

Northstar Real Estate Income Trust became effective with the SEC in 2010 and seeks to originate, acquire and manage portfolios containing commercial real estate mortgages, securities, and equity investments. As of the end of the third quarter 2011, the REIT had \$110.1 million in assets in three mortgages and three CMBS investments. The REIT is in the Growth LifeStage of effective REITs, which is characterized by accelerated growth in capital raise and acquisitions.

Key Highlights

- Strong recent capital raise has positioned the REIT for greater acquisition and debt origination activity.
- Metrics are trending toward more stable levels but still reflect unevenness typical of Growth LifeStage REITs.

Capital Stack Review

- The \$32.7 million raised during the third quarter has doubled the capital raised since inception to \$63.8 million.
- Debt – Current debt ratio is at 21.9%, down steadily this year from 46% in 4Q10, with 100% of the REIT's debt in fixed instruments.
- Debt Maturity – 100% of the REIT's debt matures in 2015.
- Cash on Hand – 36.9% is significantly above median compared with other Growth LifeStage REITs and reflects strong current capital raise activity and the need to disperse into investments.

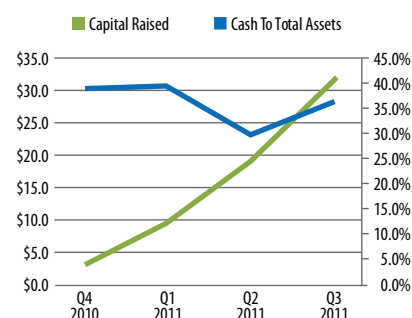
Metrics

- Distribution – The distribution yield remained better than median at 8% over the last seven quarters.
- Distribution Source – All of the distribution was paid from net proceeds of the offering and borrowings. The Sponsor has committed to purchase up to \$10 million of shares during the two-year period following the commencement of the offering to support distributions.
- MFFO Payout Ratio – 333% in the third quarter 2011, down from 1916% in the second quarter.
- Fee Waivers and Deferrals – None reported.
- Interest Coverage Ratio – 1.5x EBITDA, which is slightly below median.
- Impairments – None reported.

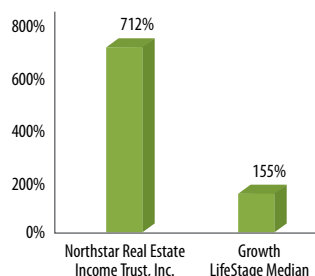
Real Estate

- Acquisitions – The REIT acquired \$2.7 million of BB+ rated CMBS in August 2011 and completed a \$9.5 million loan on a 85,000-square-foot shopping center in Bradenton, Florida, at 76% LTV and a 1.4x interest coverage ratio with an interest rate of 8.25% and a term of 36 months.
- Lease Expirations – Not applicable.
- Occupancy – Not applicable.
- Dispositions – None reported.
- Diversification – As is typical of REITs in the Growth LifeStage, concentrations exist in several geographical areas and tenancy.

Cash to Total Assets vs. Capital Raised



MFFO Payout Ratio



Debt Ratio to Interest Coverage Ratio

