%	8.13%	5.92%	\$10.00	\$10.86	7.90%
2015 Update Sample Mean	\$1,341.22	37.1%	4.43%	4.17%	6.38%	\$10.15	\$8.79	-13.36%
2015 Update Sample Median	\$1,272.70	36.3%	5.80%	5.45%	6.57%	\$10.00	\$9.13	-10.89%
2018 Update Sample Mean	\$917.74	49.3%	2.89%	2.53%	5.66%	\$11.40	\$9.86	-11.25%
2018 Update Sample Median	\$458.62	53.9%	3.04%	2.65%	6.25%	\$10.00	\$9.69	-29.90%

\* Average total assets and average leverage over the life of the REIT, excluding values after mergers with other nontraded REITs

\*\* Without reinvestment of distributions

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

# Top Ten Full-Cycle Returns\*

Rank	Name	Average Total Assets (in \$ Millions)	Conventional IRR (excl. DRIP)	Annual IRR (incl. DRIP)	Conditional Annual Dividend Yield	Initial Price	Exit Price	Capital Gain	Sponsor
1	American Realty Capital Trust III, Inc.	\$709.72	14.63%	18.34%	6.23%	\$10.00	\$12.57	25.70%	ARC
2	American Realty Capital Trust IV, Inc.	\$1,240.89	14.46%	20.52%	5.40%	\$25.00	\$30.54	22.16%	ARC
3	Apple Hospitality Five, Inc.	\$391.39	13.49%	15.13%	8.17%	\$10.50	\$14.05	33.81%	Apple
4	Apple Hospitality Two, Inc.	\$598.28	13.40%	13.67%	10.43%	\$9.50	\$11.20	17.89%	Apple
5	Inland Retail Real Estate Trust, Inc.	\$2,387.64	12.07%	13.95%	8.46%	\$10.00	\$14.00	40.00%	Inland
6	Apple Suites, Inc.	\$160.73	11.63%	12.75%	10.21%	\$9.00	\$10.00	11.11%	Apple
7	DCT Industrial Trust Inc.	\$1,197.18	11.14%	13.08%	6.40%	\$10.00	\$12.35	23.50%	Dividend Capital
8	Cornerstone Realty Income Trust, Inc.	\$141.40	11.08%	12.11%	9.48%	\$9.50	\$10.50	10.53%	Apple
9	SmartStop Self Storage, Inc.	\$446.00	10.96%	12.15%	7.00%	\$10.00	\$13.75	37.50%	SmartStop
10	CNL Growth Properties, Inc.	\$255.46	10.49%	10.49%	0.00%	\$10.00	\$18.57	85.70%	CNL

\* Ranked by conventional annualized returns (IRR) excluding DRIP

# Custom Benchmarks Performance

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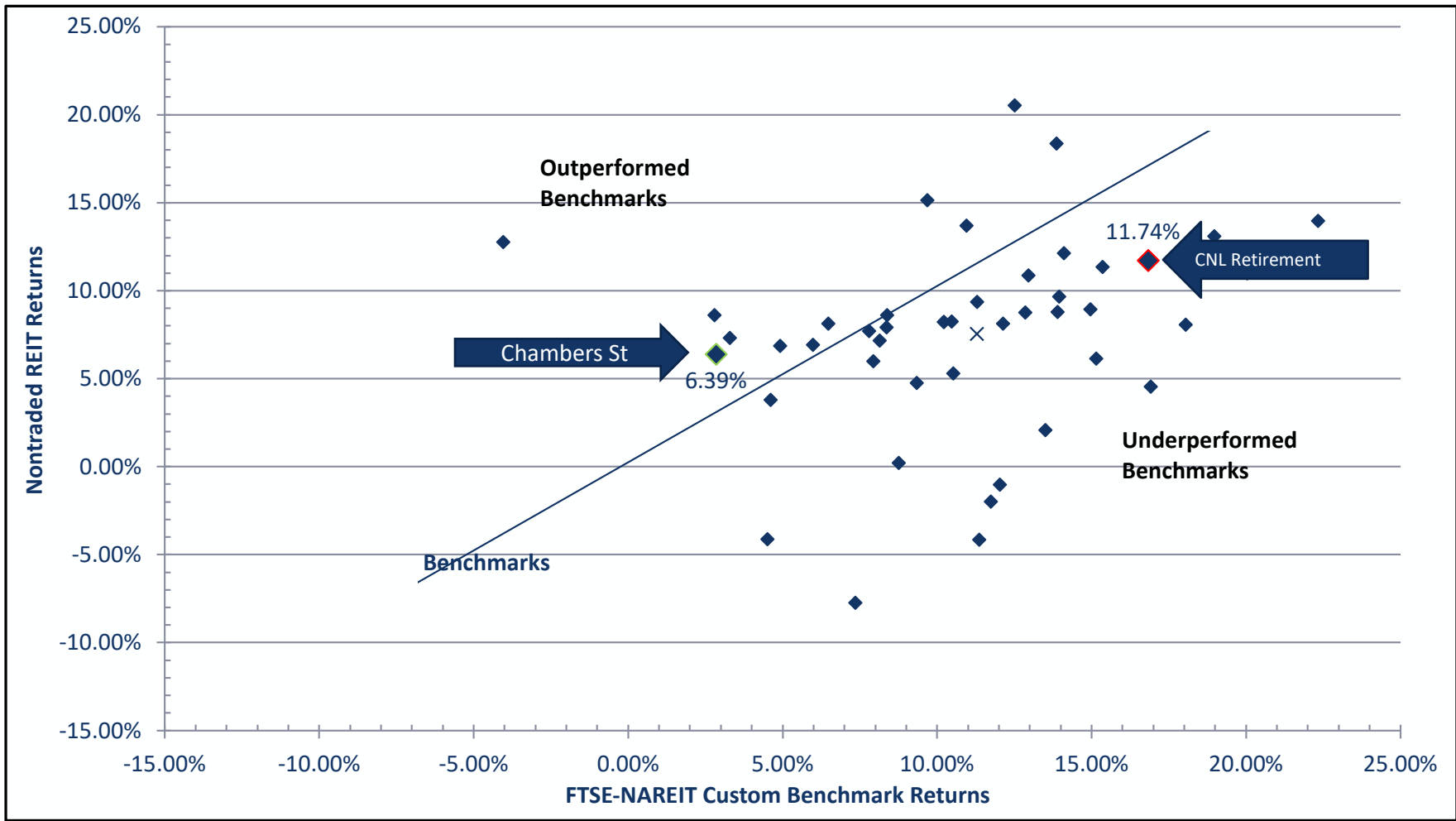
- The average IRR for the custom benchmarks constructed by matching location and property type data for each REIT and the appropriately weighted and levered NCREIF indices was 12.55% with a median of 12.62%, 5.38% higher than the actual median IRR, excluding DRIP, for the 56 nontraded REITs. (Note that this index is appraisal based and includes both appreciation and income, and is not investable by individual investors.)
- The average IRR for the custom benchmarks constructed by weighting returns on the traded REIT FTSE NAREIT indices for each property type to match the nontraded REITs' portfolios over time, again adjusting for differences in leverage, was 11.48% with a median of 10.73%, 3.49% higher than the actual median IRR, excluding DRIP, for the 56 nontraded REITs.

## NTR Performance vs. Custom Benchmarks

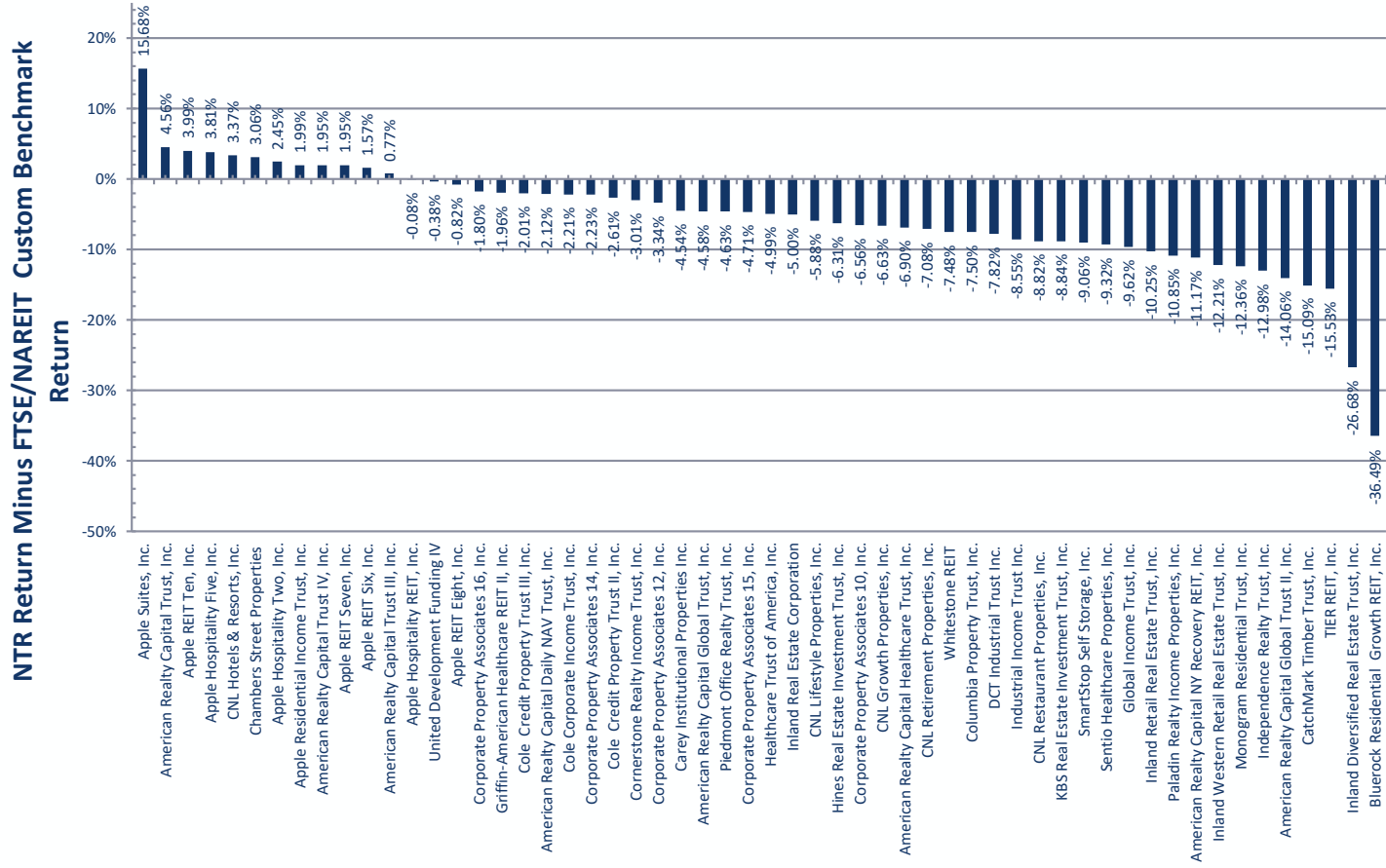
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- When comparing the full-cycle IRRs of the 56 nontraded REITs to the custom benchmarks, we find that **21 of 56 REITs (38%) outperformed** one or both of their respective custom benchmarks. Of the 56 REITs, **14** (25%) outperformed the private (NCREIF) benchmark and **12** (21%) outperformed the publicly-traded (FTSE-NAREIT) benchmark, while **5** (9%) 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% by Chambers Street Properties compares favorably to its custom benchmarks (NCREIF 3.95% and FTSE NAREIT 2.86%) while an average return of 11.74% by CNL Retirement Properties does not (NCREIF 16.75% and FTSE NAREIT 16.84%), because of the relative differences in performance of the NCREIF and FTSE NAREIT indices over those REIT lives.

See the following illustration.

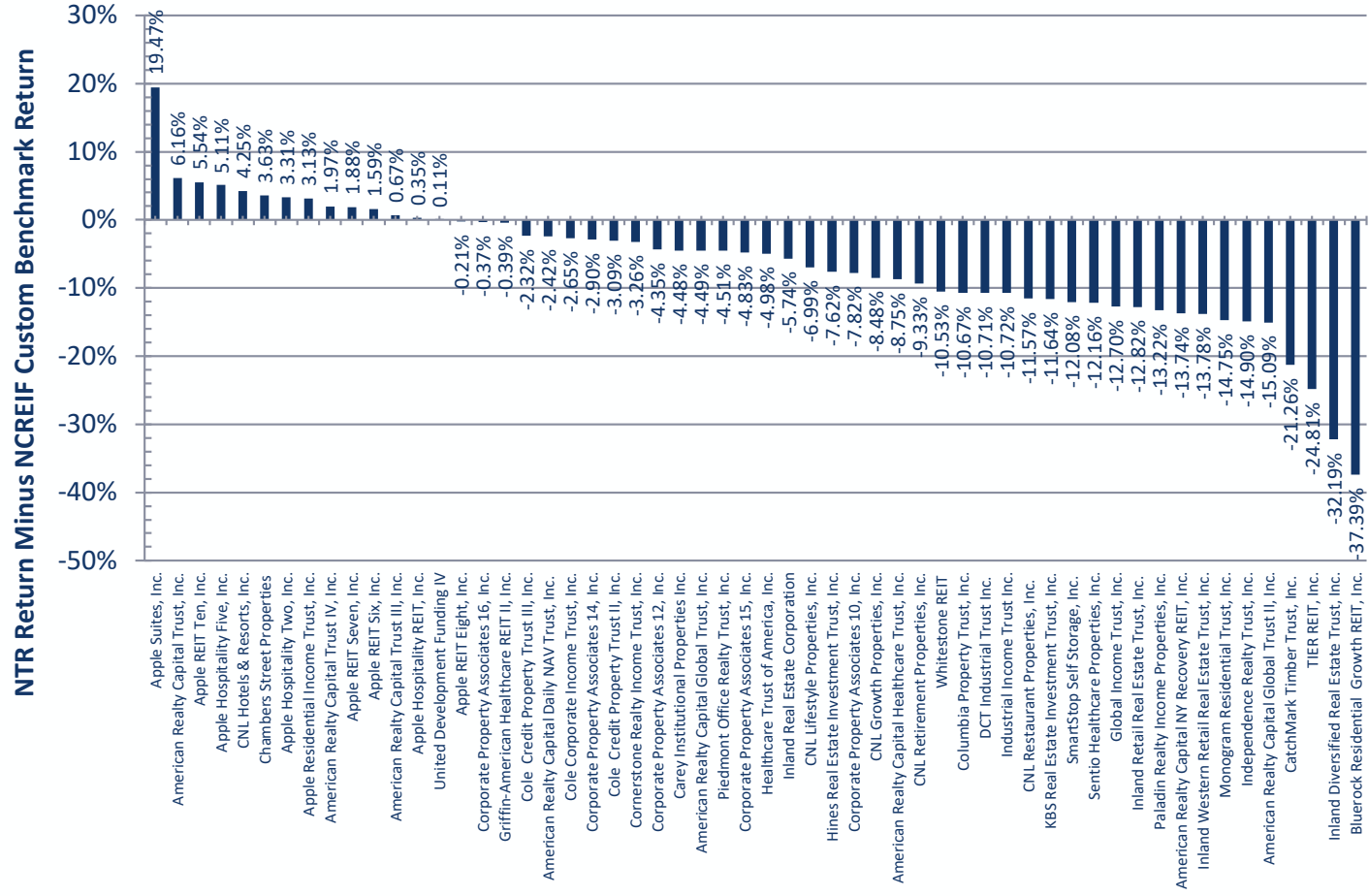


## Full-Cycle Nontraded REITs vs. Traded REIT Custom Benchmarks





## Full-Cycle Nontraded REITs vs. NCREIF Custom Benchmarks

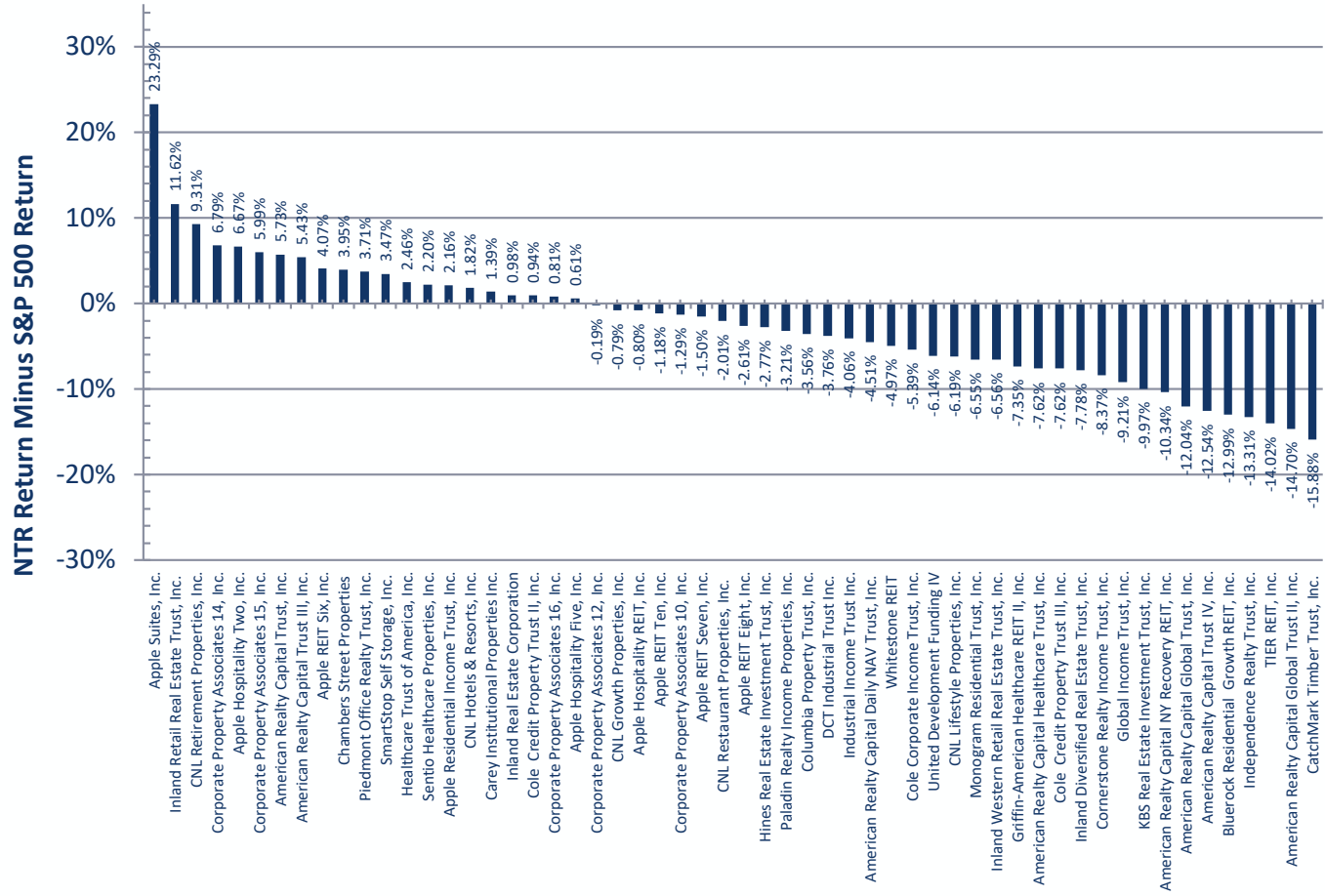


## Performance vs. Conventional Benchmarks

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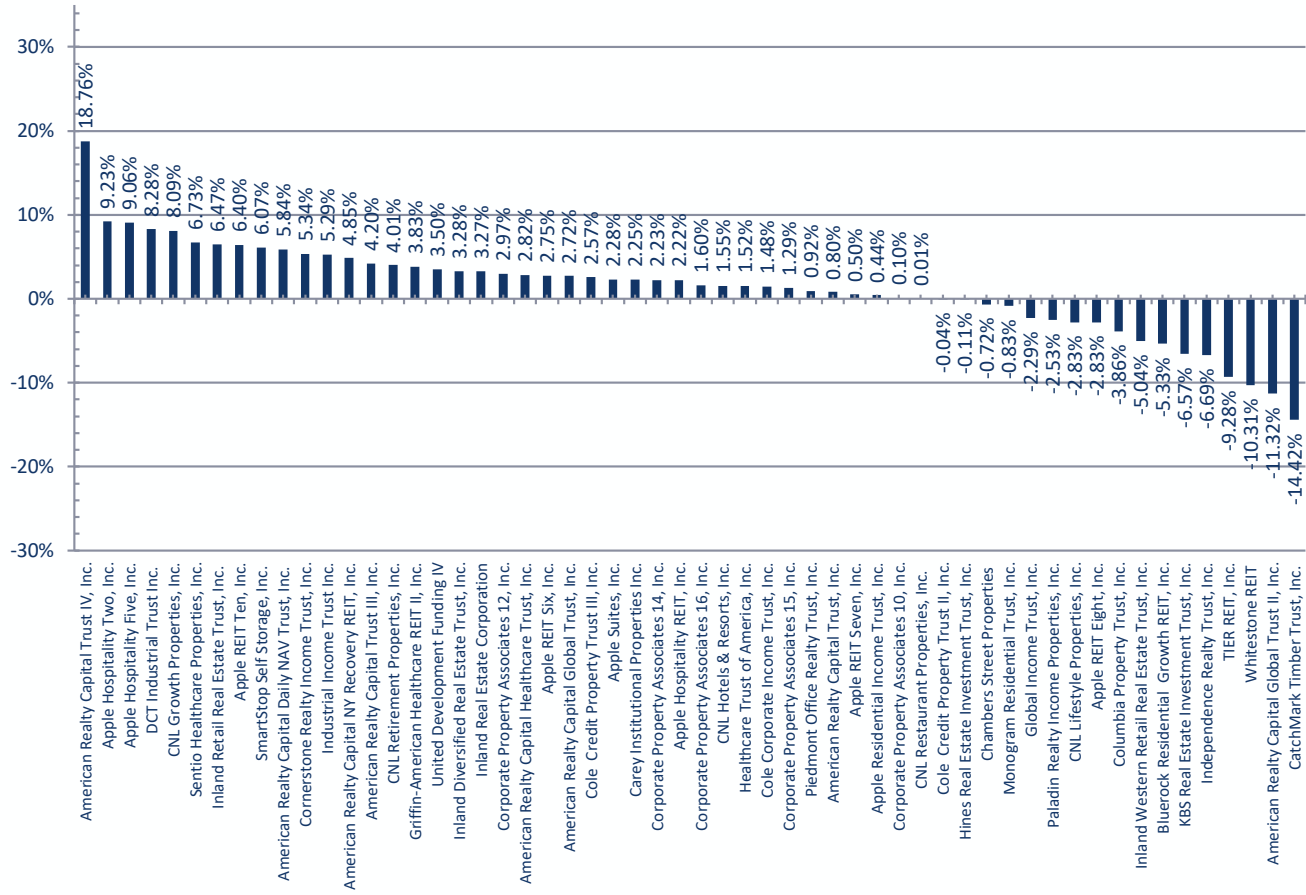
- The average annualized returns on nontraded REITs in the study were 6.13% (without DRIP) and 6.52% (with DRIP), compared to an average total return for the S&P 500 Stock Index of 8.42% over matched holding periods.
- The Intermediate-Term Treasury Fund benchmark provided average returns of 4.87% over matched holding periods. 39 of 56 (70%) 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 a 9.45% average annual return on its real estate portfolio, apart from the impact of fees or loads.

## Full-Cycle Nontraded REITs vs. S&P 500 over Matched Holding Periods



NTR Return Minus Intermediate Treasury Return

Full-Cycle Nontraded REITs vs. Treasuries over Matched Holding Periods



## Return Correlations with Other Asset Types

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- 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.
- In this study as in the past editions, we calculate a cross-sectional correlation for all 56 full-cycle events which measures the total holding period returns for each nontraded REIT with the matched holding period returns on other assets. Results are shown on the next slide.

## Correlation of NTR Full-Cycle Returns with Indices Over Matched Holding Periods

	NTR IRR	NCREIF Benchmark	FTSE-NAREIT Benchmark	NCREIF NPI	FTSE- NAREIT All REITS	Interm. Treas.	S&P 500
NTR IRR		0.105	0.155	0.189	0.378	0.091	0.143
NCREIF Benchmark	0.105		0.538	0.655	0.481	(0.369)	0.384
FTSE-NAREIT Benchmark	0.155	0.538		0.282	0.466	(0.221)	0.376
NCREIF NPI	0.189	0.655	0.282		0.684	(0.222)	0.288
FTSE-NAREIT All REITS	0.378	0.481	0.466	0.684		(0.035)	0.344
Intermediate Treasuries	0.091	(0.369)	(0.221)	(0.222)	(0.035)		(0.549)
S&P 500	0.143	0.384	0.376	0.288	0.344	(0.549)	

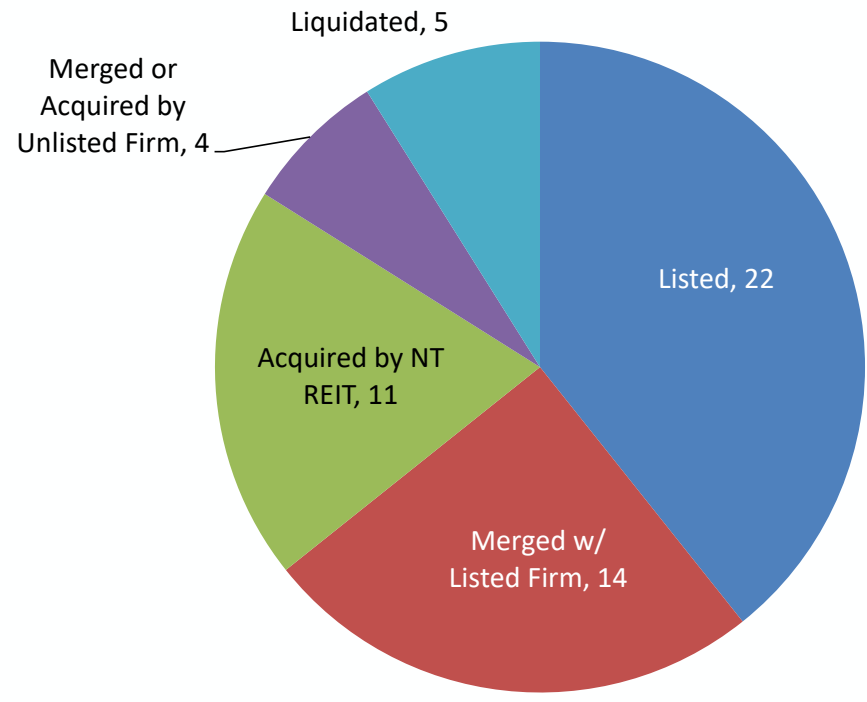
# Performance by Type of Event

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For the full sample of 56 nontraded REITs, 22 listed on public exchanges\*, 14 were acquired by publicly-traded firms, 11 were acquired by or merged with nontraded REITs, and four were acquired by a private firm for cash. New to the sample are five nontraded REITs that liquidated their property portfolios and distributed cash from those liquidations. Of the 45 REITs in the prior studies, none had totally liquidated their portfolios via property sales.

\*Apple REITs Seven and Eight merged with NTR Apple Hospitality (fka Apple REIT Nine) simultaneously with the listing.

### Full-Cycle Liquidity Event Type for 56 NTRs



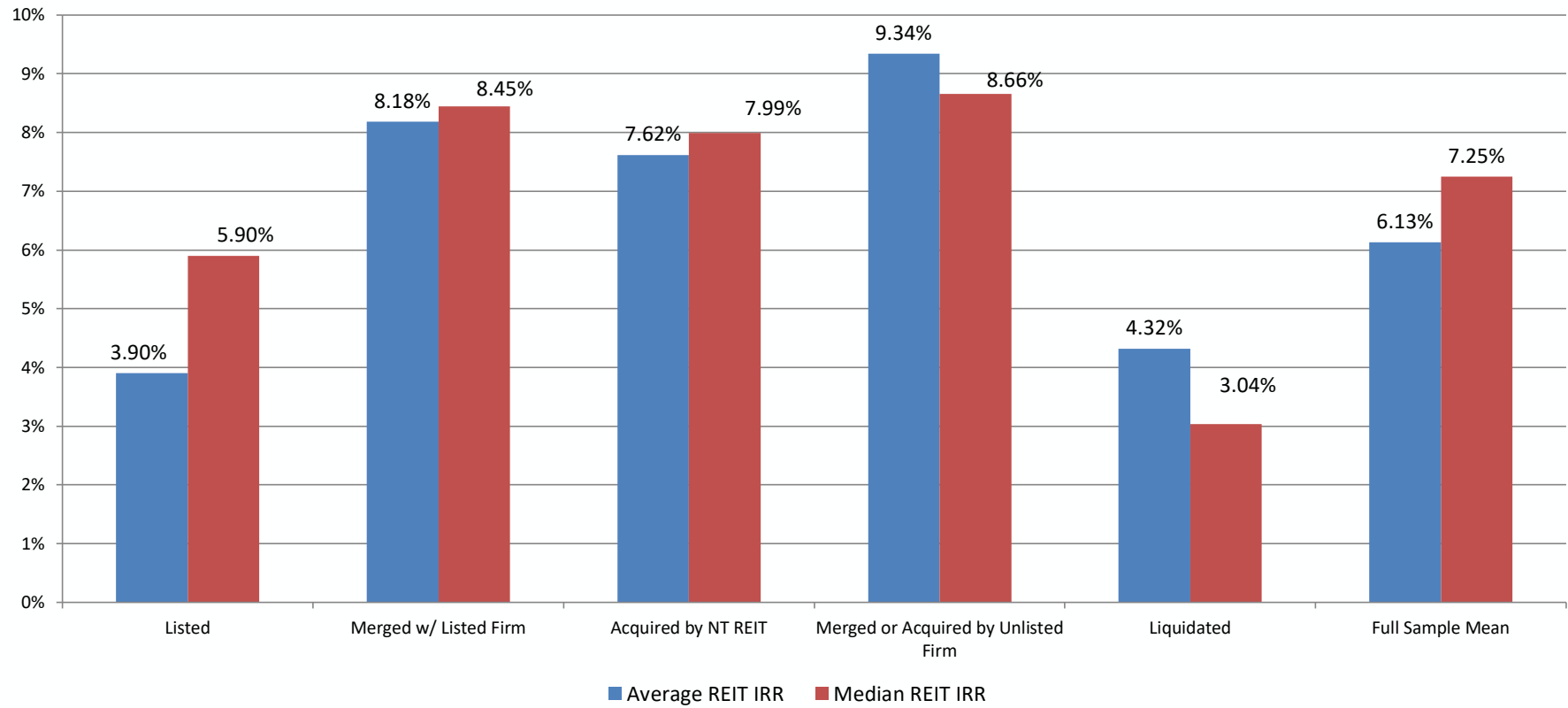


## Full-Cycle Performance by Event Type

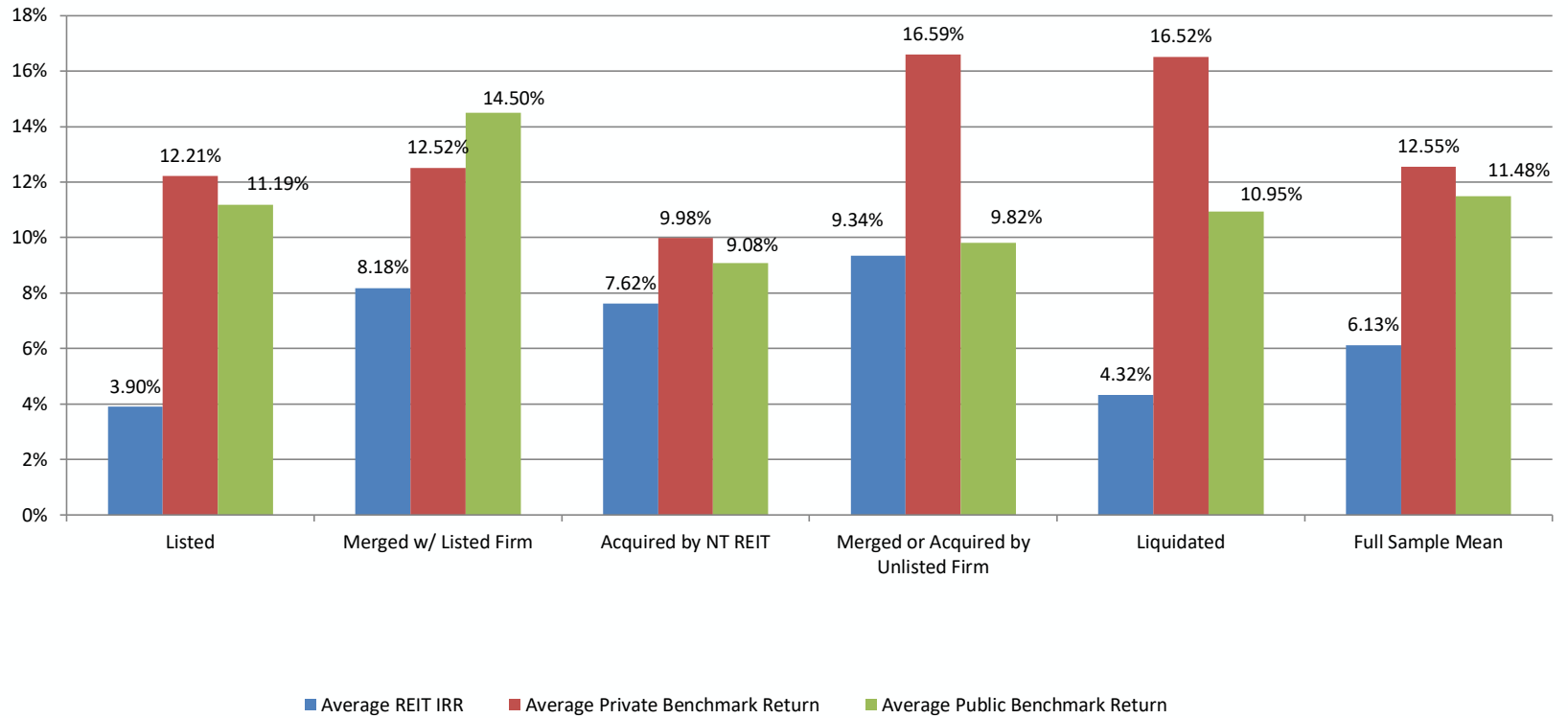
Number of Full-Cycle Events by Type  
 Average Number of Years From Inception to Full-Cycle  
 Median Number of Years From Inception to Full-Cycle  
 Average REIT IRR  
 Median REIT IRR  
 Private Benchmark  
 Public Benchmark

Listed	Merged w/ Listed Firm	Acquired by NT REIT	Merged or Acquired by Unlisted Firm	Liquidated	Full Sample Mean
22	14	11	4	5	56
6.7	6.4	9.2	8.6	10.4	7.4
6.5	6.8	8.8	9.3	11.9	9.3
3.90%	8.18%	7.62%	9.34%	4.32%	6.13%
5.90%	8.45%	7.99%	8.66%	3.04%	7.25%
12.21%	12.52%	9.98%	16.59%	16.52%	12.55%
11.19%	14.50%	9.08%	9.82%	10.95%	11.48%

### Full-Cycle Performance by Type of Event



### Full-Cycle Performance vs. Custom Benchmarks by Type of Event



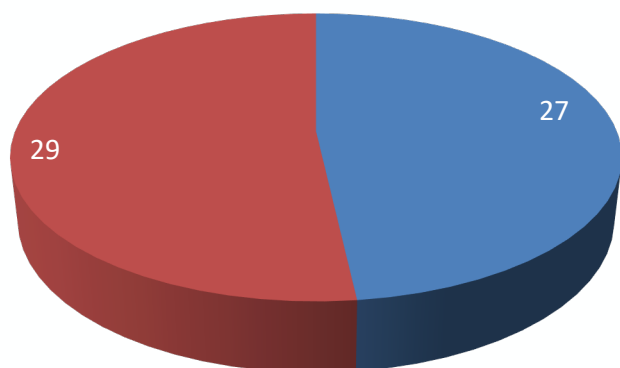
# Performance by Investment Timing

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- The updated study shows insignificant differences in cross-sectional average returns to early, middle or late investors during the offering periods.
- In 27 instances, mid-offering investors outperformed early investors over their respective holding periods. In 29 instances, late-offering investors outperformed early investors over their respective holding periods. The median returns for early investors (7.25%), middle investors (8.26%) and late investors (7.49%) did display differences due to investment timing, but the average returns for each group were very similar.
- There were large variations across REITs due to capital gains or losses, with those realized gains or losses having a greater impact on the returns of later investors compared to early investors.

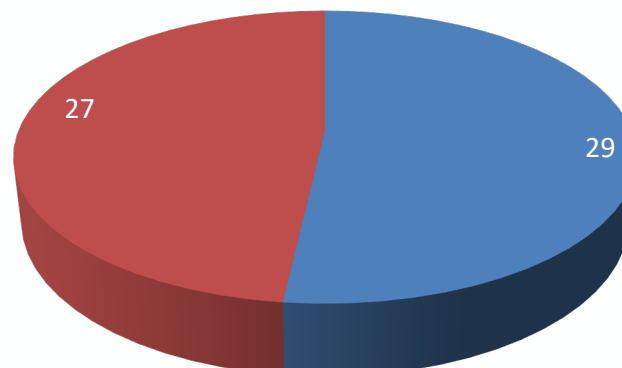
# Performance by Investment Timing

Returns to Mid-Offering Investors vs. Early Investors



■ Greater ■ Less than

Returns to Late-Offering Investors vs. Early Investors



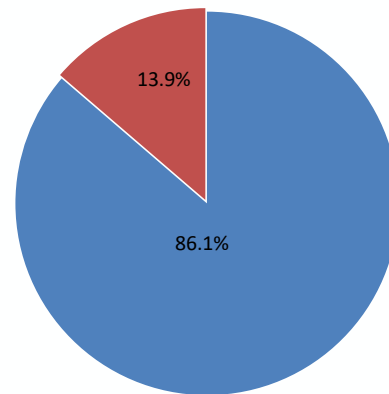
■ Greater ■ Less than

# Performance Attribution

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- For the 56 full-cycle REITs, dividend income provided an average of 86.1% of the total returns and capital gains provided 13.9%.
- The average capital loss [(full-cycle price minus initial offering price)/initial price] for the 56 REITs was 1.25% compared to an average gain of 1.19% in the previous study, with 31 REITs showing capital gains and 24 showing capital losses.
- The median capital gain was 4.95%, indicating the average loss for the entire sample was heavily impacted by several extreme cases.
- Where capital losses occurred, the return from distributions was treated as 100% of the total return.

## Performance Attribution\*



# Performance By Major Sponsors

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21 different sponsors had nontraded REITs experiencing full-cycle events over the study period.

Among the most active sponsors (> 3 events), the average returns and capital gains in full-cycle events are given (in alphabetical order).



# Average Returns by Apple NTRs

Nontraded REIT by Sponsor	Total Assets* (in \$ Millions)	*Leverage (Debt/Total Assets)	Annual IRR (Includes DRIP)	Conditional Annual Dividend yield***	Initial Price(\$)	Exit Price(\$)	Capital Gain
Apple Hospitality Five	\$391.39	1.5%	15.13%	8.17%	\$10.50	\$14.05	33.81%
Apple Hospitality Two	\$598.28	55.0%	13.67%	10.40%	\$9.50	\$11.20	17.89%
Apple Residential Income Trust	\$271.27	10.6%	6.90%	9.15%	\$9.00	\$7.82	-13.11%
Apple Suites	\$160.73	48.1%	12.75%	10.21%	\$9.00	\$10.00	11.11%
Cornerstone Realty Income Trust	\$141.40	9.2%	12.11%	9.48%	\$9.50	\$10.50	10.53%
Apple REIT Six	\$733.66	9.1%	8.12%	7.94%	\$10.50	\$11.10	5.71%
Apple Hospitality REIT, Inc.	\$1,770.46	13.8%	6.94%	8.48%	\$10.50	\$9.00	-14.29%
Apple REIT Seven, Inc.	\$1,321.81	18.2%	5.99%	7.13%	\$10.50	\$9.00	-14.29%
Apple REIT Eight, Inc.	\$1,457.73	21.0%	2.79%	6.26%	\$10.50	\$7.65	-27.14%
Apple REIT Ten, Inc.	\$748.39	17.1%	8.65%	7.74%	\$10.50	\$10.89	3.71%
Average for Apple	\$759.51	20.3%	9.30%	8.50%			1.39%

\*Average over the life of the REIT \*\*\* Based only on periods when distributions were paid as % of offering price.

# Average Returns by AR Global NTRs

Nontraded REIT by Sponsor	Total Assets* (in \$ Millions)	*Leverage (Debt/Total Assets)	Annual IRR (Includes DRIP)	Conditional Annual Dividend yield***	Initial Price(\$)	Exit Price(\$)	Capital Gain
American Realty Capital Trust	\$812.15	65.7%	8.59%	6.63%	\$10.00	\$10.49	4.90%
American Realty Capital Trust III	\$709.72	10.5%	18.34%	6.23%	\$10.00	\$12.57	25.70%
American Realty Capital Trust IV	\$1,240.89	18.0%	20.52%	5.40%	\$25.00	\$30.54	22.16%
American Realty Capital Healthcare	\$891.26	42.0%	8.77%	6.47%	\$10.00	\$10.79	7.90%
American Realty Capital NY Recovery	\$612.57	51.03%	8.06%	5.84%	\$10.00	\$10.75	7.50%
American Realty Capital Global Trust, Inc.	\$1,104.27	35.8%	4.90%	7.10%	\$10.00	\$9.32	-6.80%
American Realty Capital Daily NAV Trust, Inc.	\$27.54	57.2%	7.45%	6.34%	\$9.92	\$9.69	-2.32%
American Realty Capital Global Trust II, Inc.	\$458.62	61.6%	-9.98%	7.03%	\$25.00	\$17.38	-30.48%
<b>Average for American Realty Capital</b>	<b>\$732.13</b>	<b>42.7%</b>	<b>8.33%</b>	<b>6.38%</b>			<b>3.57%</b>

\*Average over the life of the REIT \*\*\* Based only on periods when distributions were paid as % of offering price.

# Average Returns by CNL NTRs

Nontraded REIT by Sponsor	Total Assets* (in \$ Millions)	*Leverage (Debt/Total Assets)	Annual IRR (Includes DRIP)	Conditional Annual Dividend yield***	Initial Price(\$)	Exit Price(\$)	Capital Gain
CNL Hotels & Resorts	\$2,702.67	38.1%	7.29%	6.58%	\$10.00	\$10.25	2.50%
CNL Restaurant Properties	\$917.42	37.6%	6.13%	7.21%	\$10.00	\$8.70	-13.00%
CNL Retirement Properties	\$1,587.59	34.3%	11.74%	6.56%	\$10.00	\$13.89	38.90%
CNL Growth Properties, Inc.	\$255.46	50.0%	10.49%	0.00%	\$10.00	\$18.57	85.70%
CNL Lifestyle Properties, Inc.	\$1,814.01	28.8%	-1.18%	5.07%	\$10.00	\$4.17	-58.35%
Global Income Trust, Inc.	\$86.18	58.8%	-0.04%	6.50%	\$10.00	\$7.01	-29.90%
Average for CNL Group	\$1,227.22	41.3%	5.74%	5.32%			4.31%

\*Average over the life of the REIT \*\*\* Based only on periods when distributions were paid as % of offering price.

# Average Returns by Inland NTRs

Nontraded REIT by Sponsor	Total Assets* (in \$ Millions)	*Leverage (Debt/Total Assets)	Annual IRR (Includes DRIP)	Conditional Annual Dividend yield***	Initial Price(\$)	Exit Price(\$)	Capital Gain
Inland Real Estate Corporation	\$718.13	43.8%	11.34%	8.85%	\$10.00	\$11.95	19.50%
Inland Retail Real Estate Trust	\$2,387.64	53.8%	13.95%	8.46%	\$10.00	\$14.00	40.00%
Inland Western Retail Real Estate Trust	\$6,131.76	58.7%	-1.04%	4.36%	\$10.00	\$5.50	-45.00%
Inland Diversified Real Estate Trust	\$1,310.33	49.8%	8.13%	5.72%	\$10.00	\$10.92	9.20%
<b>Average for Inland Securities</b>	<b>\$2,636.96</b>	<b>51.5%</b>	<b>8.10%</b>	<b>6.85%</b>			<b>5.93%</b>

\*Average over the life of the REIT \*\*\* Based only on periods when distributions were paid as % of offering price.

# Average Returns by W.P Carey NTRs

Nontraded REIT by Sponsor	Total Assets* (in \$ Millions)	*Leverage (Debt/Total Assets)	Annual IRR (Includes DRIP)	Conditional Annual Dividend yield***	Initial Price(\$)	Exit Price(\$)	Capital Gain
Carey Institutional Properties	\$342.34	47.8%	9.65%	8.10%	\$10.00	\$13.90	39.00%
Corporate Property Associates 10	\$206.79	56.3%	8.94%	7.57%	\$10.00	\$11.74	17.40%
Corporate Property Associates 12	\$349.10	41.8%	10.86%	8.05%	\$10.00	\$13.49	34.90%
Corporate Property Associates 14	\$1,160.45	47.7%	8.25%	7.48%	\$10.00	\$11.50	15.00%
Corporate Property Associates 15	\$2,469.86	62.0%	8.75%	6.79%	\$10.00	\$12.65	26.50%
Corporate Property Associates 16	\$2,376.91	54.4%	7.90%	5.99%	\$10.00	\$11.25	12.50%
Average for W.P. Carey	\$1,150.91	51.7%	9.06%	7.33%			24.22%

\*Average over the life of the REIT \*\*\* Based only on periods when distributions were paid as % of offering price.

# Total Liquidity Values by Sponsor

<b>Sponsor</b>	<b>Liquidity Value (Millions)</b>
AR Global (formerly ARC)	\$ 13,863
Cole (now CIM)	\$ 9,171
CNL	\$ 7,447
Inland	\$ 7,012
W.P. Carey	\$ 6,117
Apple	\$ 5,398
Wells*	\$ 2,035

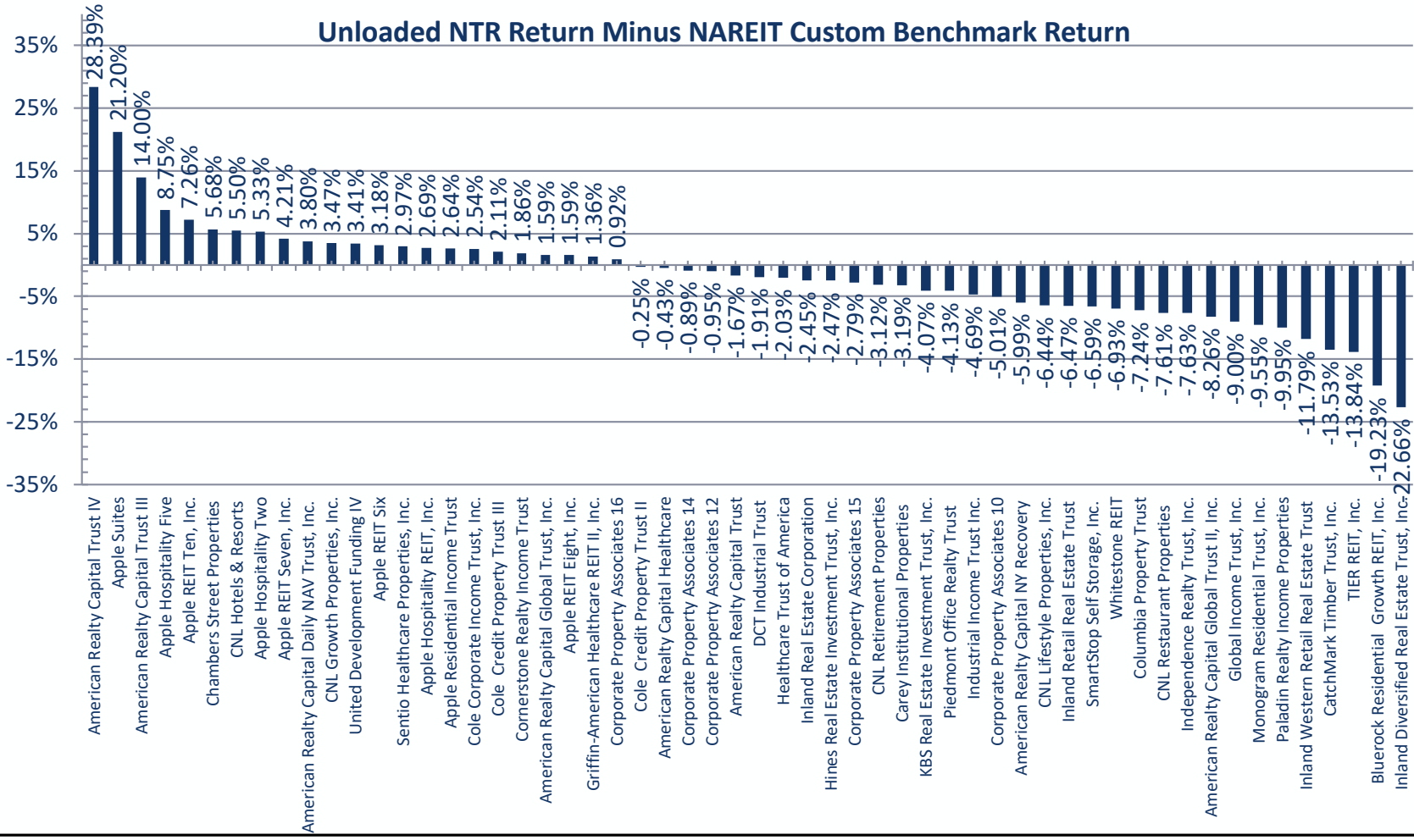
\*Signature Office REIT (Wells Core Office REIT) merged with Griffin Capital Essential Asset REIT in 2015 which has yet to have a full-cycle event.

# Removing Hypothetical Loads

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- Removing the effects of a hypothetical 12% front-end load for all REITs in the sample, the average nontraded REIT achieved a 9.45% average annual return on its real estate portfolio, apart from the impact of fees or loads.
- The effect is to improve the performance of nontraded REITs vs. the custom benchmarks, as shown in the next slide vs. the NAREIT-based traded REIT custom benchmarks.

## Unloaded NTR Return Minus NAREIT Benchmark Return



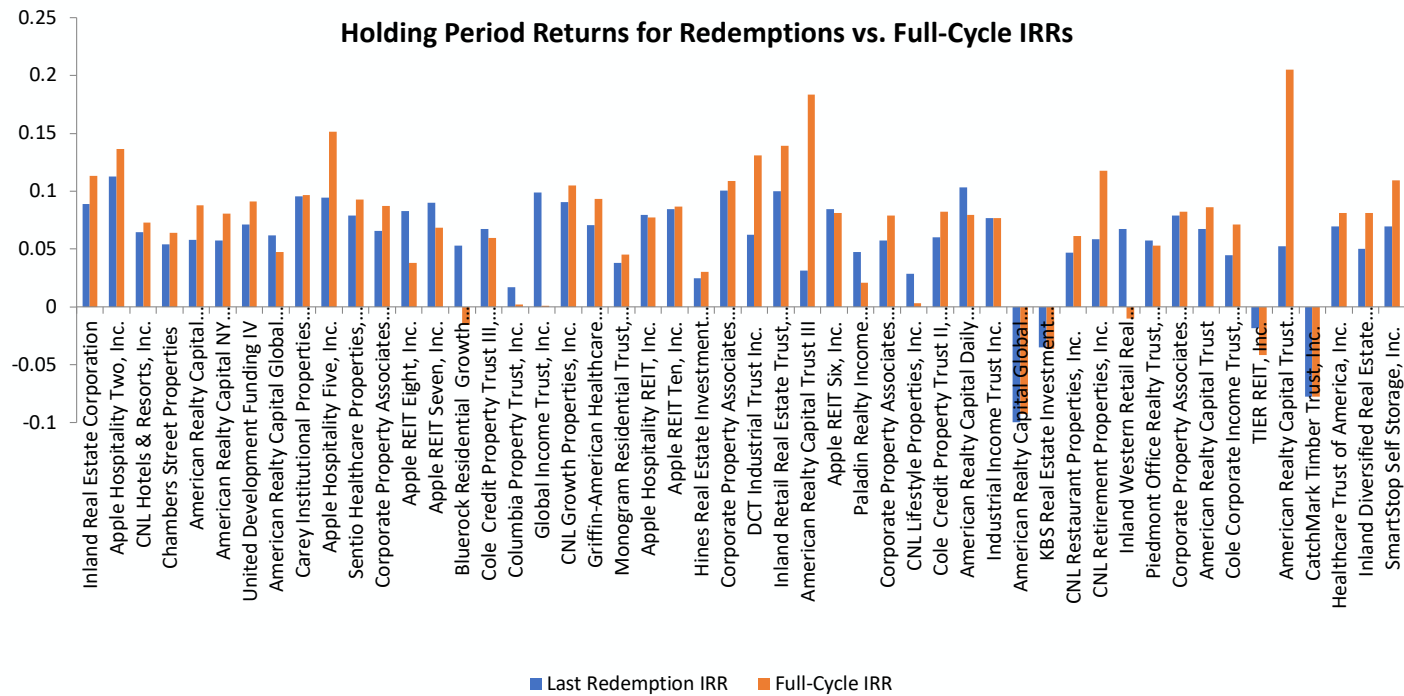


# Returns to Shareholders' Redemptions

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Those shareholders who redeemed their shares in the last available period for redemptions prior to the full-cycle event had average returns of 5.77% over their respective holding periods compared to the average full-cycle returns for the same subset of 49 REITs of 6.78% (not including DRIP).

This indicates an average penalty of 1.01% in holding period returns for those who redeemed in the latest period for redemptions prior to the full-cycle event.

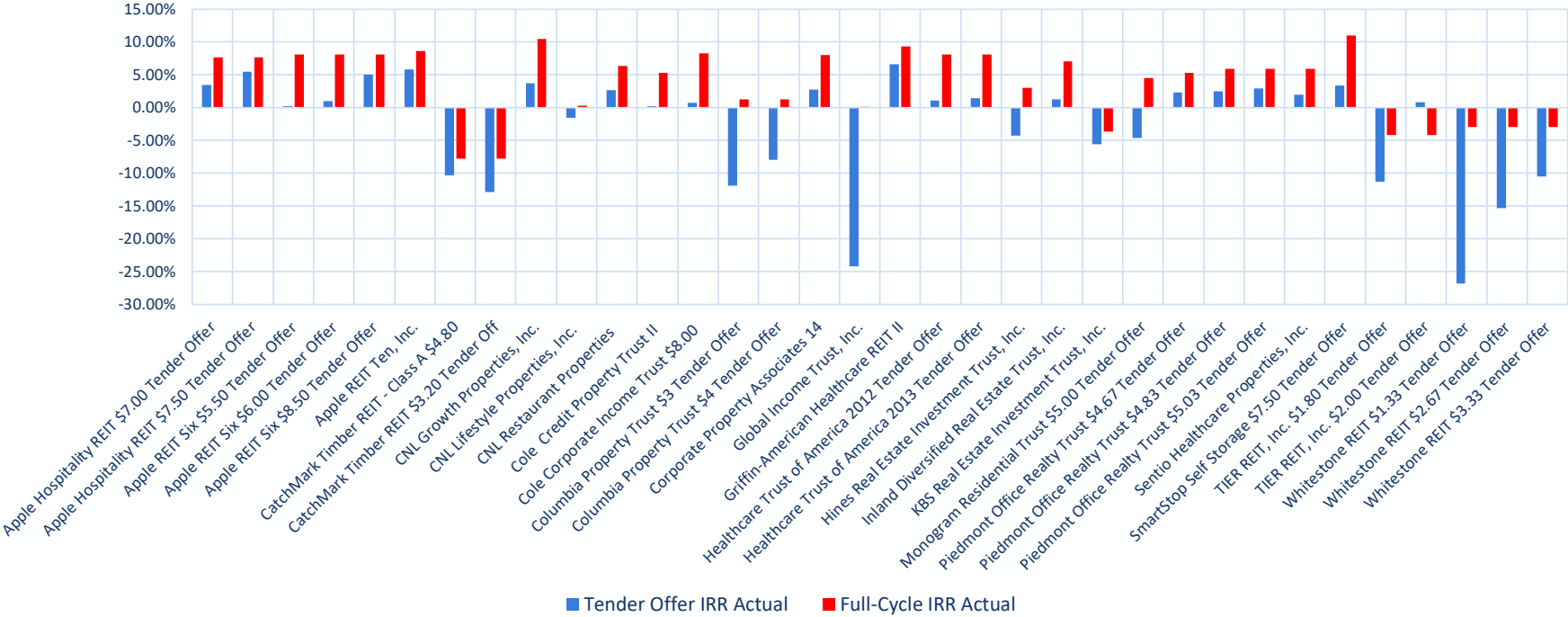


## Returns to Investors Who Tendered to Third-Parties

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- A sample of those shareholders who tendered shares via third-party tender offers prior to the full-cycle event had average holding period returns of approximately negative 2.69% compared to an average IRR for the full-cycle events of those REITs in the sample of 3.75%, a difference in average returns of negative 6.44%.
- The tender offer prices in the sample averaged 34.8% less than the full-cycle liquidating distributions. This confirms that third-party tender offers are more likely to be made for REITs that have underperformed their industry averages.

### Rates of Return for Sample Tender Offers vs. Full-Cycle IRRs



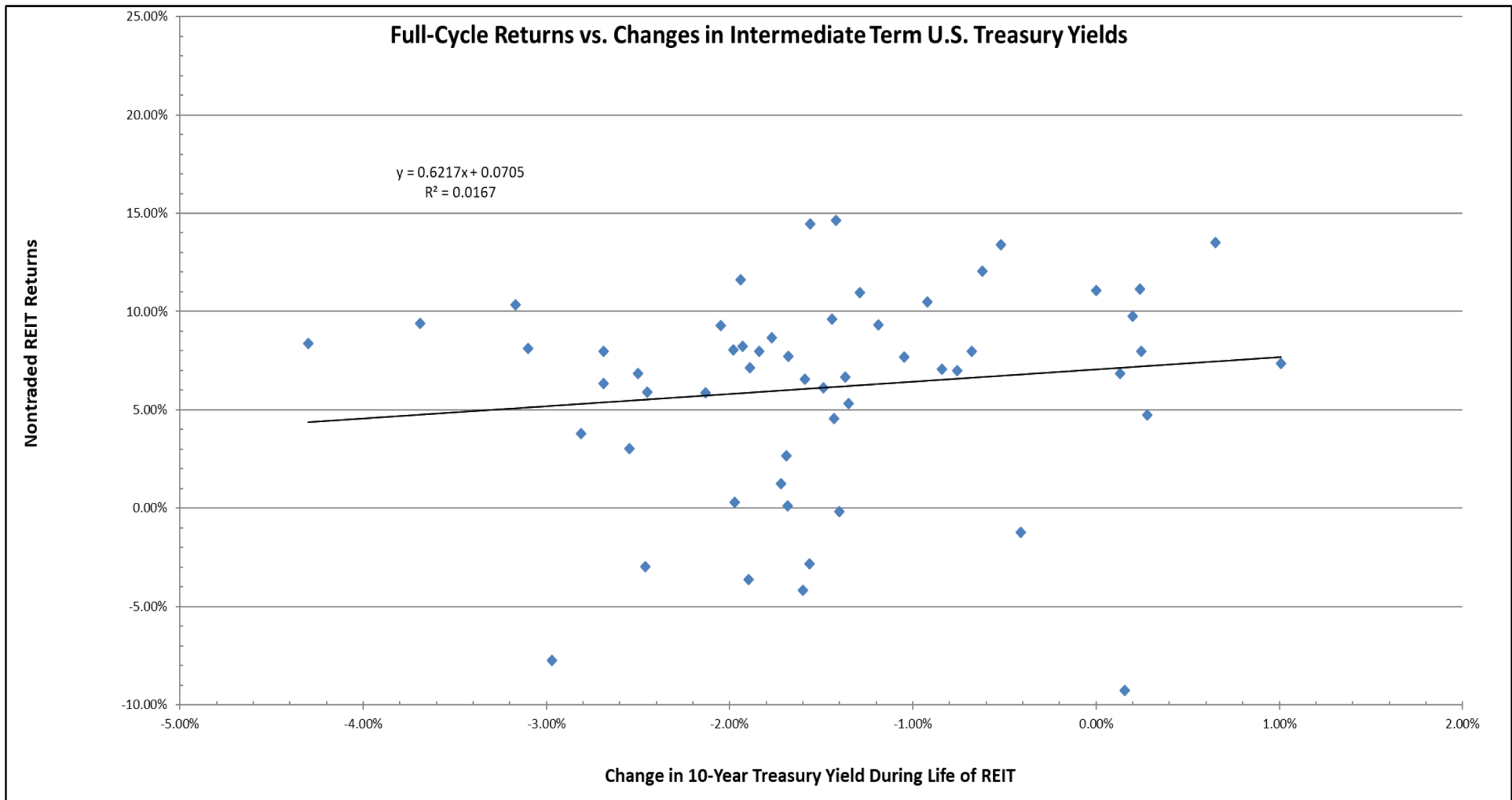
# Full-Cycle Returns and Interest Rates

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The performance of the 56 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.

The relationship as illustrated in the following slide is not statistically significant.

(R-squared = 0.0167)



# NTR Full-Cycle Events Since the 5<sup>th</sup> Edition Performance Study

REIT	Type	Date
NorthStar REIT, Inc.*	Merger with CLNC	1/31/2018
NorthStar REIT II, Inc.	Merger with CLNC	1/31/2018

Using Blue Vault’s definition of a full-cycle event that provides total liquidity to common shareholders.

\* NorthStar REIT shareholders received an interest in a Promissory Note that had an estimated value of \$0.73 per share which has yet to be liquidated.

# Conclusions

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- The average returns to early investors in the 56 nontraded REITs that have had full-liquidity events was 6.13% annualized and 6.52% annualized with DRIP participation.
- The average IRR for the custom benchmarks using NCREIF indices was 12.55% with a median of 12.62%, 5.38% higher than the median IRR, excluding DRIP, for the 56 nontraded REITs.
- The average IRR for the custom benchmarks using the traded REIT FTSE NAREIT indices was 11.48% with a median of 10.73%, 3.49% higher than the median IRR, excluding DRIP, for the 56 nontraded REITs.
- The highest average returns were to those NTRs that merged with listed or were acquired by unlisted firms.
- Returns to investors in NTRs are not highly correlated with other asset classes.
- The latest 11 full-cycle events among NTRs had five total portfolio liquidations and had low average rates of return.



# Thank You!

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We welcome your questions.

To download the 5<sup>th</sup> Edition NTR Full-Cycle Performance Study, please visit our Blue Vault website at:

[www.bluevaultpartners.com](http://www.bluevaultpartners.com)