

In evaluating non-listed REIT performance, market risk, investment risk, and financing risk should be considered by investors. Market risk: Market timing is a key factor impacting total returns. Portfolio cap rates, interest rates, and cap rate spreads are critical metrics that provide insight into market risk. Investment risk: Investment risk can be evaluated with metrics such as occupancy, lease terms, average rents, as well as trends in these metrics over time. Also, alternative investment strategies directly impact investment risk. Financing risk: Leverage ratio, short-term debt ratio, and variable debt ratio are the three key financing risk metrics that should be understood on an absolute and comparative basis. Based on this comprehensive analysis, Summit highlights three top performing open non-listed REITs in 1Q17.

## Industrial Property Trust

**Industrial Property Trust** has raised \$1.6 billion equity capital from July 2013 through 1Q17. Industrial Property Trust now has \$2.8 billion in total assets. Industrial Property Trust has invested in industrial properties in strong markets like Chicago, Atlanta, and San Francisco, which are their top three market concentrations. Industrial Property Trust has a low portfolio cap rate of 5.95% but high cap rate spread of 3.07%, which provides sufficient leveraged income to fully cover its 5.18% annualized distribution rate on class A shares. Industrial Property Trust has moderate financing risk. On cumulative basis, Industrial Property Trust has full distribution coverage. With full distribution coverage and strong operating performance, Industrial Property Trust should continue to report strong operating performance.

**Corona Industrial Center II - 1/12/17**



## Carter Validus Mission Critical REIT II

**Carter Validus Mission Critical II Trust** ("CVMC2") has raised \$890 million equity capital from May 2014 through 1Q17. CVMC2 now has \$1.2 billion in total assets. CVMC2 has invested in net lease healthcare properties at 87% of investments and data centers at 13% of investments. CVMC2 has a moderate portfolio cap rate of 7.25% and a high cap rate spread of 3.48%, which should provide sufficient leveraged income to fully cover its 6.5% annualized distribution rate on class A shares on a long-term basis. CVMC2 has moderate financing risk with a 41% leverage ratio and 64% short-term debt ratio. On cumulative basis, CVMC2 has a cumulative overdistribution of only \$0.16 per share. With nearly full distribution coverage and strong operating performance, CVMC2 is well positioned for continued strong performance.

**Texas Rehabilitation Center - 3/31/17**



## Hines Global REIT II

**Hines Global REIT II** has raised \$312 million equity capital from August 2014 through 1Q17. Hines Global REIT II now has \$622 million in total assets. Hines Global REIT II has a diversified investment strategy with a 40% allocation in office, 31% in retail, and 16% in apartments. Hines Global REIT II has a moderate portfolio cap rate of 6.92% and a high cap rate spread of 4.38%, which provides sufficient leveraged income to fully cover its current 5.47% annualized distribution rate on class A shares. Hines Global REIT II has moderate financing risk with a 51% leverage ratio and 10% short-term debt ratio. On cumulative basis, Hines Global REIT II has full distribution coverage. With its full distribution coverage and strong operating performance, Hines Global REIT II should continue to provide strong operating performance.

**Montrose Student Residences - 3/24/17**



## Key Takeaways - Top Performing Open Non-Listed REITs in 1Q17

Non-listed REITs are complex investments that require significant investor research. Summit Investment Research provides a comprehensive analysis of non-listed REITs that evaluates market risk, investment risk, and financing risk. An incomplete understanding of the performance and risks in each of these three critical areas could result in poor investment decisions. An evaluation of non-listed REITs should result in an understanding of the risk-return profile of the non-listed REIT and insights into the expected long-term returns of the non-listed REITs. With favorable market conditions, non-listed REITs have had improving operating performance and moderate financing risk. In 1Q17, Industrial Property Trust, Carter Validus Mission Critical REIT II, and Hines Global REIT II stand out as three strong performing non-listed REITs.

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