



# Nontraded REIT Industry Review: First Quarter 2014

## KBS Real Estate Investment Trust II, Inc.

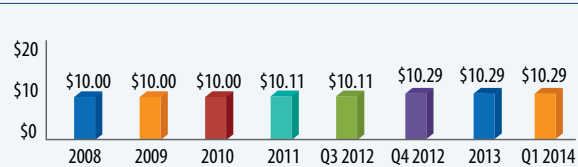
Total Assets.....	\$2,861.6 Million
Real Estate Assets .....	\$2,517.1 Million
Cash .....	\$177.0 Million
Securities .....	\$0.0 Million
Other .....	\$167.5 Million



Initial Offering Date: ..... April 22, 2008  
 Offering Close Date: ..... December 31, 2010  
 Current Price per Share: ..... \$10.29  
 Reinvestment Price per Share: ..... \$9.78  
 Cumulative Capital Raised during Offering (including DRP)..... \$1,887.1 Million

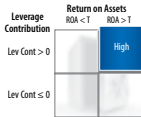
Cash to Total Assets Ratio: ..... 6.2%  
 Asset Type: ..... Diversified  
 Number of Properties: ..... 28 Properties; 3 Loans  
 Square Feet / Units / Rooms / Acres: ..... 7,659,800 Sq. Ft.\*  
 Percent Leased: ..... 93%  
 Weighted Average Lease Term Remaining: ..... 3.9 Years  
 Life Stage: ..... Maturing  
 Investment Style: ..... Core  
 Weighted Average Shares Outstanding: ..... 192,542,712

### Historical Price



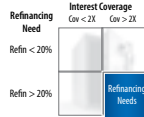
### Performance Profiles

#### Operating Performance



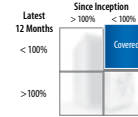
The REIT's recent 12-month average return on assets exceeds yields on 10-year Treasuries, indicating potential for positive risk-adjusted returns. At its current cost of debt and level of borrowing, its use of debt is contributing to increased returns for shareholders.

#### 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



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.

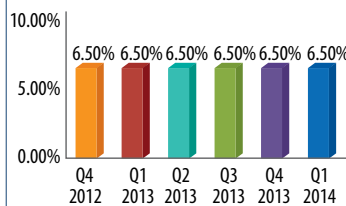
#### Summary

The REIT's return on assets for the last four quarters was 4.69%, well above the yield on 10-Year Treasuries of 1.87%, providing additional return to shareholders. It also had a positive leverage contribution with its average cost of debt of 3.60% and 51% debt ratio. Fully 42% of the REIT's debt matures within two years and 15.5% is at unhedged variable rates, indicating a significant refinancing need and some interest rate risk. Its interest coverage ratio for the last four quarters at 4.0X was safely above the 2.0X benchmark. Since inception the REIT has paid out only 46% of MFFO in cash distributions excluding DRP, and this rate was 43% for the last four quarters, a very sustainable payout ratio.

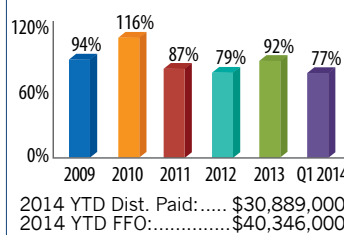
### Contact Information

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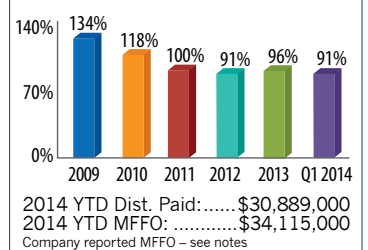
### Historical Distribution



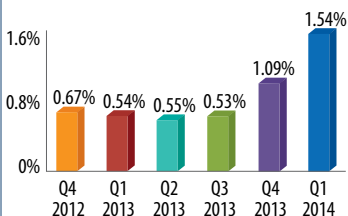
### Historical FFO Payout Ratio



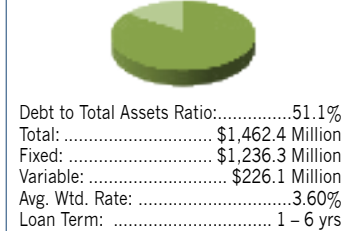
### Historical MFFO Payout Ratio



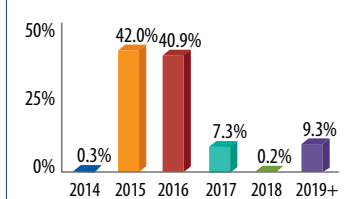
### Redemptions



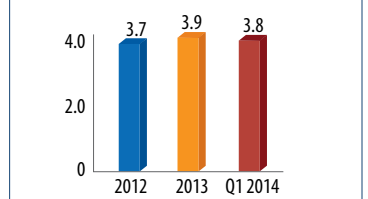
### Debt Breakdown



### Debt Repayment Schedule



### Interest Coverage Ratio



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

- During 1Q 2014 the Company did not acquire or sell any properties. During 1Q 2014 there were nine properties classified as "Held for Sale." The rentable square feet, percent leased and weighted average remaining lease term shown above exclude properties held for sale.
- On April 28, the Company agreed to sell 601 Tower at Carlson Center to Artis US Holdings II for \$75 million. As of May 27, 2014, the cost basis in 601 Tower at Carlson Center was \$58.4 million.
- On May 16, 2014, after a competitive bidding process, the REIT entered into a purchase and sale agreement for the sale of the 300 N. LaSalle Building to an affiliate of the Irvine Company. The purchase price is \$850.0 million. If the Company completes the sale of the 300 N. LaSalle Building, it expects to make a special distribution to stockholders of a significant portion of the net proceeds, which will constitute a return of a portion of the stockholder's invested capital and will reduce the Company's estimated value per share.
- On May 20, 2014, the Company entered into an agreement to sell the Dallas Cowboys Distribution Center for \$22.3 million, with a cost basis of \$19.3 million at that date.
- The REIT's Cash to Total Assets ratio increased to 6.2% as of 1Q 2014 compared to 1.5% as of 1Q 2013.
- The REIT's Debt to Total Assets ratio decreased to 51.1% as of 1Q 2014 compared to 51.8% as of 1Q 2013.
- The Company had hedged \$662.4 million of its variable rate debt as of March 31, 2014.
- The Company uses modified funds from operations ("MFFO") as defined by the Investment Program Association ("IPA").
- For the three months ended March 31, 2014, the Company paid aggregate distributions of \$30.9 million, including \$14.8 million paid in cash and \$16.1 reinvested through the DRP. Total distributions for the period were funded by operating cash flows.