



# Nontraded REIT Industry Review: First Quarter 2014

## Phillips Edison – ARC Shopping Center REIT, Inc.

Total Assets.....	\$1,796.2 Million
Real Estate Assets .....	\$1,351.2 Million
Cash .....	\$257.5 Million
Securities .....	\$0.0 Million
Other .....	\$187.5 Million



Cash to Total Assets Ratio:.....	14.3%
Asset Type: .....	Retail
Number of Properties:.....	100
Square Feet / Units / Rooms / Acres:.....	10,528,733 Sq. Ft.
Percent Leased:.....	94.8%
Weighted Average Lease Term Remaining:.....	6.3 Years
LifeStage:.....	Maturing
Investment Style:.....	Core
Weighted Average Shares Outstanding:.....	176,854,929

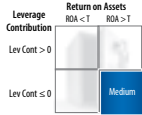
Initial Offering Date: .....	August 12, 2010
Offering Close Date: .....	February 7, 2014
Current Price per Share: .....	\$10.00
Reinvestment Price per Share: .....	\$9.50
Cumulative Capital Raised during Offering (including DRP):.....	\$1,759.2 Million

### Historical Price



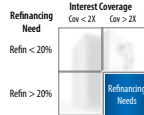
### Performance Profiles

#### Operating Performance



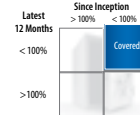
The REIT's recent 12-month average return on assets exceeds yields on 10-year Treasuries, indicating potential for positive risk-adjusted returns. At its current cost of debt and level of borrowing, its use of debt is not increasing returns to shareholders.

#### 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.

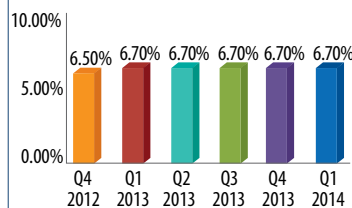
#### Summary

The REIT's return on assets for the last four quarters was 3.73%, significantly above the yield on 10-year Treasuries of 1.87%, and providing a positive additional return to shareholders. The REIT had a negative leverage contribution for the last four quarters with an average cost of debt of 5.62% and a debt ratio of 15.9%. About 23% of the REIT's debt matures within two years, but none was at unhedged variable rates, presenting no interest rate risk but with some refinancing needed. With an interest coverage ratio of 5.3X, well above the 2.0X benchmark, the REIT has shown the ability to cover its debt obligations. Over the last 12 months the REIT paid out 71% of its MFFO in cash distributions excluding DRP proceeds, and since inception in 2010 it has paid out just 68% of MFFO, a ratio which should be sustainable as MFFO has increased each quarter since 2010.

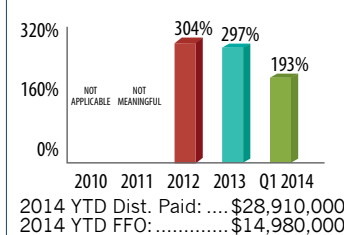
### Contact Information

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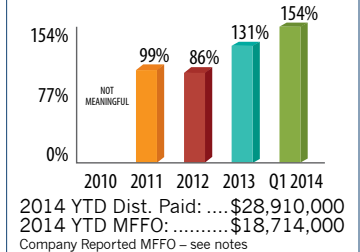
### Historical Distribution



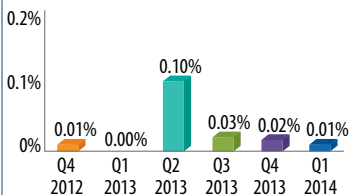
### Historical FFO Payout Ratio



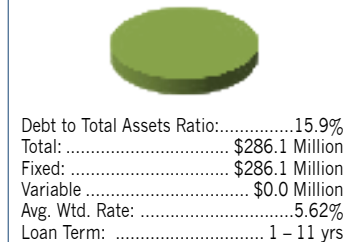
### Historical MFFO Payout Ratio



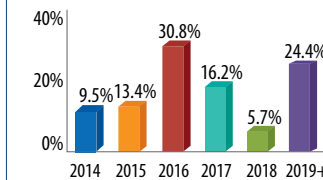
### Redemptions



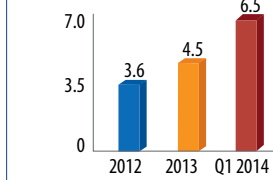
### Debt Breakdown



### Debt Repayment Schedule



### Interest Coverage Ratio



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

- During 1Q 2014 the Company acquired 17 properties for \$283.9 million.
- Subsequent to the end of the quarter, the Company acquired 3 grocery-anchored shopping centers totaling 619,179 square feet for an aggregate purchase price of \$80.9 million. The addition of these shopping centers increases the Company's portfolio to 103 shopping centers totaling 11.1 million square feet.
- The primary offering was closed on February 7, 2014. The dealer manager for the IPO was Realty Capital Securities, a subsidiary of an entity under common ownership with the REIT's sponsor, AR Capital.
- As of March 31, 2014, the Company had a large amount of uninvested proceeds from the sale of shares under the primary portion of the initial public offering. Although its intention is to invest such offering proceeds into real estate investments on attractive terms as promptly as possible,

- it expects that it will take several months or more before it can invest the remaining net offering proceeds.
- The REIT's Cash to Total Assets ratio increased to 14.3% as of 1Q 2014 compared to 1.7% as of 1Q 2013.
- The REIT's Debt to Total Assets ratio decreased to 15.9% as of 1Q 2014 compared to 50.7% as of 1Q 2013.
- The Company used Modified Funds from Operations ("MFFO") as defined by the Investment Program Association ("IPA").
- During the three months ended March 31, 2014, gross distributions paid were \$28.9 million, with \$15.2 million being reinvested through the DRP for net cash distributions of \$13.7 million. The cash generated by operating activities for the three months ended March 31, 2014 was \$16.4 million.