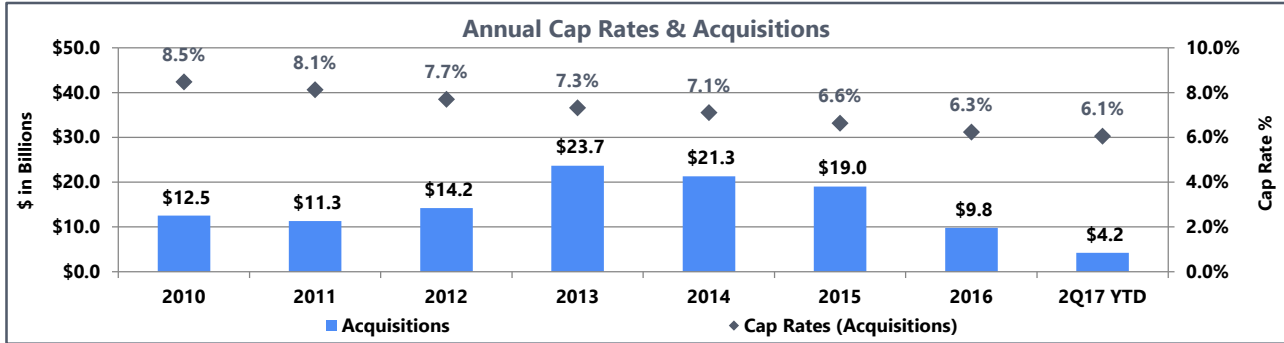
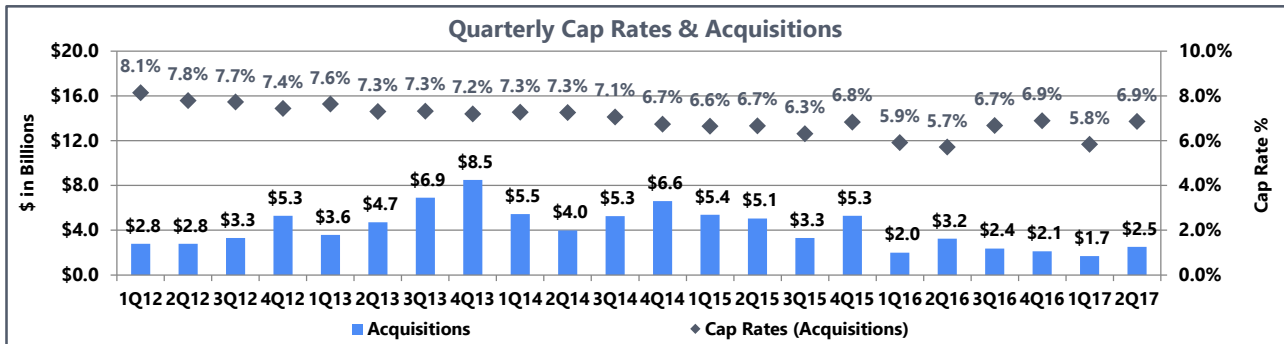


Non-Listed REIT Annual Cap Rates & Acquisitions



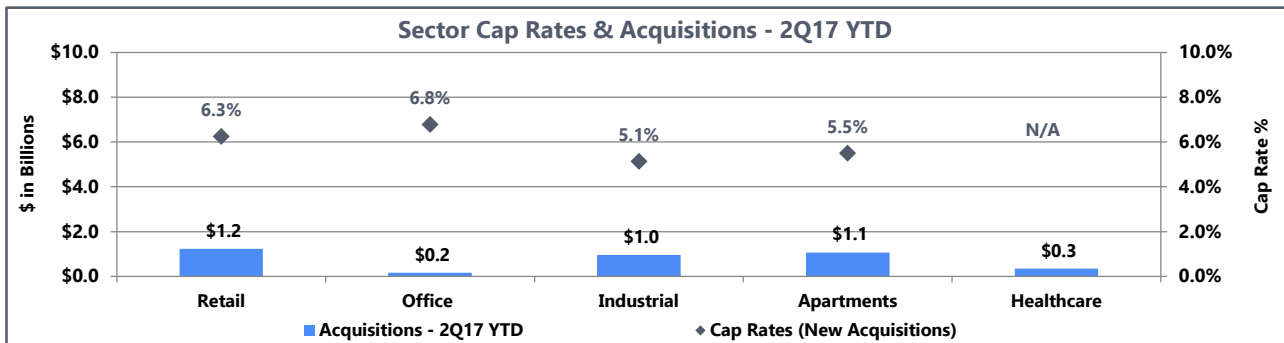
For 2Q17 YTD, acquisition cap rates for non-listed REITs continued their eight years of compression. Cap rates were 6.1% for 2Q17 YTD, which is a 33% decline from cap rates in 2009. Two factors should push cap rates higher in 2017. Commercial real estate prices have started to decline, and non-listed REITs may take on higher investment risks to generate higher cap rates.

Non-Listed REIT Quarterly Cap Rates & Acquisitions



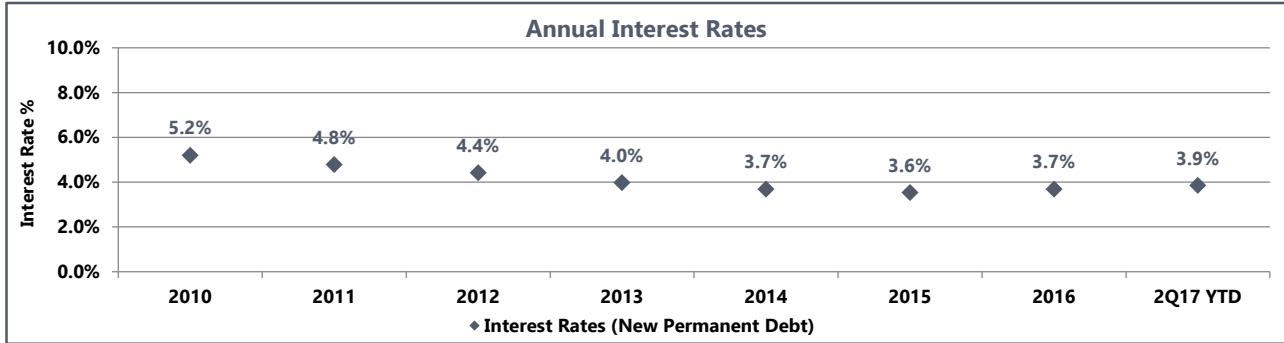
Quarterly acquisition cap rates for non-listed REITs increased from a low 5.8% in 1Q17 to 6.9% in 2Q17. Higher cap rates on single-tenant retail properties in rural tertiary markets were primary factors for the higher overall cap rates in 2Q17, after low industrial cap rates were the primary factors for pulling down average overall cap rates to the low 5.8% in 1Q17.

Non-Listed REIT Sector Cap Rates & Acquisitions - 2Q17 YTD



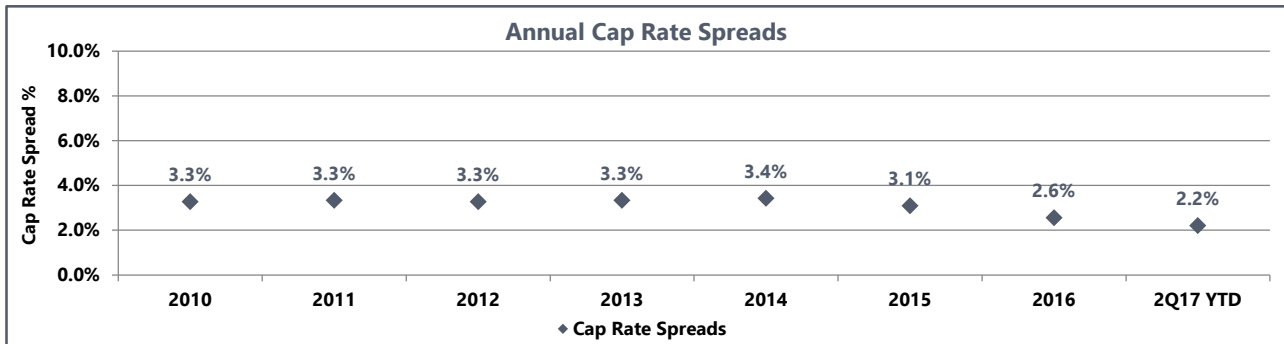
Cap rates vary by commercial real estate sector. Apartments and industrial had the lowest acquisition cap rates of 5.5% and 5.1% for 2Q17 YTD respectively, due to high investor demand for apartments in strong markets and new industrial properties for expanding companies like Amazon. Retail investments, which were primarily multi-tenant, had moderate 6.3% cap rates.

Non-Listed REIT Annual Interest Rates



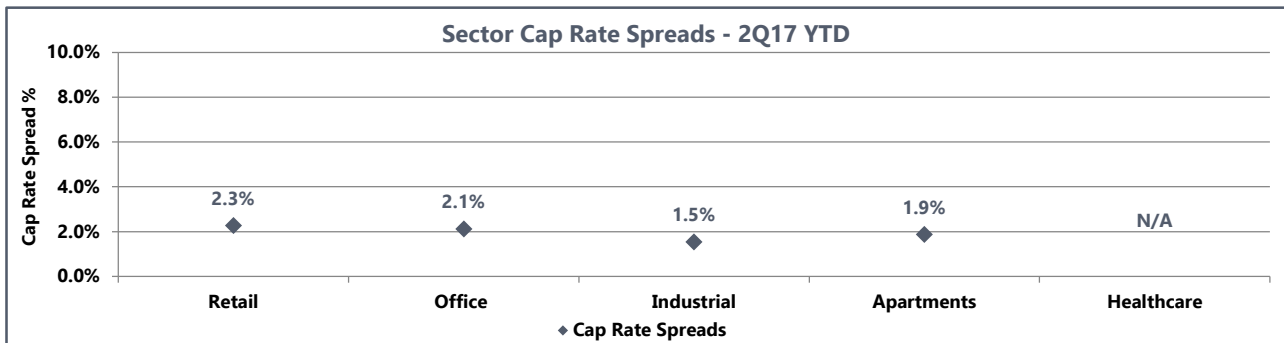
Interest rates on new permanent debt for non-listed REITs increased from 3.7% in 2016 to 3.9% for 2Q17 YTD, which is near the high 4.0% in 2013. Rising LIBOR rates, which are typically the base financing rate for commercial real estate loans, are a key driver of higher interest rates on permanent debt. Interest rates on new permanent debt should approach 4.0% in 2017.

Non-Listed REIT Annual Cap Rate Spreads



Market cap rate spreads, which are the difference between acquisition cap rates and interest rates on permanent debt, are a key indicator of market returns. After remaining above 3.0% from 2010 through 2015, cap rate spreads declined to 2.6% in 2016 then to 2.2% for 2Q17 YTD. Lower cap rate spreads indicate lower leveraged yields, which will reduce investor demand.

Non-Listed REIT Sector Cap Rate Spreads - 2Q17 YTD



Cap rate spreads vary by commercial real estate sector. Non-listed REIT retail and office investments had moderate cap rate spreads of 2.3% and 2.1% respectively, while industrial investments had low 1.5% cap rate spreads. Strong investor demand that drove up market prices and rising LIBOR rates are the primary factors for the lower cap rate spreads for 2Q17 YTD.