Inland American Real Estate Trust, Inc

Inland American Real Estate Trust became effective in 2005 and was formed to acquire a diversified portfolio of commercial real estate including retail, multifamily, industrial, lodging and office properties located throughout the United States. As of the end of the first quarter, the REIT had $11.2 billion in assets with 983 properties in five commercial segments. The REIT is in the Mature stage of closed REITs, which is characterized by a refinement of the portfolio through dispositions, targeted acquisitions, and debt. Valuation of shares commenced in 2010 and now stands at $8.03 per share.

As a diversified REIT, Inland American has invested in a broad selection of property types and geographic locations. The largest property type segment for the REIT is retail in terms of number of assets, square footage and investment value. The REIT has been impacted by the overall downturn in the real estate industry that has been reflected in declines in its share price and distribution. The impact has been softened by the portfolio's segment diversification as lodging and multifamily have recovered more quickly than other segments.

Key Highlights

- The REIT's diversification across five property segments has provided some protection from revenue fluctuations within the portfolio.
- Significant acquisitions and dispositions have occurred reflecting the REIT's stage and the refinement of its portfolio.

Capital Stack Review

- Debt – With an almost 49% debt ratio, the REIT is at the median level with other nontraded REITs. The REIT's debt is distributed 69% fixed and 31% variable rate, providing modest exposure to future interest rate fluctuations. 40% of the REIT's debt will mature by 2013, also providing some refinance and interest rate risk to the portfolio.
- Cash on hand – The REIT has continued the trend of reducing cash on hand with 1Q2010 level at 1.3% of total assets.

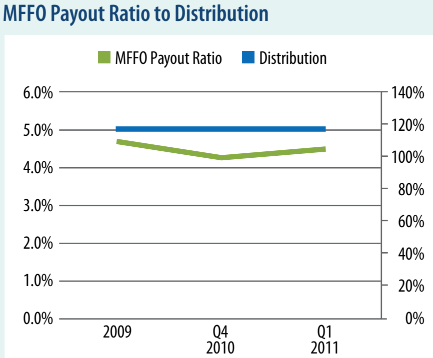
Metrics

- Distribution – The current distribution has remained steady at 5% of the original $10 share price. It is 6.2% on the current share valuation.
- MFFO Payout Ratio – Stood at 106% at the end of 1Q2011, and has been trending higher, reflecting revenue declines in the commercial segments of the portfolio.
- Interest Coverage Ratio – Has declined slightly at 1.9x EBITDA after remaining steady at 2.1x EBITDA for the past 5 quarters and declined slightly to 1.9x in 1Q2011, reflecting modest revenue shrinkage.
- Impairments – The REIT took an impairment (or loss) of $46.6 million on six properties in 2010 and an additional impairment of $27.9 million in 1Q2011 to reduce the value of six hotel and two retail properties.

Real Estate

- Acquisitions – During the first three months of 2011, the REIT purchased two properties for $64.1 million. In 2010, $897 million of acquisitions were completed. Notable acquisitions include:
  - In 1Q2010, purchased Sparks Crossing, a 336,000-square-foot shopping center for $38.6 million ($115/SF)
  - 3.5-million-square-foot retail portfolio of 16 properties totaling $424 million ($121/SF).
  - A four hotel lodging portfolio for $80 million from fellow nontraded REIT sponsor, Moody National.
- Lease Expirations – 58% of the REIT's tenants (excluding lodging or multifamily) have lease expirations in 2015 or later.
- Revenue – Same-store revenue declined in 2010 in three of the five segments. Industrial, Office, and Retail showed declines, while Lodging and Multifamily showed increases mirroring the general trends in U.S. commercial real estate. Similar results occurred in 1Q2011.
- Dispositions – $309 million in dispositions occurred in 2010, including six hotels, four office, and four multifamily properties, with $55 million in gains being achieved.
- Diversification – As of year-end 2010, the REIT's top industry sectors measured by gross annualized rental revenue were specialty retail, drugstore, and restaurant at 18%, 16%, and 13%, respectively. Geographically, the largest concentrations exist in Texas and Florida at 16% and 10%, respectively. Continued weakness in restaurant and specialty retail sectors could present credit exposure to the portfolio.

MFFO Payout Ratio to Distribution



Debt Ratio to Interest Coverage Ratio