

Paladin Realty Income Properties became effective in 2005 and seeks to acquire a diversified portfolio of real estate and real estate related assets. As of the end of the second quarter, the REIT had \$220.9 million in assets in 14 properties with 12 assets being multifamily communities with 2,953 units plus two office properties. In January 2012, the REIT commenced its second follow on offering, which was subsequently terminated on July 16, 2012. As such the REIT is transitioning from Effective to Closed. The REIT spent the majority of the second quarter in the Stabilization stage of effective REITS, which is marked by the distinct formation of the REIT's investment premise and stabilization of operating metrics. The investment style of this REIT is considered to be "Core," which is typically defined as a REIT that generates a high percentage of its total return from income and a modest percentage from asset appreciation. REITs in this category are also expected to exhibit low volatility in asset values.

Key Highlights

- The REIT owns interests in 13 joint ventures that own 14 properties.
- The REIT's second follow-on offering of \$725 million was terminated on July 16, 2012 and deregistered all unsold shares including DRIP.
- No announcement has been filed on the next steps for the REIT.

Capital Stack Review

- Capital Raise – The REIT raised \$3.7 million in the second quarter, bringing it to \$82.4 million raised since inception.
- Debt Ratio – Higher than median at 75.8% with 100% in fixed instruments
- Debt Maturity – 53.1% of debt matures in 2017 or later.
- Loan Activity – A \$3.5 million loan was paid off and a \$13 million loan was refinanced during the quarter.
- Cash on Hand – 4.7% due to a lack of acquisition activity.

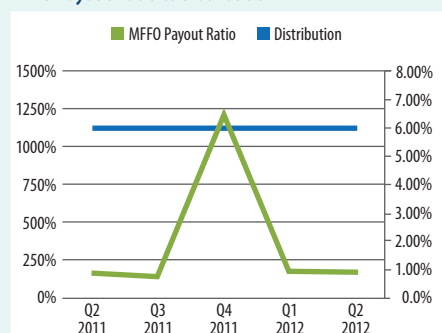
Metrics

- Distribution Rate – Steady at 6.0% for last two years.
- MFFO Payout Ratio – 155% for the second quarter, down from 220% for the year ending 2011.
- Distribution Source – 54% of distributions were funded by cash flow from operations for the first half of 2012.
- Fee Waivers and Deferrals – The Advisor waived half of the asset management fee due for the first half of 2012.
- Interest Coverage Ratio – 1.5 x EBIDTA, up slightly from 1.3x at year-end.
- Impairments – None reported.

Real Estate

- Acquisitions – No acquisitions have occurred in 2012.
- Occupancy – Not reported as of June 30, 2012.
- Dispositions – None.
- Diversification – 14% of the portfolio is located in Missouri with the balance distributed across 10 other states.

MFFO Payout Ratio to Distribution



Debt Ratio to Interest Coverage Ratio

