Paladin Realty Income Properties, Inc.

Paladin Realty Income Properties became effective with the SEC in 2005 and acquires a diversified portfolio of real estate and real estate related assets. As of the end of the second quarter, the REIT had $168.6 million in assets invested in 12 properties, with ten assets being multifamily communities with 2,353 units. The current follow-on offering close date was extended to January 2012 and a follow-on offering was filed with the SEC in July 2011. Despite being effective since 2005, due to its asset size and operating characteristics, the REIT is in the Stabilizing LifeStage of effective REITs, which is characterized by accelerated growth in capital raise and acquisitions.

Key Highlights

- All of the REIT's properties are held in joint ventures. Paladin's ownership percentage ranges from 42.5% to 97.5% across the ventures.
- All of the joint ventures provide Paladin REIT with a priority income return from operations ranging from 8.25% to 12.0%
- $725 million new follow-on offering is slated to be effective before the end of January 2012.

Capital Stack Review

- Capital Raised – Since inception, $63.3 million has been raised, with quarterly capital raise steadily increasing to $5.8 million in the current quarter.
- Debt – Debt ratio of 74% is higher than the median but down slightly from an average of 76% over the last four quarters. All debt is in fixed instruments.
- Debt Maturity – 53% of the REIT's debt matures in 2016 or later, with 8% maturing in the balance of 2011.
- Loan Activity – As part of the joint venture structure on the acquisitions, debt was taken on at the property level.
- Cash on Hand – Increased to 6% from 2.4% in the previous quarter as a result of much higher capital raise.

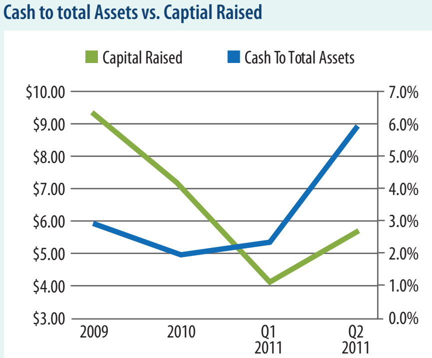
Metrics

- Distribution – Unchanged at 6% for the last eight quarters.
- Distribution Source – A portion of distributions have been paid with sales proceeds from the disposition noted below.
- MFFO Payout Ratio – Similar to other REITs in this LifeStage, MFFO Payout Ratio has fluctuated widely. The ratio has been improving this year averaging 201% for the year to date.
- Fee Waivers and Deferrals – Expenses of the REIT previously advanced by the Advisor have been reimbursed to the Advisor in 2010 of $1.7 million and in 2011 of $575,000.
- The Advisor has permanently wiaved the 50% of its asset management fee.
- Interest Coverage Ratio – Ratio of 1.3x EBITDA, a slight improvement over the last four-quarter average of 1.2x.
- Impairments – None reported.

Real Estate

- Fundamentals – No discussion of rental rates and occupancy changes by property was included.
- Acquisitions – One property was acquired in the first quarter and another in July.
  - Stone Ridge Apartments, Columbia, S.C. – a 191-unit complex was purchased out of foreclosure in a joint venture for $1.85 million under certain circumstances for a 68.5% interest.
  - Evergreen at Coursey Place, Baton Rouge, La. – an investment was made as a joint venture with the existing owner of the 352 unit property totaling $5 million for a 51.7% interest.
- Occupancy – As of June 30 2011 occupancy averaged 94.6% for apartments and 94.9% for office.
- Revenue – A breakdown of same store rents was not provided.
- Dispositions – 801 Fiber Optic Drive in Little Rock, Ark., a 56,336 square foot industrial property was sold for $4,175,000 ($74/SF) in April. Net proceeds after the repayment of debt to the REIT's JV interest of $2.19 million were realized for a gain.
- Diversification – 17% of multifamily is concentrated in Missouri with a predominance of units held in the Midwest.

Cash to total Assets vs. Captial Raised



Debt Ratio to Interest Coverage Ratio