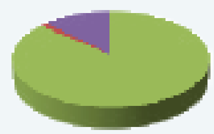
CLOSED REIT

Nontraded REIT Industry Review: Second Quarter 2014

TIER REIT, Inc.

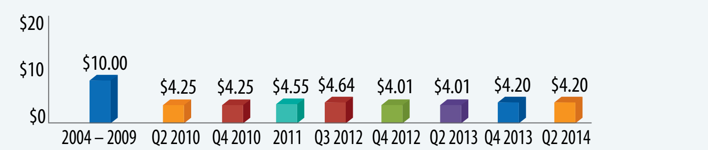
Total Assets.........................$2,363.6 Million
Real Estate Assets ....$2,071.2 Million
Cash ....$1.2 Million
Securities ....$0.0 Million
Other ....$291.2 Million



Cash to Total Assets Ratio: 0.1%
Asset Type: ....Office
Number of Properties: 38
Square Feet / Units / Rooms / Acres: .... 15.5 Million Sq. Ft.
Percent Leased: 86%
Weighted Average Lease Term Remaining:................ Not Applicable
LifeStage:..Maturing
Investment Style: .... Core
Weighted Average Shares Outstanding: 299,264,100

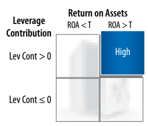
Initial Offering Date: ....February 19, 2003
Offering Close Date: .... December 31, 2008
Current Price per Share: $4.20
Reinvestment Price per Share: ....Not Applicable
Cumulative Capital Raised during Offering (including DRP)....................................$2,800.0 Million

Historical Price



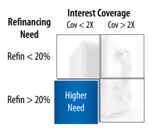
Performance Profiles

Operating Performance



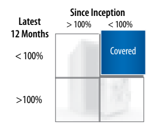
The REIT's recent 12-month average return on assets exceeds yields on 10-year Treasuries, indicating potential for positive risk-adjusted returns. At its current cost of debt and level of borrowing, its use of debt is contributing to increased returns for shareholders.

Financing Outlook



More than 20% of REIT's debt must be repaid within two years or is at unhedged variable rates, and interest coverage is below the 2.0X benchmark. The REIT may face difficulties in refinancing its borrowings, interest rate risks from increasing rates, and need to increase earnings to reassure lenders.

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 6.46%, well above the yield on 10-Year Treasuries of 2.50%, providing additional returns to shareholders. It had a positive leverage contribution due to its estimated average cost of debt of 5.65% and 62.2% debt ratio. About 29% of the REIT's debt matures within two years but only 2% is at unhedged variable rates, indicating some refinancing need but minimal interest rate risk. Its interest coverage ratio for the last four quarters was 1.8X, below the 2.0X benchmark. With suspension of cash distributions in 2012, the REIT's cumulative cash distributions since inception were 47% of estimated cumulative MFFO as of June 30, 2014.

Contact Information

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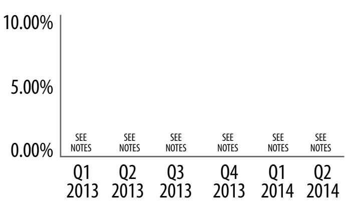
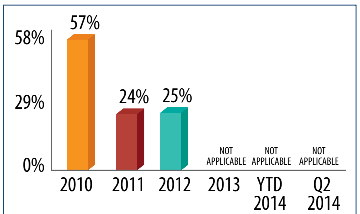
Historical Distribution

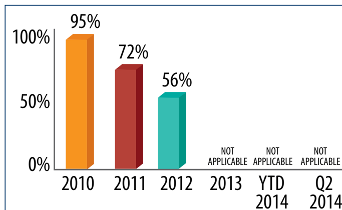


Historical FFO Payout Ratio



Ratio is not applicable, because REIT does not pay distributions.

Historical MFFO Payout Ratio



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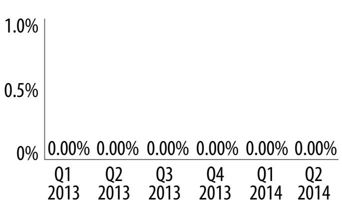
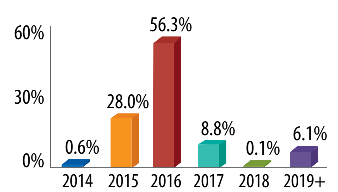
Redemptions



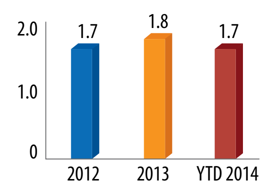
Debt Breakdown

Debt to Total Assets Ratio:...............62.2%
Total: .... $1,471.0 Million
Fixed: .... $1,438.4 Million
Variable .... $32.6 Million
Avg. Wtd. Rate: 5.65%
Loan Term: ....1 – 8 yrs

Debt Repayment Schedule



Interest Coverage Ratio



Source of Distributions, Trends and Items of Note

- At the beginning of 2014, the Company established the following four key objectives for the year, which it believes will help it move closer to meeting its long-term goals to maximize stockholder value, lay the groundwork for future increases in distributable cash flow and position the Company to provide liquidity opportunities to stockholders. These four objective are to: (1) lease the portfolio and increase occupancy in an effort to drive internal growth for future years; (2) sharpen its geographic focus through the sale of certain properties that it does not view as strategic; (3) mitigate a portion of the future interest rate and refinancing risk from the approximately $1.2 billion of debt maturing in 2015 and 2016 and (4) redeploy capital in an accretive manner to provide for external growth.
- The REIT did not acquire or sell any properties in 2Q 2014.
- The REIT's Cash to Total Assets ratio decreased to 0.1% as of 2Q 2014 compared to 1.2% as of 2Q 2013.
- The REIT's Debt to Total Asset ratio decreased to 62.2% as of 2Q 2014 compared to 67.4% as of 2Q 2013.
- Interest expense for the six months ended June 30, 2014, was approximately $42.4 million as compared to approximately $54.8 million for the six months ended June 30, 2013.
- Rental revenue for the three months ended June 30, 2014, was approximately $85.0 million as compared to approximately $87.2 million for the three months ended June 30, 2013, and was generated by consolidated real estate properties. The $2.2 million decrease was primarily as a result of a decrease in portfolio occupancy resulting in a reduction of approximately $2.7 million.
- The Company uses modified funds from operations ("MFFO") as defined by the Investment Program Association ("IPA").
- FFO attributable to common stockholders for the three months ended June 30, 2014, was approximately $19.1 million as compared to approximately $27.6 million for the three months ended June 30, 2013, a decrease of approximately $8.5 million. This decrease is primarily due to the disposition of properties that are now included in discontinued operations which resulted in a decrease of approximately $13.1 million.
- In December 2012, the board of directors made a determination to suspend all distributions and redemptions until further notice. The FFO and MFFO payout ratios are not applicable because the Company did not pay any distributions during the quarter.