

Wells Core Office Income REIT became effective in June 2010 and invests in office and industrial properties in the United States leased to creditworthy companies and governmental agencies. The REIT has \$456 million in assets in 11 office properties totaling 1.9 million square feet. The REIT is in the Stabilization stage of effective REITs, which is marked by the distinct formation of the REIT's investment premise and stabilization of operating metrics. The investment style of this REIT is considered to be "Core," which is typically defined as a REIT that generates a high percentage of its total return from income and a modest percentage from asset appreciation. REITs in this category are also expected to exhibit low volatility in asset values.

Key Highlights

- The REIT announced it would cease raising capital at the end of its Initial Offering, June 10, 2013.
- In August, the REIT's share redemption program was amended to provide for all redemptions to be paid at 91% of the offering price.

Capital Stack Review

- Capital raise – The REIT raised \$52.8 million in the third quarter, bringing it to \$173.2 million raised in 2012.
- Debt Ratio – Lower than median at 29% with 100% in variable rate instruments
- Debt Maturity – 75.6% of debt is due to be repaid in 2017 or later.
- Loan Activity – A \$300 million unsecured debt facility was entered into in the quarter.
- Cash on Hand – 1.8% below median for the Lifestage.

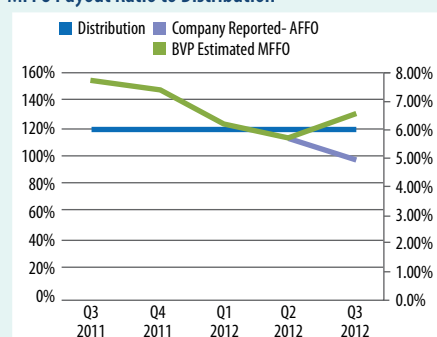
Metrics

- Distribution Rate – Steady at 6.0% since Q2 2011.
- MFFO Payout Ratio – Year-to-date of 124%, down from 157% average for 2011.
- Distribution Source – 64% of distributions were funded by cash flow from operations year to date with the balance from borrowings.
- Fee Waivers and Deferrals – None reported.
- Interest Coverage Ratio – 4.7, up slightly from the previous quarter and well above the median for the LifeStage.
- Impairments – None reported.

Real Estate

- Acquisitions – Three properties have been purchased in 2012 totaling \$149.9 million (\$280/square foot) including two in the third quarter. Of note:
 - All properties purchased have been 100% leased.
 - Two properties were purchased in IL for a total of \$59 million (\$221/square foot) in the 3Q in separate transactions.
- Occupancy – 100% leased.
- Lease Expirations – 96% of the leases expire in 2017 or later.
- Dispositions – None.
- Diversification – 37% of assets are owned in Texas and 15% of assets are in Illinois. It is not unusual for a REIT in this LifeStage to have high concentrations of ownership.

MFFO Payout Ratio to Distribution



Debt Ratio to YTD Interest Coverage Ratio

