Cole Credit Property Trust III, Inc.

Cole Credit Property Trust III became effective in 2008, and was formed to acquire core commercial real estate consisting primarily of necessity retail properties located throughout the United States. As of the end of the first quarter, the REIT had $3.6 billion in assets with 470 properties totaling 19.9 million square feet. The REIT commenced a follow-on offering in September 2010 of 275 million shares at a price of $10.00 per share. As such, 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.

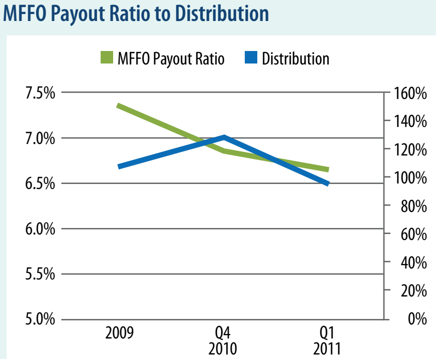
Key Highlights
- After increasing the distribution rate to 7% in the second quarter of 2010, the REIT reduced the rate to 6.5% in 1Q2011.
- A follow-on offering began in September 2010 with $306 million capital raised in 1Q2011.
- $329.9 million of acquisitions in 23 properties were completed in the first quarter of 2011 with an additional commitment to purchase 30 retail centers for $134.5 million being executed in the quarter.

Capital Raise/Capital Stack Review
- Capital raise – $306 million raised in the first quarter down slightly from the $378 million quarterly average in 2010.
- Cash on hand – The REIT has maintained a below median cash ratio of 3.0% despite its strong capital raise pace.

Metrics
- MFFO Payout Ratio – In response to the lowering of the distribution to 6.5% and deploying cash for acquisitions, the REIT's payout ratio declined to 108%.
- Interest Coverage Ratio and Debt Ratio – With a coverage ratio of 3.9x EBITDA and debt ratio of 32%, the REIT is comfortably positioned for its stage. Debt ratios and interest coverage usually have an inverse relationship; one rises as the other falls in a steady interest rate environment, as is shown in the graph.

Real Estate
- Acquisitions – Noteworthy among the $329.9 million in first quarter acquisitions was the 20-year sale/leaseback transaction with Apollo Group/University of Phoenix on three office buildings in Phoenix totaling 600,000 square feet for $170 million.
- Acquisition Scope – In addition to adding office to its investment mix, the REIT has invested $134 million in industrial properties, some located in tertiary markets, drawn by higher cap rates.
- Lease Expirations – Limited lease rollover exposure exists through 2020, with an average lease term of 15.3 years. The portfolio is currently leased at 99.4%
- Dispositions – No dispositions have occurred.
- Debt – The vast majority of the REIT's debt is in fixed instruments, removing future interest rate risk.
- Diversification – As measured by gross annualized rental revenues, the REIT has 22% of its holdings located in Texas. In addition, its largest industry concentrations are in drugstore, grocery store and specialty retail industries at 14%, 12%, and 12%, respectively.

MFFO Payout Ratio to Distribution



Debt Ratio to Interest Coverage Ratio