

# Nontraded REIT Industry Review: Second Quarter 2014



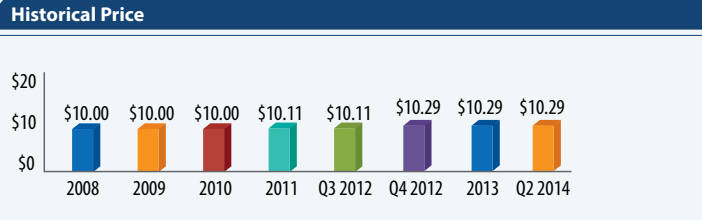
## KBS Real Estate Investment Trust II, Inc.

Total Assets.....	\$2,776.3 Million
Real Estate Assets .....	\$2,287.7 Million
Cash .....	\$167.9 Million
Securities .....	\$172.9 Million
Other .....	\$147.8 Million



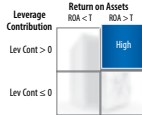
Initial Offering Date: ..... April 22, 2008  
 Offering Close Date: ..... December 31, 2010  
 Current Price per Share: ..... \$10.29  
 Reinvestment Price per Share: ..... \$9.78  
 Cumulative Capital Raised during Offering (including DRP)..... \$1,887.1 Million

Cash to Total Assets Ratio: ..... 6.0%  
 Asset Type: ..... Diversified  
 Number of Properties: ..... 23 Properties; 2 Loans  
 Square Feet / Units / Rooms / Acres: ..... 7.4 Million Sq. Ft.\*  
 Percent Leased: ..... 91%  
 Weighted Average Lease Term Remaining: ..... 4.2 Years  
 Life Stage: ..... Maturing  
 Investment Style: ..... Core  
 Weighted Average Shares Outstanding: ..... 191,328,706



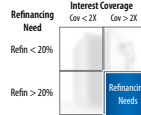
### Performance Profiles

#### 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.

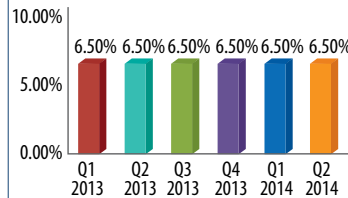
#### Summary

The REIT's return on assets for the last four quarters was 7.23%, well above the yield on 10-year Treasuries of 2.50%, providing additional return to shareholders. It also had a positive leverage contribution with its average cost of debt of 3.40% and 49% debt ratio. Fully 44% of the REIT's debt matures within two years and 14% 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 4.7X was safely above the 2.0X benchmark. Since inception the REIT has paid out only 47% of MFFO in cash distributions excluding DRP, and this rate was 48% for the last four quarters, a very sustainable payout ratio.

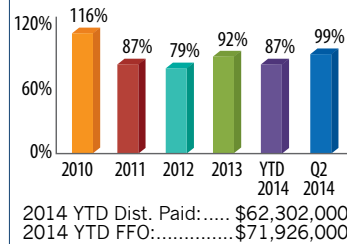
### Contact Information

[www.KBS-CMG.com](http://www.KBS-CMG.com)  
**KBS Real Estate Investment Trust II**  
 P.O. Box 219015  
 Kansas City, MO 64121-9015  
 866-584-1381

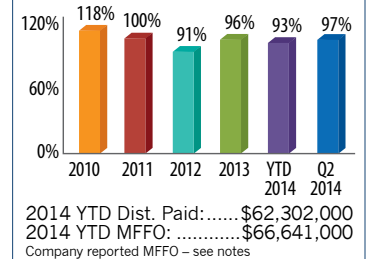
### Historical Distribution



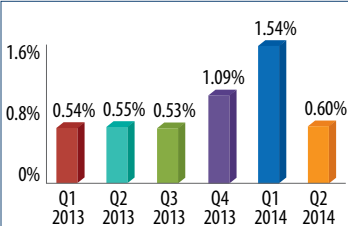
### Historical FFO Payout Ratio



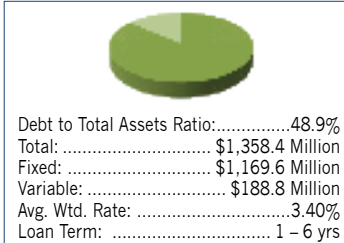
### Historical MFFO Payout Ratio



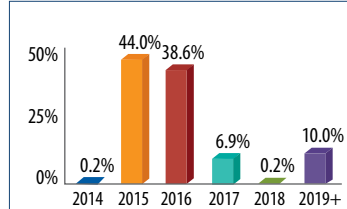
### Redemptions



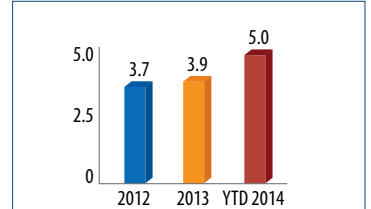
### Debt Breakdown



### Debt Repayment Schedule



### Interest Coverage Ratio



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

- During 2Q 2014 the Company did not acquire any properties. The Company sold five properties for an estimated aggregate purchase price of \$256.3 million.
- On July 8, 2014, the Company's board of directors declared distributions based on daily record dates for the period from August 1, 2014 through August 31, 2014, which the Company expects to pay in September 2014. Distributions for this period will be calculated based on stockholders of record each day during this period at a rate of \$0.00178082 per share per day and equal a daily amount that would equal a 6.5% annualized rate based on a purchase price of \$10.00 per share.
- On July 7, 2014, the Company completed the sale of the 300 N. LaSalle Building, which had a net book value of \$590.7 million as of the date of sale, for \$850.0 million.
- On July 10, 2014, the Company sold Torrey Reserve West, which had a net book value of \$21.2 million as of the date of sale, for \$39.2 million.
- On July 25, 2014, the Company sold Two Westlake Park, which had a net book value of \$81.9 million as of the date of sale, for \$120.0 million.
- The REIT's Cash to Total Assets ratio increased to 6.0% as of 2Q 2014 compared to 3.3% as of 2Q 2013.
- The REIT's Debt to Total Assets ratio decreased to 48.9% as of 2Q 2014 compared to 52.9% as of 2Q 2013.
- The Company had hedged \$613.5 million of its variable rate debt as of June 30, 2014.
- The Company uses modified funds from operations ("MFFO") as defined by the Investment Program Association ("IPA").
- For the three months ended June 30, 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.