

Nontraded REIT Industry Review: Third Quarter 2014



TIER REIT, Inc.

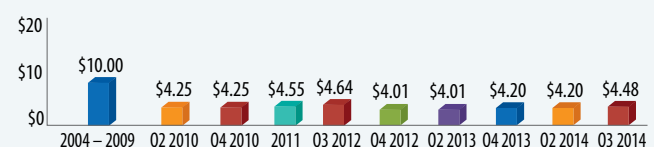
Total Assets.....	\$2,340.5 Million
Real Estate Assets	\$2,050.0 Million
Cash	\$0.9 Million
Securities	\$0.0 Million
Other	\$289.6 Million



Cash to Total Assets Ratio: 0.0%
 Asset Type: Office
 Number of Properties: 37
 Square Feet / Units / Rooms / Acres: 15.3 Million Sq. Ft.
 Percent Leased: 87%
 Weighted Average Lease Term Remaining: Not Applicable
 LifeStage: Maturing
 Investment Style: Core
 Weighted Average Shares Outstanding: 299,264,100

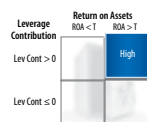
Initial Offering Date: February 19, 2003
 Offering Close Date: December 31, 2008
 Current Price per Share: \$4.48
 Reinvestment Price per Share: Not Applicable
 Cumulative Capital Raised during Offering (including DRP): \$2,800.0 Million

Historical Price



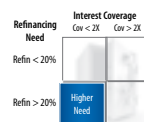
Performance Profiles

Operating Performance



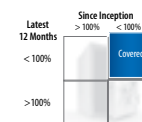
The REIT's recent 12-month average return on assets exceeds yields on 10-year Treasuries, indicating potential for positive risk-adjusted returns. At its current cost of debt and level of borrowing, its use of debt is contributing to increased returns for shareholders.

Financing Outlook



More than 20% of REIT's debt must be repaid within two years or is at unhedged variable rates, and interest coverage is below the 2.0X benchmark. The REIT may face difficulties in refinancing its borrowings, interest rate risks from increasing rates, and need to increase earnings to reassure lenders.

Cumulative MFFO Payout



Cumulative MFFO since inception exceeds the cumulative cash distributions to common shareholders, indicating the REIT has fully funded cash distributions from its real estate operations. At the current distribution rate and level of modified funds from operations, trends suggest the distributions can be maintained.

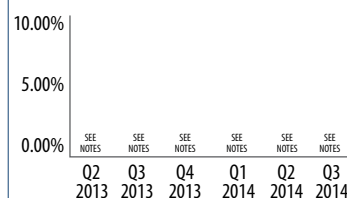
Summary

The REIT's return on assets for the last four quarters was 6.70%, well above the yield on 10-Year Treasuries of 2.64%, providing additional returns to shareholders. It had a positive leverage contribution due to its estimated average cost of debt of 5.61% and 62.6% debt ratio. About 27% of the REIT's debt matures within two years but only 4% is at unhedged variable rates, indicating some refinancing need but minimal interest rate risk. Its interest coverage ratio for the last four quarters was 1.9X, below the 2.0X benchmark. With suspension of cash distributions in 2012, the REIT's cumulative cash distributions since inception were 46% of estimated cumulative MFFO as of September 30, 2014.

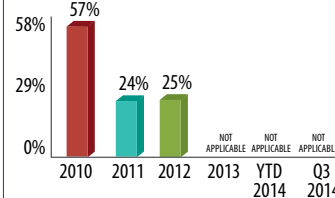
Contact Information

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972-931-4300

Historical Distribution

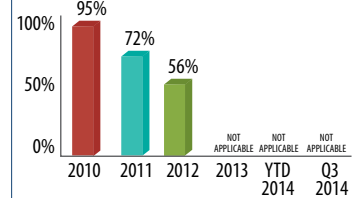


Historical FFO Payout Ratio



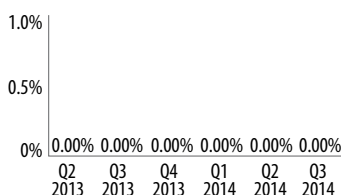
Ratio is not applicable, because REIT does not pay distributions.

Historical MFFO Payout Ratio



Ratio is not applicable, because REIT does not pay distributions.

Redemptions

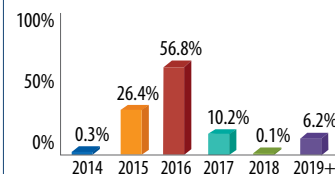


Debt Breakdown

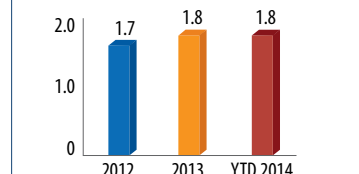


Debt to Total Assets Ratio: 62.6%
 Total: \$1,465.0 Million
 Fixed: \$1,409.5 Million
 Variable: \$55.5 Million
 Avg. Wtd. Rate: 5.61%
 Loan Term: 1 - 7 yrs

Debt Repayment Schedule



Interest Coverage Ratio



Source of Distributions, Trends and Items of Note

- On October 30, 2014, the board of directors met and established an estimated value per share of the Company's common stock equal to \$4.48 per share. The REIT's Estimated Valuation Policy substantially conforms to the provisions of the Investment Program Association's Practice Guideline 2013-01, Valuations of Publicly Registered Non-Listed REITs. The Company is to provide the next estimated value per share in the fourth quarter of 2015.
- On October 23, 2014, the company entered into an agreement of sale to sell the 222 South Riverside property in Chicago, Illinois, in exchange for \$247.0 million in cash and the conveyance of 5950 Sherry Lane, an approximately 196,000 square foot office building in Dallas, Texas. Closing is contemplated to occur during the fourth quarter of 2014.
- The REIT's Cash to Total Assets ratio decreased to 0.04% as of 3Q 2014 compared to 0.7% as of 3Q 2013.
- The REIT's Debt to Total Asset ratio decreased to 62.6% as of 3Q 2014 compared to 66.0% as of 3Q 2013.
- The Company uses modified funds from operations ("MFFO") as defined by the Investment Program Association ("IPA").
- FFO attributable to common stockholders for the three months ended September 30, 2014, was approximately \$17.1 million as compared to approximately \$42.3 million for the three months ended September 30, 2013, a decrease of approximately \$25.2 million. This decrease is primarily due to the disposition of properties that are now included in discontinued operations which resulted in a decrease of approximately \$29.7 million.
- Prior to February 2017, the management and board of directors anticipate either listing the common stock on a national securities exchange or commencing liquidation of REIT assets. In December 2012, the board of directors made a determination to suspend all distributions and redemptions until further notice. The FFO and MFFO payout ratios are not applicable because the Company did not pay any distributions during the quarter.