



# Nontraded REIT Industry Review: Second Quarter 2014

## Hines Real Estate Investment Trust, Inc.

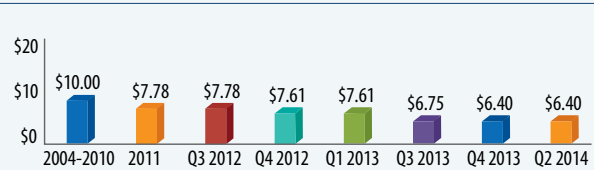
Total Assets.....	\$2,575.3 Million
Real Estate Assets.....	\$2,003.6 Million
Cash.....	\$89.3 Million
Securities.....	\$0.0 Million
Other.....	\$482.4 Million



Cash to Total Assets Ratio:.....	3.5%
Asset Type:.....	Office
Number of Properties:.....	36
Square Feet / Units / Rooms / Acres:.....	18,474,068 Sq. Ft.
Percent Leased:.....	87%
Weighted Average Lease Term Remaining:.....	Not Available
LifeStage:.....	Maturing
Investment Style:.....	Core
Weighted Average Shares Outstanding:.....	226,834,000

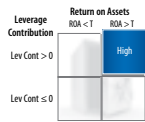
Initial Offering Date:.....	June 18, 2004
Offering Close Date:.....	December 31, 2009
Current Price per Share:.....	\$6.40
Reinvestment Price per Share:.....	\$6.40
Cumulative Capital Raised during Offering (including DRP):.....	\$2,562.1 Million

### Historical Price



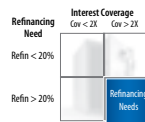
### Performance Profiles

#### Operating Performance



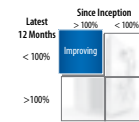
The REIT's recent 12-month average return on assets exceeds yields on 10-year Treasuries, indicating potential for positive risk-adjusted returns. At its current cost of debt and level of borrowing, its use of debt is contributing to increased returns for shareholders.

#### Financing Outlook



Interest coverage ratio is above the 2.0X benchmark but more than 20% of the REIT's debt matures within two years or is at unhedged variable rates. The REIT may face difficulties in refinancing its borrowings or interest rate risk from increasing rates, but earnings currently provide coverage of interest expense.

#### Cumulative MFFO Payout



The REIT has not achieved a level of MFFO in excess of cash distributions since inception and the latest 12-month results indicate cash distributions exceed MFFO, a trend which must be eventually reversed for distribution sustainability.

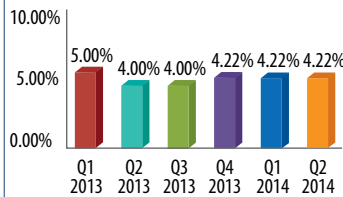
#### Summary

The REIT's return on assets for the last four quarters was 4.45%, above the yield on 10-Year Treasuries of 2.5%, and it had a small leverage contribution due to its 4.10% average cost of debt and 43.1% debt ratio. With only 2.5% of the REIT's debt principal to be repaid within two years but 42% at unhedged variable rates, there is some interest rate risk in the short term. Its interest coverage ratio for the last four quarters at 4.8X was well above the 2.0X benchmark. Since inception the REIT has paid out 125% of estimated MFFO in cash distributions (excluding DRP), including the special distribution in 2013, but this rate was an estimated 61% for the last four quarters, a sustainable rate if DRP participation rates continue.

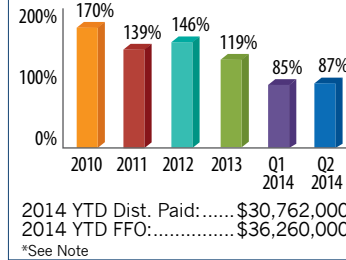
### Contact Information

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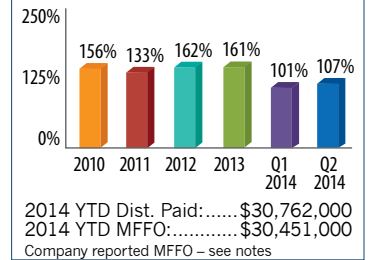
### Historical Distribution



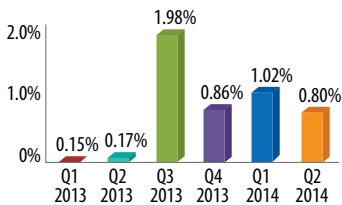
### Historical FFO Payout Ratio



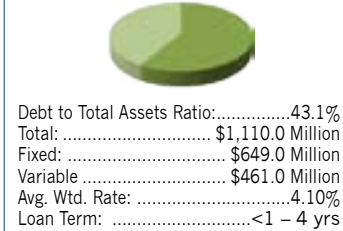
### Historical MFFO Payout Ratio



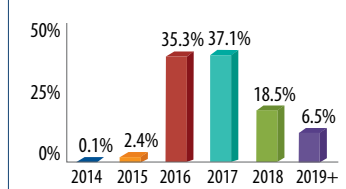
### Redemptions



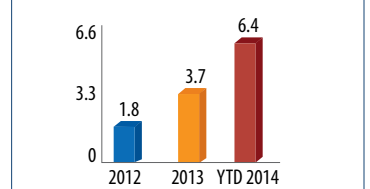
### Debt Breakdown



### Debt Repayment Schedule



### Interest Coverage Ratio



### Source of Distributions, Trends and Items of Note

- In May 2014, the Core Fund sold The KPMG Building for a contract sales price of \$274.0 million. As a result of the sale, the Company recognized a gain of \$37.2 million.
- In June 2014, the Core Fund sold 720 Olive Way for a contract sales price of \$101.0 million. As a result of the sale, the Company recognized a gain of \$5.0 million.
- As of June 30, 2014, the Company owned direct and indirect investments in 36 properties. These properties consisted of 27 U.S. office properties, one industrial property in Dallas, Texas and a portfolio of eight grocery-anchored shopping centers located in four states primarily in the southeastern United States.
- The REIT's Cash to Total Assets ratio increased to 3.5% as of 2Q 2014 compared to 3.0% as of 2Q 2013
- The REIT's Debt to Total Assets ratio decreased to 43.1% as of 2Q 2014 compared to 45.9% as of 2Q 2013.
- The Company uses modified funds from operations ("MFFO") as defined by the Investment Program Association ("IPA").
- For the six months ended June 30, 2014, the Company funded cash distributions with cash flows from operating activities (100%).