Blue Vault Brief

2013 Year in Review

February 28, 2014

Introduction

Read any article from 2013 related to nontraded REITs and the primary theme will undoubtedly be fundraising. While it is quite impressive and significant that the industry raised over $19 billion last year, the most ever recorded during a 12-month period, our view is that it is important to understand the key drivers behind these figures in order to determine whether or not this is just a temporary blip or a long-term trend.

The purpose of this report is to not only summarize and report on key events that took place in 2013, the data included in the following pages are also intended to provide our readers with a more well-rounded perspective of the nontraded REIT industry and to shed light on a variety of trends and topics of interest such as:

- What were the key reasons for the industry reaching a milestone in fundraising during 2013 and which sponsors benefited the most?
- What were the key drivers behind the increase in full-cycle events during 2013 and will this trend continue into 2014?
- Is there a relationship between distributions and fundraising or product design and fundraising?
- How many REITs experienced changes in their distribution rates over the past five years and what were the key drivers behind those increases or decreases?
- Overall, is the industry experiencing a period of growth and innovation or going through a period of consolidation as it relates to new product introductions, new nontraded REIT sponsors, and new product innovation?
- As it relates to real estate portfolios, did the acquisitions at the end of 2012 confirm the tax motivation hypothesis and how has the use of debt by nontraded REITs changed since 2009?
- What new standards and regulatory guidelines for nontraded REITs have been published and how are they impacting the industry?

Nontraded REITs and the Public REIT Market

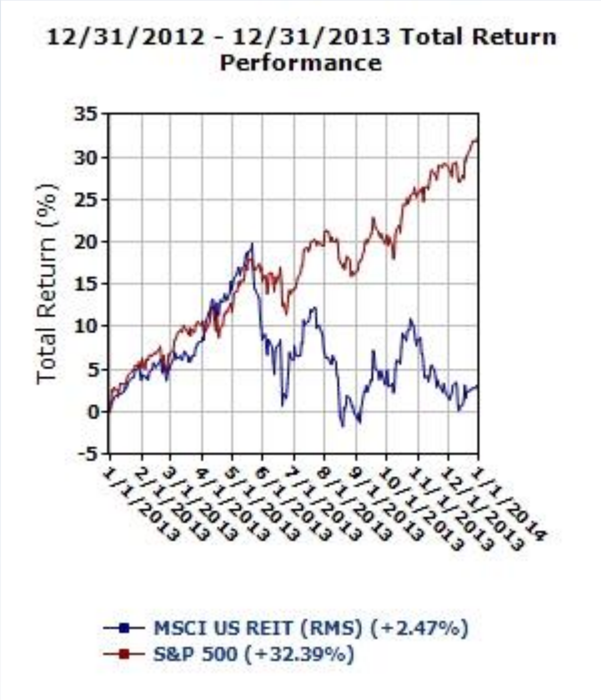
Listed and nontraded REITs raised a total of $84.13 billion from investors in 2013. Strong investment in the nontraded sector was responsible for a 12% increase in overall fundraising for equity REITs from 2012 levels. Fundraising by publicly traded REITs was essentially unchanged from 2012 to 2013.

The IPA Investor Survey reported in February, 2013, that familiarity with nontraded REITs grew from 29% of high-net-worth investors to 35% in 2013, with more than 80% of those surveyed rating the vehicle as positive (33%) or neutral (50%).

Fundamentals in the real estate market are improving due to growth in housing markets, construction, industrial production and improved consumer sentiment. NAREIT expects growth in FFO across the equity REIT space to be around 7.5% in 2014. SNL estimated Price/FFO for traded REITs at 16.5 in December, slightly above the long-term average of 15.5.

Total investor returns in publicly traded REITs for 2013 were only 2.5% compared to 32.4% for the S & P 500 Index, rather lackluster compared to 19.7% in 2012. After tracking closely through April, traded REITs underperformed the broader market for the remainder of the year.

The Green Street Commercial Property Price Index rose 8% during 2013, bringing it to 105.7, finally above the 100.0 index value at the peak in August, 2007. The index has steadily recovered from its low of 61.7 in 2009. Since rising rapidly during the first half of 2013, property values have trended along with inflation during the second half.



2013 Trends & Highlights

Capital Raise

At some time during 2013 there were a total of 47 nontraded REITs raising capital. Due to offering closings, by the end of the year there were 32 offerings still raising capital.

Based on current SEC filings and sales trends, it is estimated that the nontraded REIT industry raised approximately $19.0 billion in 2013 versus $10.5 billion in 2012.

By comparison, the publicly traded U.S. equity REIT market raised a total of $65.5 billion during 2013 for all initial, debt and equity capital offerings compared to $73.3 billion in 2012.

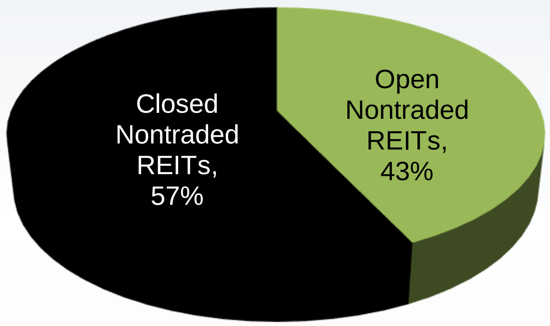
We believe the primary reason for this 81% increase in equity capital raised by the nontraded REIT sector was the record number of eight full-cycle events that occurred in 2013, with a total equity value of $16 billion, and the likelihood that investors reinvested some of those proceeds in open nonlisted REIT programs.

Assets Under Management

The net effect of capital raise and full-cycle events among nontraded REITs has been a decrease in assets under management for the sector from $83 billion in 2012 to an estimated $77 billion at year end 2013.

Historical Nontraded REIT Sales (in $ Billions)

Total Nontraded REIT Assets: $77 Billion (Est.)

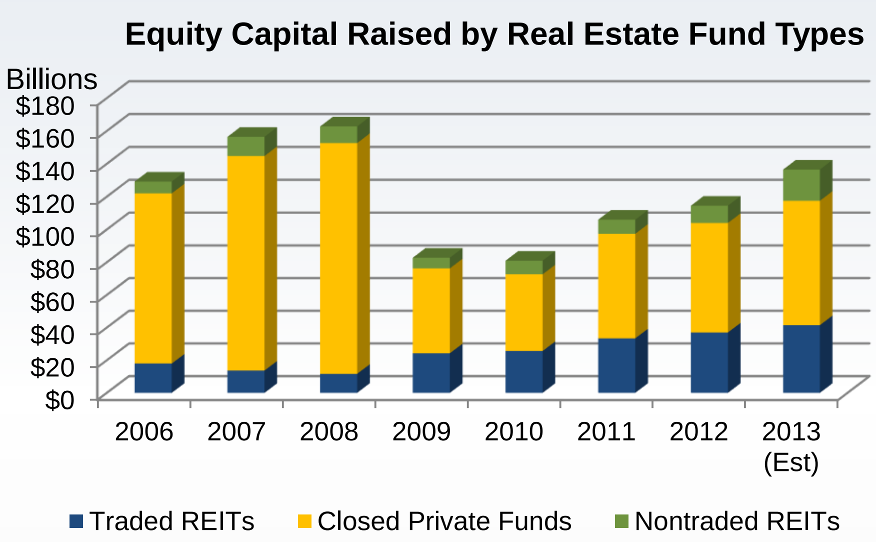


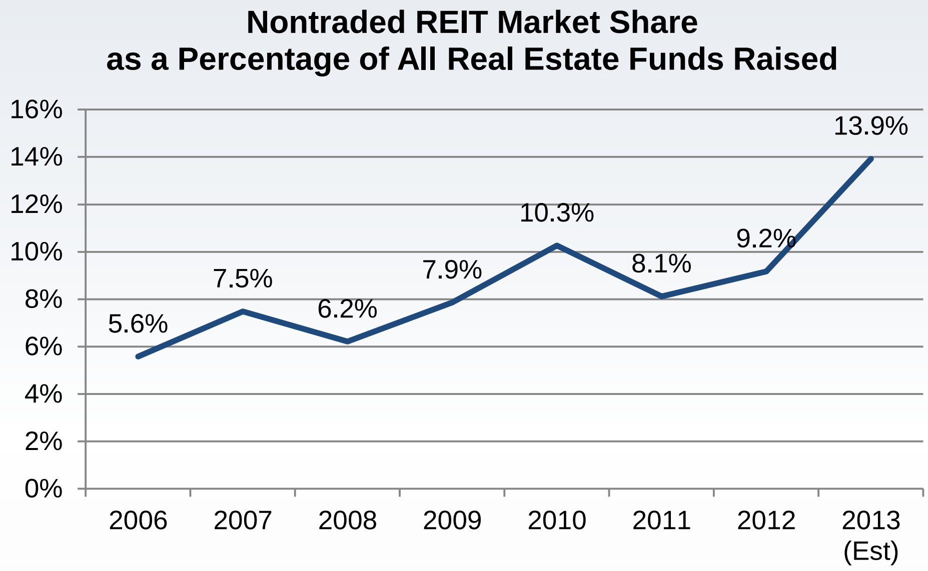
2013 Trends & Highlights

Capital Raise by All Real Estate Funds by Fund Type

Along with the 47 effective nontraded REITs which were raising capital in 2013, there were 140 traded REITs and 162 closed-end private real estate funds which reached a final close during the year. The nontraded REIT sector increased its share of common equity being raised by real estate funds from 9.2% to 13.9% in 2013. The gains in market share by the nontraded REITs as a percent of all funds raising equity capital has been dramatic over the last 8 years, increasing fairly steadily from 5.6% in 2006 to 13.9% in 2013. Equity issued by traded REITs represented 30.4% of the total in 2013, compared to 13.9% in 2006, as traded and nontraded REITs have increased their share of the total equity issued from 19.5% in 2006 to 44.3% in 2013.

These trends reflect both the recovery of the commercial real estate sector from the financial crisis in 2011 and the increasing acceptance of the value of diversification into real estate by public investors.



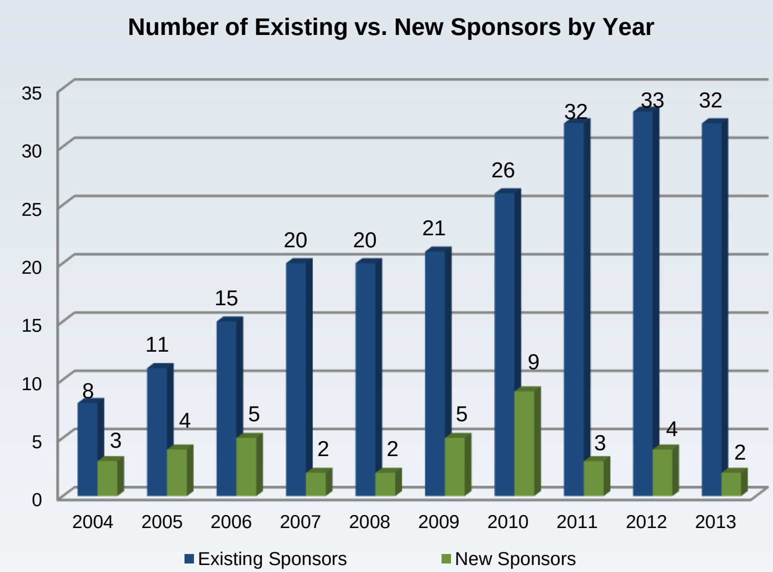


2013 Trends & Highlights

Sponsor Trends

As of December 31, 2013, 32 companies managed the 72 nontraded REITs that make up the nontraded REIT industry. This is down from 36 sponsors during 2012 as a result of newcomers such as Clarion Partners, Independence Realty Trust, and O'Donnell Strategic Industrial REIT making decisions to exit the space after failing to raise more than $3.5 million in their initial offerings. And unlike 2009 and 2010, since 2011 the industry has seen a steady decline in the number of new sponsors introducing new offerings into the market.

Looking ahead into 2014, this figure is expected to decline even further as several sponsors completing full-cycle events do not intend to introduce new offerings. Notably, Wells Real Estate Funds announced in January, 2013, that it would not register any new products in the nontraded REIT market and is expected to complete its final full-cycle event in 2014. Moreover, the consolidation of sponsors via transactions such as the purchase of Paladin Realty Income Properties by Resource Real Estate and the recent merger of publicly traded net-lease REITs American Realty Capital Properties (ARCP) and Cole Real Estate (COLE) also creates potential for concentration of management within the sector going forward.

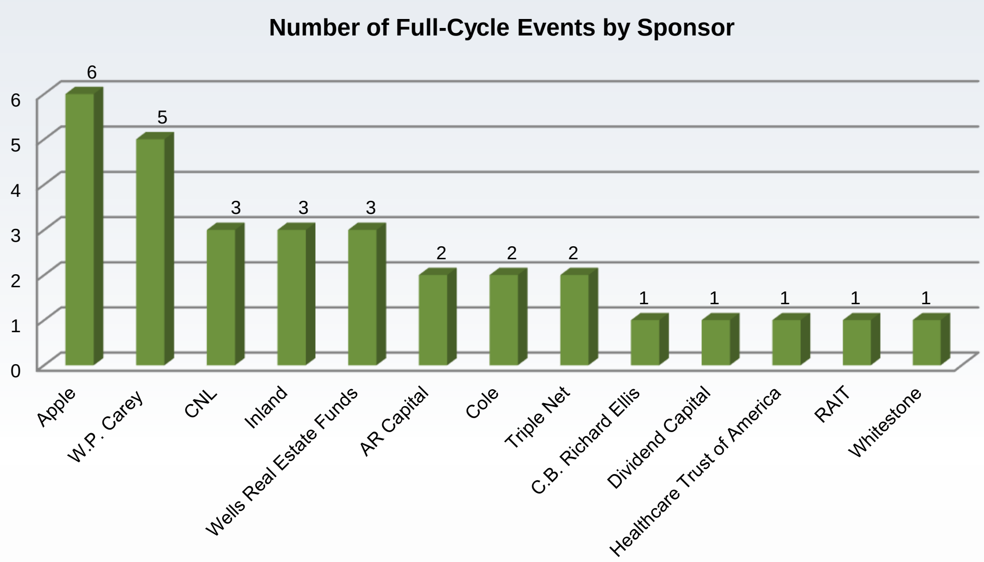


2013 Trends & Highlights

Sponsor Trends and Full-Cycle Events

By the end of 2013, 13 out of 36 industry sponsors had completed full-cycle events, up from ten in 2012. The three sponsors that completed first-time full-cycle events during 2013 were Cole Capital, C.B. Richard Ellis and Independence (RAIT).

In terms of market share, we note that the top five sponsors raised approximately 72% of all new capital in 2013, up from 60% in 2012. Among these top five sponsors, all have managed nontraded REITs for three years or more. By comparison, those sponsors with first time REITs that have been effective for two years or less raised only 11% of all new capital during the same period.



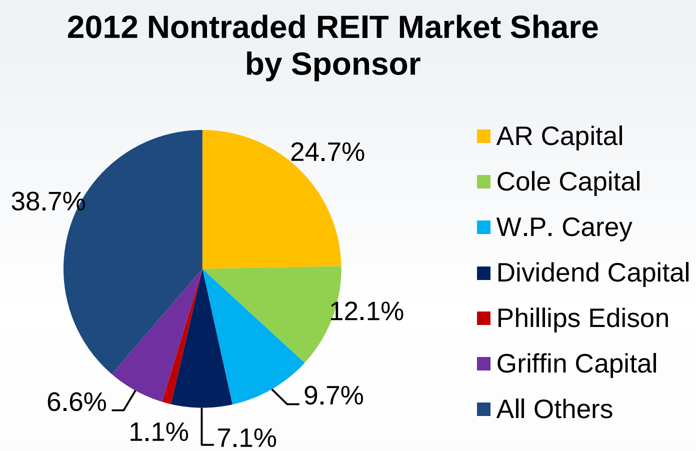
2013 Trends & Highlights

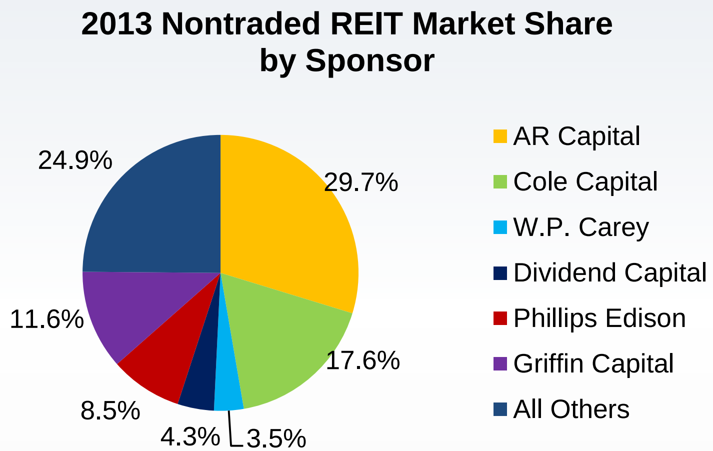
Capital Raise by Nontraded REIT Sponsors

In 2013 the top five sponsors raised an estimated $13.6 billion of the total capital raised by all nontraded REITs, or 71.7%. This marked an increase in market share by the top five sponsors from $6.3 billion of the $10.5 billion raised in 2012, or 60.3%.

Early estimates also show that the top sponsor in sales in 2013 was AR Capital, with roughly $5.66 billion in sales, followed by Cole Capital with $3.34 billion. With the growth in sales by these companies in 2013, the nontraded REIT industry became much more concentrated, with 47.3% of 2013 sales by just two sponsors. AR Capital and Cole Capital also became more closely associated in February, 2014, with the merger of listed REITs American Realty Capital Properties (ARCP) and Cole Real Estate (COLE) which created the world's largest net lease REIT.

The two top sponsors also were responsible for three full-cycle events in 2013, which certainly had an impact on their capital raising activities, both by providing liquidity to investors which could be reinvested in the offerings of the sponsor, and perhaps by enhancing their reputations.



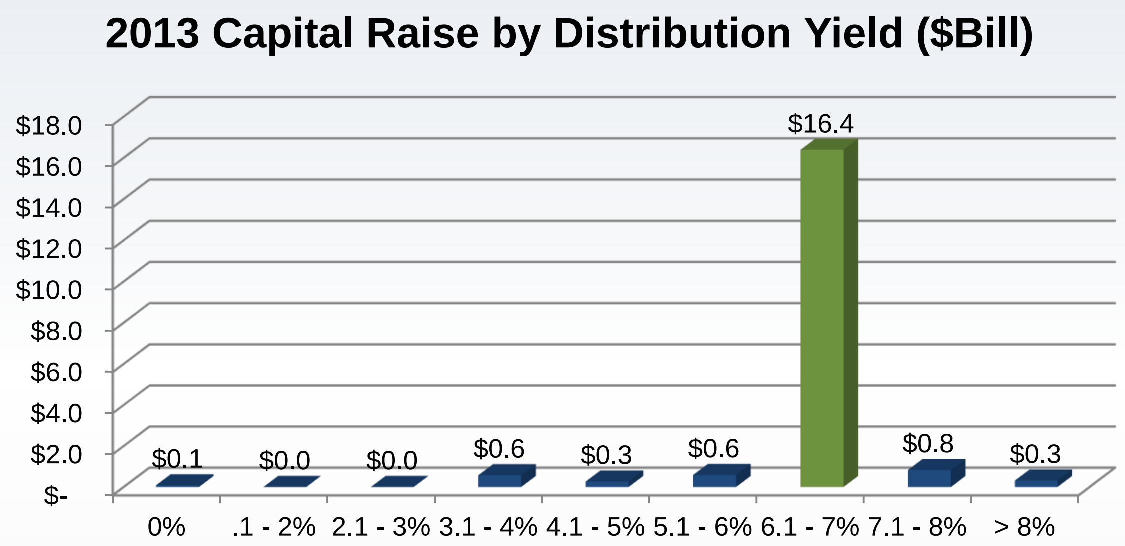


2013 Trends & Highlights

Do Nontraded REITs Offering Higher Distribution Yields Attract More Capital?

Since one of the selling points for nontraded REITs is their relatively high distribution yield when compared to other investments, it is logical to examine the capital being raised by nontraded REITs with differing distribution yields. Looking at the 47 REITs that raised capital in 2013, it appears that the market for nontraded REIT shares has a preference for those REITs offering a distribution rate that exceeds 6.0% annualized. (The average distribution yield among traded REITs in 2013 was 4.43% while the average yield among all nontraded REITs was 5.86% and among those nontraded REITs currently making distributions the average yield was 6.27%. By comparison, the average dividend yield for the S&P 500 was about 2% for 2013.)

The chart below shows that nontraded REITs offering 6.0% or less annualized distribution yield raised a total of $1.5 billion in 2013, whereas those which offered initial yields greater than 6% raised a total of $17.5 billion. Those nontraded REITs which offered distribution yields above 7% raised over $1.1 billion, and three out of the four with yields exceeding 7% were mortgage REITs.



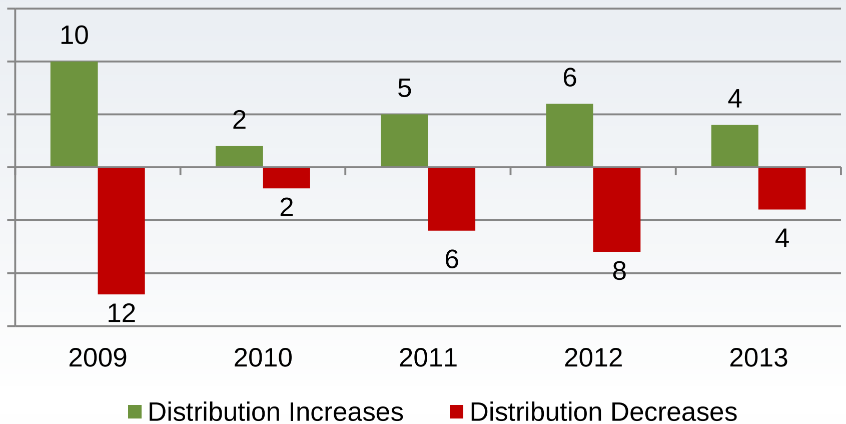
2013 Trends & Highlights

Distribution Yield Increases, Decreases and Eliminations by Year

Blue Vault Partners reports distribution yield as a percentage of the original offering prices, usually $10.00 per share. Over the last five years, there have been a total of 59 changes in the distribution rates of nontraded REITs, with 27 increases and 32 decreases. Of the 32 decreases, five were eliminations of the distributions altogether. The average distribution yield increase was 0.68% and the average distribution yield decrease was 1.90%. The year 2009 saw the most decreases in distributions when 12 REITs reduced their yields, but interestingly, there were also 10 REITs which increased their distributions in 2009 as well. There were four increases and four decreases, with one distribution elimination in 2013.

Year	Increases	Decreases	Eliminations	Average Increase	Average Decrease
2009	10	12	0	1.04%	-1.28%
2010	2	2	0	0.15%	-2.85%
2011	5	6	1	0.26%	-2.03%
2012	6	8	3	0.91%	-2.24%
2013	4	4	1	0.25%	-2.44%
Totals	27	32	5	0.68%	-1.90%

Distribution Yield Increases and Decreases



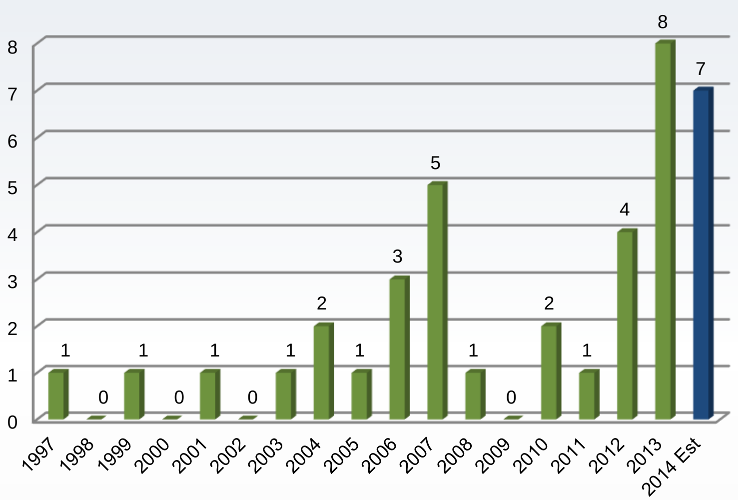
2013 Trends & Highlights

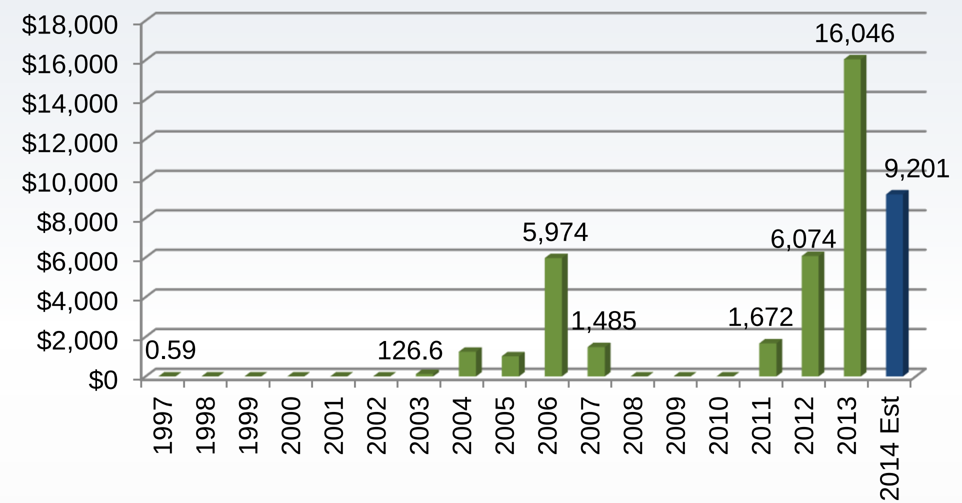
Value of Full-Cycle Events

The trend in full-cycle events among nontraded REITs accelerated in 2013 and appears to be on a record pace for 2014. As the chart below illustrates, there were just as many full-cycle events that occurred during 2013 as were completed in total over the previous five years.

Including the eight liquidity events in 2013, the cumulative number of full-cycle events that have taken place since 1990 increased to 31. Of the completed liquidity events in 2013, six were listings on a national exchange, one was by a merger with a private entity and one by merger with a listed company. The industry recorded the most listings on a national stock exchange since its beginnings in 1990.

The seven events already announced for 2014 will total an estimated $9.2 billion in shareholder value.





2013 Trends & Highlights

Full-Cycle Events in 2014

We anticipate liquidity events to continue at an unusually rapid pace in 2014 as three nontraded REITs have already completed a full-cycle event during the first quarter and four more nontraded REITs have made public announcements of listings or mergers that are anticipated to take place within the next two quarters. The total estimated value of these events to common shareholders should be over $9.2 billion.

In addition to those nontraded REITs that have confirmed their exit strategies, many more are poised to complete full-cycle events. For example, the largest currently nontraded REIT by total assets, Inland American Real Estate Trust, has announced a suspension of share redemptions and has confirmed plans to explore possibilities for a full-cycle event. Other REITs such as Industrial Income Trust, Strategic Storage and Plymouth Opportunity REIT have also publicly stated that they intend to explore possibilities for an exit strategy as well.

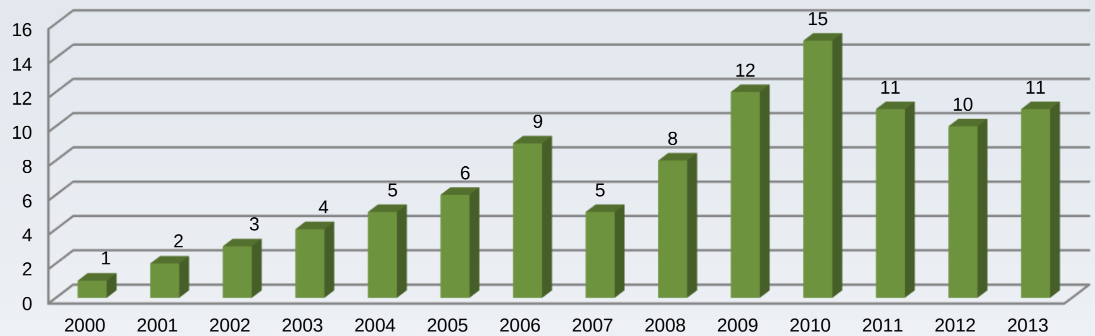
	Full-Cycle in 2014 Announced	Date Completed	Anticipated Completion	3Q 2013 Total Assets ($ Millions)	Type	Price/Share	Shares at 9/30/13	Estimated Shareholder Value ($ Millions)
1	CPA 16	2/3/2014		$3,268.85	Merger	$11.25	221,841,495	$2,496
2	American Realty Capital Trust IV	1/3/2014		$2,199.32	Merger	$30.52	71,105,517	$2,170
3	American Realty Capital Healthcare		2Q 2014	$1,735.63	Listing	Unknown	178,785,756	$1,800
4	Paladin Realty Income Properties	2/3/2014		$200.69	Merger	$6.63	7,720,859	$51
5	Bluerock Residential Growth REIT, Inc.		NA	$167.89	Listing	Unknown	2,402,143	$24
6	American Realty Capital New York Recovery REIT		2Q 2014	$1,213.18	Listing	Unknown	83,841,078	$1,430
7	Inland Diversified Real Estate Trust, Inc.		2 or 3Q 2014	$2,352.90	Merger	$10.50	117,107,314	$1,230
	Totals			$11,138				$9,201

2013 Trends & Highlights

New Offerings in 2013

Eleven new nontraded REITs became effective in 2013, and one of those, American Realty Capital Trust V, became effective on April 4, 2013, raised $1.7 billion in equity, and closed on September 30, 2013. This single REIT represented an estimated 77% of the capital raised by the 11 new offerings in 2013.

New Nontraded REIT Offerings by Year



REIT	Effective Date	Type of Shares	Investment Focus
RREEF Property Trust, Inc.	1/3/2013	Daily NAV (A,B)	Diversified
ARC Realty Finance Trust, Inc.	2/12/2013	Traditional	Debt
American Realty Capital Healthcare Trust II, Inc.	2/14/2013	Traditional	Healthcare
American Realty Capital Trust V, Inc.	4/4/2013	Traditional	Retail
Corporate Property Associates 18 - Global Incorporated	5/7/2013	Multi (A,C)	Diversified
NorthStar Real Estate Income II, Inc.	7/6/2013	Traditional	Debt
Medical Hospitality Group	7/11/2013	Traditional	Debt
Industrial Property Trust, Inc.	7/24/2013	Multi (A,T)	Industrial
Cole Office & Industrial REIT, Inc.	9/17/2013	Traditional	Office/Industrial
Phillips Edison – ARC Shopping Center REIT II Inc.	11/25/2013	Traditional	Retail
Steadfast Apartment REIT	12/30/2013	Traditional	Apartment

2013 Trends & Highlights

Offering Innovations

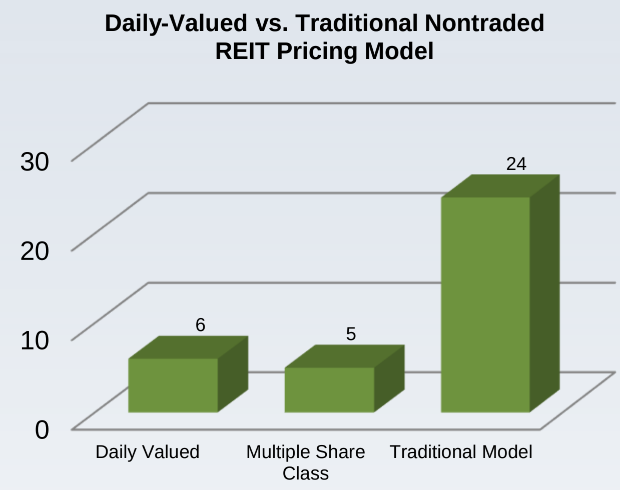
The chart at right shows the types of new products introduced between 2011 and 2013 based on pricing models. While the majority of new products continue to follow the traditional model of offering only one class of shares and a fixed share price during the life of the offering, several sponsors have responded to market demand by introducing products with multiple share classes and daily valuations.

Multiple Share Classes
In addition to two offerings that were launched in 2012, three more nontraded REITs with multiple shares class were introduced and became effective in 2013. To date, five sponsors have launched products with this pricing model which is usually accompanied by reduced selling commissions and lower overall fees and expenses.

Daily NAV REITs
As of December 31, 2013, there were a total of six nontraded REITs that have provided or planned to provide daily valuations and enhanced liquidity features.

In 2012 we reported that the daily NAV funds apparently had taken about the same length of time to break escrow as more traditional REITs, indicating no greater demand for REIT shares with the daily NAV feature than other designs.

During 2013, these five funds are estimated to have raised $288 million since inception, about 1.0% of funds raised by all open REITs as of that date. For all REITs raising equity funds in 2013, the six daily NAV REITs appear to have raised only 1.5% of equity funds.

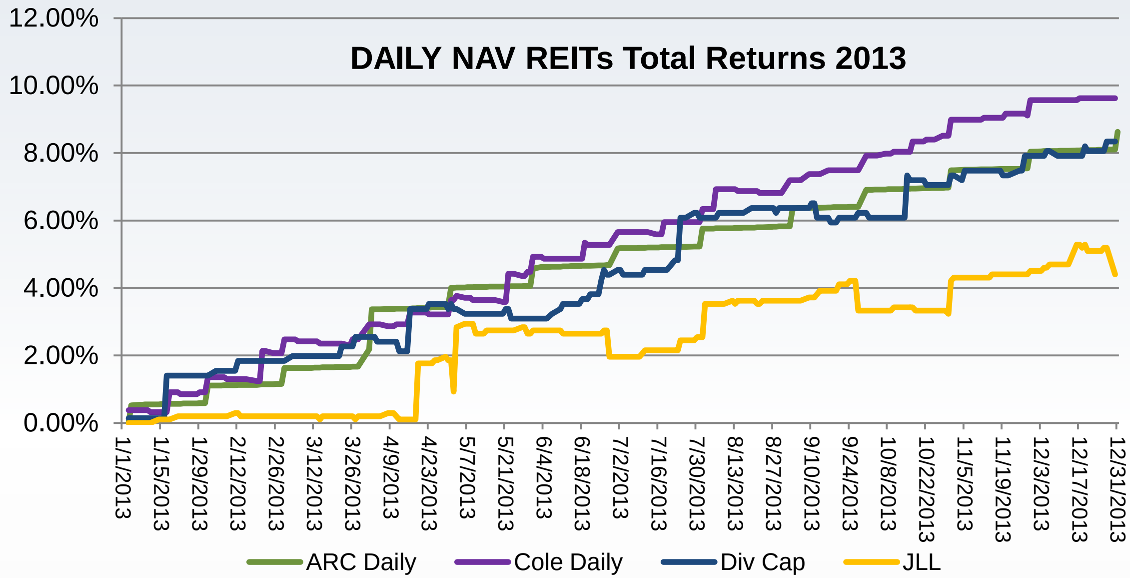


2013 Trends & Highlights

Performance by Daily NAV REITs

Using the daily NAV's reported for retail shares during 2013, as well as the distributions paid, we are able to calculate estimated total returns to shareholders for four daily NAV nontraded REITs. Given that in some cases the shares may not be liquidated at their reported NAVs, the returns below represent only estimates of the potential capital gains plus actual distribution income realized by investors. Using the published NAVs and distributions paid during 2013, the four daily NAV products with daily values for every day during 2013 had estimated annualized returns for the 12-month period ending December 31, 2013 as follows:

- American Realty Capital Daily NAV 8.63%
- Cole Real Estate Income Strategy 9.62%
- Dividend Capital Diversified Property Fund 8.35%
- Jones Lang LaSalle Income Property Trust 4.41%



2013 Trends & Highlights

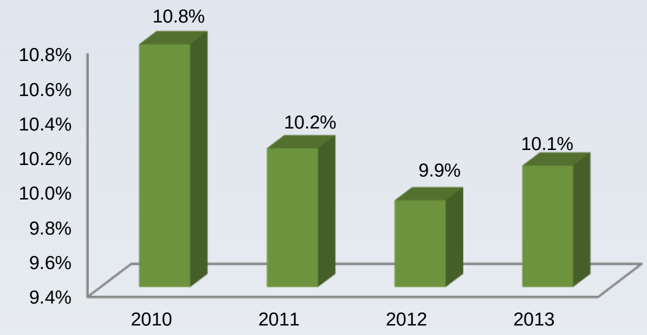
Amount of Proceeds Available for Investment

The industry's trend toward lower front-end fees has had mixed results over the past two years. While the average percentage of offering proceeds which can be invested in real estate after front-end fees has risen consistently for open offerings since 2009, from 86.8% in 2009 to 89.1% in 2013, the biggest influence on the trend has been the introduction of daily NAV products with their lower fee structure. The average front-end fees for new product introductions rose in 2013 due to only one daily NAV product being introduced compared to three such products in 2012.

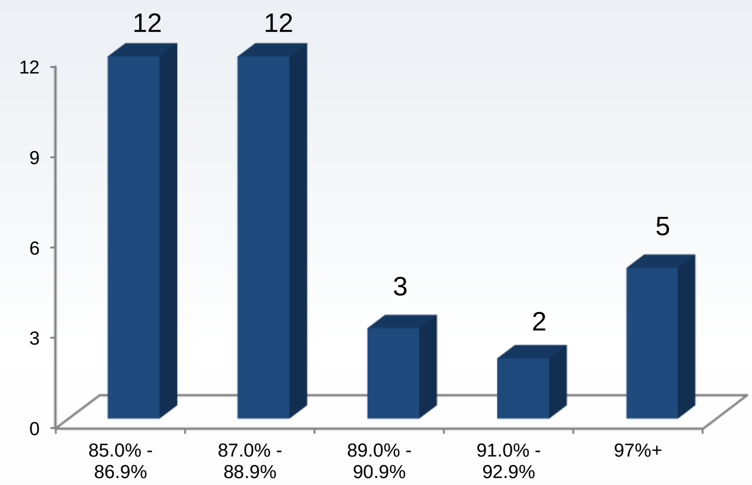
As the chart at right illustrates, of the 34 nontraded REITs that were effective at the end of 2013, approximately 21% are investing 91% or more of investor proceeds into real property. This compares to 2011 results that showed 16% of all effective REITs investing 91% or more of investor proceeds into real property.

When combined with the use of debt, nontraded REITs have been able to invest roughly $35 billion in real estate assets with offering proceeds of $30 billion between 2012 and 2013. Over the long term, increasing the amount of investor proceeds that are used to purchase real properties has a direct impact on long-term total returns.

Average Nontraded REIT Front-End Fees by Year (Excludes Acquisition Fees)



Nontraded REITs Segemented by Percent of Gross Proceeds Available for Investment



2013 Trends & Highlights

Real Property Acquisitions

Acquisitions in 2013 totaled an estimated $21 billion, up from $13.9 billion in 2012, a rise of 51%, which can be attributed directly to the 81% rise in offering proceeds.

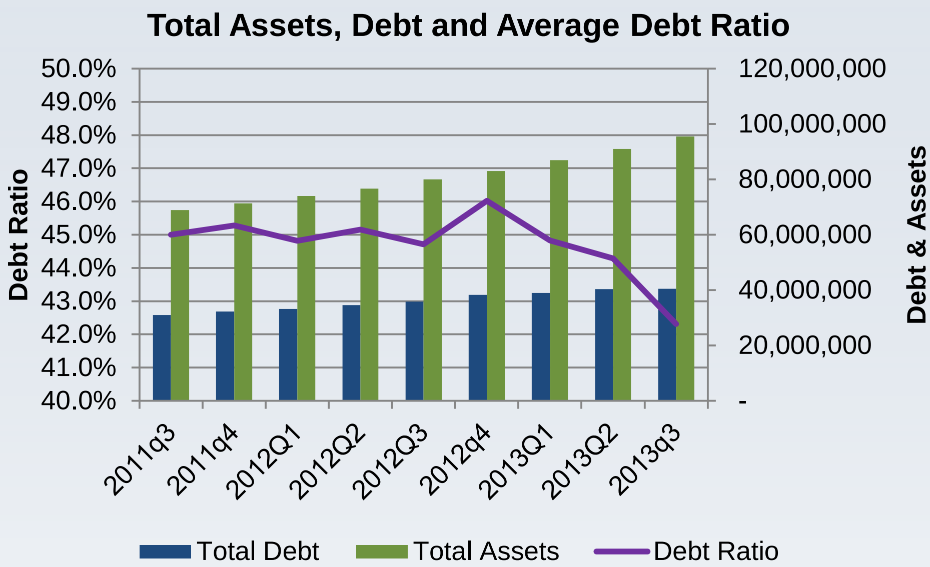
Nontraded REITs purchased a total of $13.9 billion in real properties during 2012 with $4.6 billion in transactions occurring in Q4 2012 alone. We hypothesized at that time that a significant portion of this Q4 2012 activity might be attributed to concerns surrounding the then-looming "fiscal cliff" and the motivation property sellers had to close deals before year-end in order to avoid higher capital gains taxes in 2013.

As illustrated in the chart to the right, the unusually high ratio of acquisitions to capital raise in 4Q 2012 compared to the previous three quarters led us to believe that a portion of the activity was indeed motivated by the desire to avoid higher capital gains tax rates. The ratio of real estate acquisitions to offering proceeds fell dramatically in Q1 2013 and rebounded over the remainder of 2013, consistent with the tax-motivated transaction hypothesis.

2013 Trends & Highlights

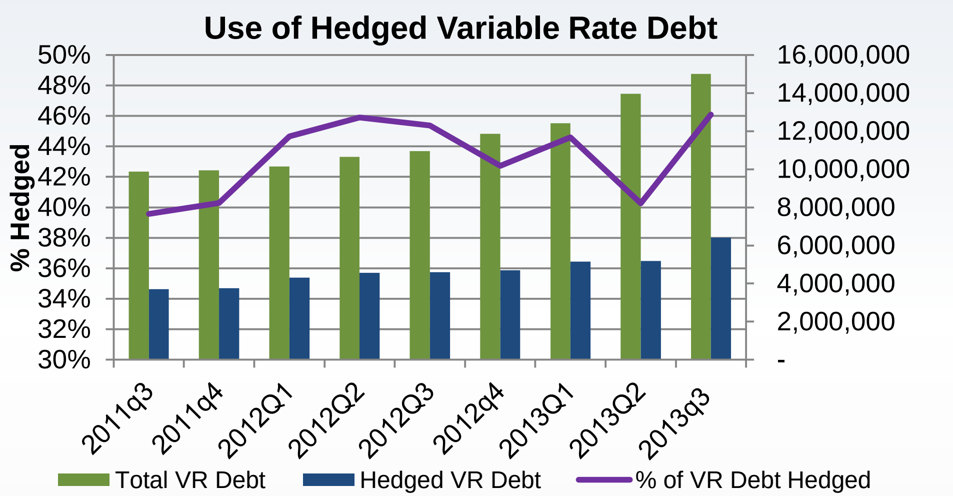
Use of Debt

The credit markets have continued to improve over the past four years making it easier for sponsors to finance new property purchases. Taking a historical look over the past four quarters, we find relative stability in the weighted average debt to total asset ratios as the ratio decreased slightly from 44.8% in 3Q 2012 to 42.3% in 3Q 2013 for all of the 67 REITs in our report with data for both periods. However, among those 23 REITs that were closed to new equity financing as of 3Q 2013 and had data for both 3Q 2012 and 3Q 2013, 14 had increased their debt/assets ratio year-over-year and 9 had decreased their debt/assets ratio. Still, the debt/assets ratio for this group of closed REITs as a whole fell from 48.1% in 3Q 2012 to 45.5% in 3Q 2013.



Increasing use of Interest Rate Swaps and Caps

Blue Vault Partners began reporting the use of interest rate swaps and other hedging instruments used by nontraded REITs to effectively fix rates on variable rate debt in 2012. Nontraded REITs increased their use of swaps and caps during 2013 from 38.8% of variable rate debt hedged in 3Q 2012 to 42.5% of such debt hedged.



Future Trends and Expectations for 2014

With seven upcoming full-cycle events already announced for 2014 which could return approximately $9.2 billion in liquidity to shareholders, and several other large full-cycle events possible, even if 2014 does not approach the record number of such events and total liquidity of shareholder value observed in 2013, it will still easily rank second in the history of the industry.

With the number of full-cycle events in 2013, the assets held by open REITs now make up an estimated 43% of total nontraded REIT assets as of year-end 2013 compared to only 24% in 2012.

As it relates to the overall economy and the commercial real estate market, many economists and industry experts are forecasting a relatively positive outlook for 2014.

The key factors that support this include:

- More optimism among market participants, with 68% of PwC and ULI survey[1] respondents now feeling profitability will be at least as good in 2014 as 2013.
- Interest rates are expected to rise only modestly in 2014. If the Fed raises rates in response to a growing economy, the impact of interest rate increases will be more tolerable.
- Cap rates may follow interest rates higher, shifting investor emphasis from property appreciation to improved cash flows through higher occupancies and rents.
- Continuing investment of foreign capital into U.S. markets.
- The continued recovery of the CMBS market, with 7% growth in commercial and multifamily mortgage originations in 2014.
- Continued moderate GDP growth.
- Slow but steady increase in job creation.

1. Emerging Trends in Real Estate® 2014 co-published by PwC US and the Urban Land Institute (ULI).

Future Trends and Expectations for 2014

But while we are optimistic about the outlook for 2014, looming on the horizon is a key piece of regulation that could change the nontraded REIT industry as we have known it.

Shareholder Reporting Rules and Valuation Methodology Standards
Two of the most important reporting issues for nontraded REITs are how share values are to be reported on shareholder account statements and the methodology used for estimating net asset values (NAVs). FINRA has proposed rule changes to the SEC for reporting share values of nontraded REITs which may have a significant impact on investor perceptions and sales practices in the industry. The proposal also addresses the methods used in share valuations as well as their timing and frequency.

FINRA Proposes Changes to NASD Rule 2340
Since NASD Rule 2340 was originally adopted in 2000, it has become industry practice to include in customer account statements the per share estimated values shown in the REIT's annual report during the offering period, typically the security's gross offering price (e.g. $10.00 per share). Because this gross offering price does not take into account selling commissions, organization and offering expenses or cash distributions that occur during the offering periods, customer account statements may reflect gross offering prices for a period exceeding three years and even beyond seven years. The gross offering price would overstate the value of nontraded REIT shares, particularly during the offering period. FINRA's general securities members were not allowed to leave customer account statements blank when an estimated value was included in the REIT's annual report, even though that value was unreliable or unrealistic.

Future Trends and Expectations for 2014

FINRA Proposes Changes to NASD Rule 2340

In February, 2014, FINRA released a proposed change to NASD Rule 2340 (Customer Account Statements) to modify the requirements relating to the inclusion of per share estimated value for unlisted REIT securities on a customer account statement. Under the proposal, a member would not be required to include a per share estimated value for an unlisted REIT security in a customer account statement, but any member may choose to do so if the value has been developed in a manner reasonably designed to ensure that it is reliable. This change should have the effect of improving transparency and encouraging REIT sponsors to provide more realistic and frequent share valuations in their reports.

FINRA proposes two methodologies under which an estimated value would be presumed to be reliable: (1) net investment; and (2) independent valuation. Net investment methodology may be used for up to two years following the breaking of escrow and would be based upon the "amount available for investment" percentage in the "Estimated Use of Proceeds" section of the offering prospectus. It must also deduct the portion of cumulative distributions that exceeded GAAP net income per share for the corresponding period, after adding back depreciation, amortization and depletion expenses.

The independent valuation methodology can be used any time and would consist of the most recent valuation disclosed in the issuer's periodic reports and requires that a third-party valuation expert determine or provide material assistance in determining the valuation.

FINRA also proposes to retain disclosure requirements relating to the nature and liquidity of REIT products in customer account statements. Where a customer account statement includes a per share estimated value for an unlisted REIT security, the statement must: (1) briefly describe the per share estimated value, its source and an explanation of the method by which it was developed; and (2) disclose that the REIT securities are not listed on a national securities exchange, are generally illiquid and that, even if a customer is able to sell the securities , the price received may be less than the per share estimated value provided in the statement.

The SEC is now considering the proposed rule change and it will become effective 90 days following SEC approval. We will continue to monitor the status of this event and the implications for the industry throughout the year.

Future Trends and Expectations for 2014

The following table presents an example of how share valuations have been reported and how the proposed rule changes could affect those valuations in the future. This example assumes a typical selling commission of 7% and offering and organization expenses of 3% of the gross selling price, as well as a 7% distribution yield initially from offering proceeds.

Existing Nontraded REIT Share Value Reporting Practice	Offering Price	Selling Commissions	O & O Expenses	Cumulative Distributions in Excess of GAAP NI + D&A	Reported Share Value
First Two Years of Offering	$ 10.00	$ 0.70	$ 0.30	$ 1.05	$ 10.00
Up to Six Years Into Offerings	$ 10.00	$ 0.70	$ 0.30	$ 2.00	$ 10.00
Up to 18 Months After Offering	$ 10.00	$ 0.70	$ 0.30	$ 3.00	$ 10.00
Beginning 18 Months After Close	**Estimated Market Value of Assets per Share**		**Estimated Market Value of Liabilities per Share**		**Reported NAV**
Independent Valuation Methodology	$13.00		$4.50		$ 8.50
Nontraded REIT Share Value Reporting Practice Under FINRA Rule Changes	**Offering Price**	**Selling Commissions**	**O & O Expenses**	**Cumulative Distributions in Excess of GAAP NI + D&A**	**Reported Net Investment Value**
Net Investment Methodology					
Up to Two Years after Breaking Escrow	$ 10.00	$ 0.70	$ 0.30	$ 1.05	$ 7.95
After Two Years following Breaking Escrow					
Independent Valuation Methodology	Third Party Valuation				
At Least Every Two Years	**Estimated Market Value of Assets per Share**		**Estimated Market Value of Liabilities per Share**		**Reported NAV**
	$13.00		$4.50		$8.50

Future Trends and Expectations for 2014

Looking ahead to 2014, we estimate that the industry will be able to maintain a pace of capital raising of at least $12 billion or more assuming that:

- at least seven and as many as nine full-cycle events occur during the year,
- the market for daily-valued and multiple-share class nontraded REITs shows some improvement,
- investor perceptions of nontraded REITs and commercial real estate investments remain positive,
- distribution yields offered by effective REITs remain attractive compared to other asset classes, and
- financial advisors continue to view nontraded REITs as a key component of a well-diversified portfolio.