

PRESENTATION TO APPRAISAL INSTITUTE

BY

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NON-LISTED REIT INDUSTRY MARKET UPDATE

Market Update:

Summary of Major Events & Trends

- Regulatory
 - DOL Fiduciary Rule – Phased Implementation / Uncertainty
 - NASAA REIT Guideline Amendment Delayed
 - 1st Anniversary of FINRA Account Statement/Valuation Rule
- Broker Dealer
 - Re-Evaluation of IBD Business Model /Product Offerings
 - Temporary Paralysis
 - Movement toward a “Standard” Distribution Cost
- Competitive Environment
 - Few New Sponsor Entrants to NL REIT Market
 - Pressure on DM & Advisory Fees

Market Update:

Summary of Major Events & Trends

(continued)

- Industry Investment Performance
- Preserving AUM During Uncertain Times
 - Slowdown of Liquidity Events
 - NL REIT Mergers
 - Contemplation of Conversions to NAV REIT Structure
- Product Line Expansions
 - Interval Funds / Private Placements / 1031s
- 2017 Fundraising

FINRA Account Statement Reporting Rules

- Value Must Be Reported on Account Statement
(unless deemed unreliable)
- Member Firm Can Only Participate in Offerings Where
Issuer Agrees to Disclose Valuations Conforming to Rule
(including methodology, scope, date, basis for value)
- Two Presumptively Reliable Methods
 - Net Investment
 - Appraised Value
- Enhanced Disclosure Re: Distributions > “Earnings”
- Accelerated Timing of First Valuation
- Became Effective April 2016
- Led to Reduction of Front-End Fees & Multi-Share Class
Products

Account Statement Valuation Methodologies

- **Net Investment**
 - “Amount Available For Investment” from Estimated Use of Proceeds In Prospectus
 - Aggregate \$ registered less % deduction for Sales Commissions, Dealer Manager Fees and O&O (based on max offering, unless reason to believe unreliable)
 - May use until 150 days after 2nd Anniversary of Escrow Break
- **Appraised Value**
 - May disclose at any time, but must disclose no later than limitation date for Net Investment use
 - Based on valuations of program assets and liabilities (“NAV”)
 - Performed at least annually
 - By or with material assistance/confirmation of 3rd party expert
 - Methodology must conform to standard industry practice

Account Statement Rules

Other Provisions

- **Enhanced Disclosure Regarding Excess Distributions**
 - Prior to disclosure of Appraised Valuation, account statement must include, if applicable, this required disclosure:
“IMPORTANT – Part of your distribution includes a return of capital. Any distribution that represents a return of capital reduces the estimated per share value shown on your account statement.”
 - Must be prominent and proximate to disclosure of distributions and per share estimated value.
- **Acceleration of Appraised Valuations**
 - No later than 150 days after 2nd anniversary of escrow
 - Previously was 18 months after closing of offering period.
- **Implemented**
 - April 11, 2016

Valuations Trends

Among Public Non-Listed REITs

- Valuations Being Conducted Prior to Extensions / Follow-On Offerings
- Gradual Migration Toward Quarterly Valuations Beginning
- Valuations Compliant with IPA Practice Guideline 2013-01: *Valuations of Publicly Registered Non-Listed REITs*
- Disclosures of Methodology, Compliance and Expert Engaged

Pressure on Distribution and Advisory Fees

- 10 NL REITs Limiting Distribution Costs Below 10%
 - Range – 7.25% to 9.0%
 - Sponsors Absorbing Portion of Distribution Costs
- Five NL REITs Cutting Advisory Fees
 - Acquisition Fee Elimination
 - Subordination of Incentive with Greater Share of Upside

NL REIT Investment Performance at Monetization⁽¹⁾

2002 – Q1 2017

(Dollars in Millions)

	Individual Programs		Aggregate
	Range	Average	
Capital Invested ⁽²⁾	\$4 - \$5,150	\$1,434	\$70,246
Total Return ⁽¹⁾	26.0% - 216.8%	127.3%	120.2%
XIRR ⁽¹⁾	(62.9%) - 48.5%	6.7%	7.7%

Aggregate Value Creation
\$14.2 billion

(1) Based on “Mid-Point” investor.

(2) Excludes net DRIP proceeds after redemptions.

Note: Performance is for 49 NL REITs providing liquidity events during May 2002 through March 31, 2017.

Quarterly Liquidity Events 2013 thru March 2017

Monetizations

2013 - Q1	\$2,235.0	2015 - Q1	\$3,872.1	2017 - Q1	\$0.0
2013 - Q2	8949.40	2015 - Q2	5024.6		
2013 - Q3	1946.80	2015 - Q3	909.7		
2013 - Q4	3196.80	2015 - Q4	3066.5		
2014 - Q1	4543.70	2016 - Q1	329.9		
2014 - Q2	4443.60	2016 - Q2	0.0		
2014 - Q3	2096.00	2016 - Q3	953.2		
2014 - Q4	4917.30	2016 - Q4	216.6		

Total \$46,701.2

Qtrly Avg \$2,747.1

Public Non-Listed REIT Equity Under Management 2009 – Q1 2017

(\$ billions)



Public DPP & NL REIT Offerings

(\$ in millions)

	No. of Public Offerings ⁽¹⁾	Amount Registered ⁽²⁾		
		2017	2016	% Change

REAL ESTATE

Equity - LPs/LLCs	0	\$ -	\$ -	NC
- Non-Traded REITs	30	\$ 46,875.0	\$ 55,500.0	-15.5%
Mortgage - LPs/LLCs	1	\$ 150.0	\$ 150.0	NC
- Non-Traded REITs	2	\$ 3,500.0	\$ 2,800.0	25.0%
Total Real Estate	33	\$ 50,525.0	\$ 58,450.0	-13.6%

OIL & GAS	3	\$ 3,350.0	\$ 3,000.0	11.7%
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EQUIPMENT LEASING	2	\$ 400.0	\$ 150.0	166.7%
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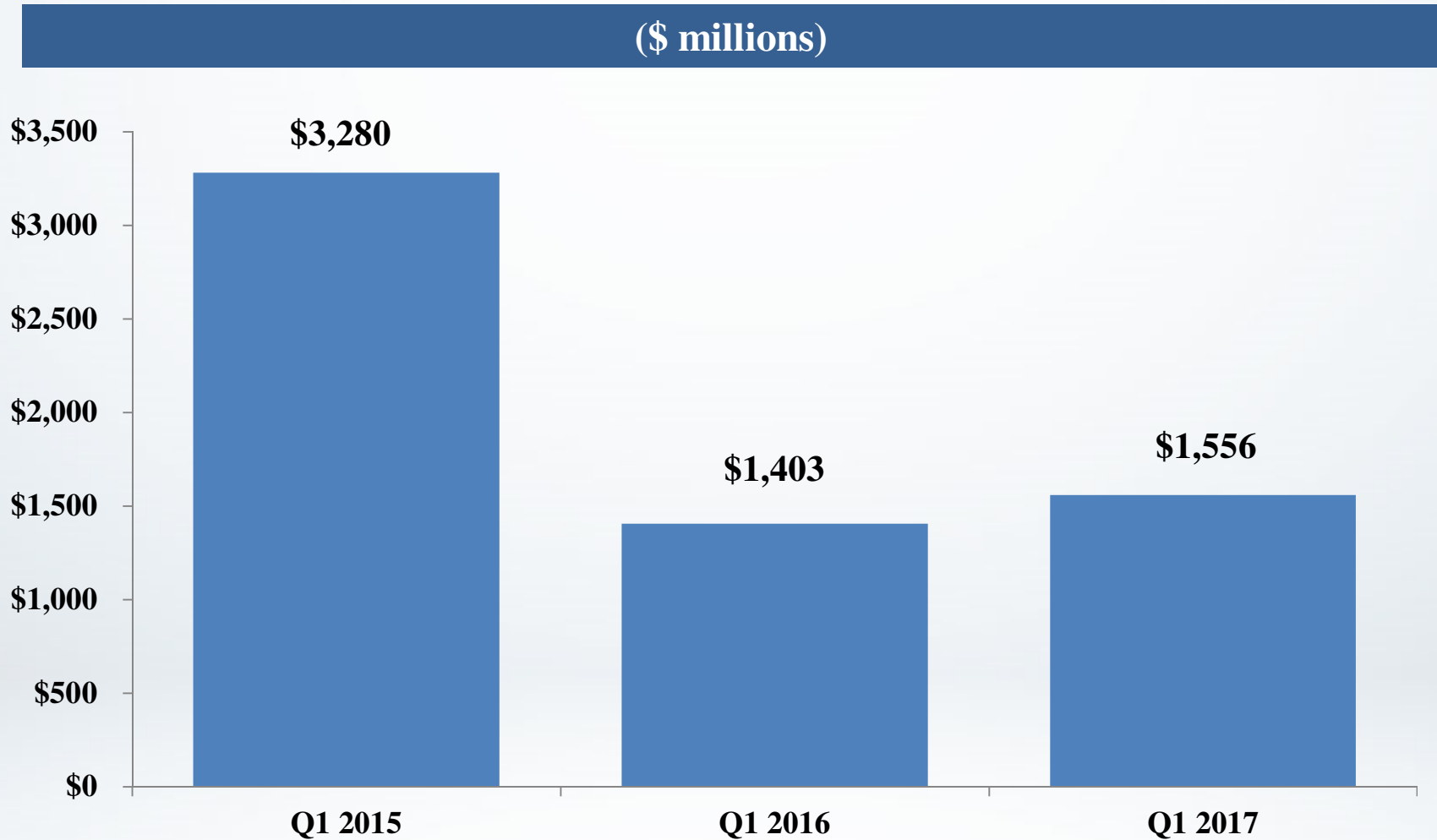
BUSINESS DEVELOPMENT COMPANIES	15	\$ 21,383.8	\$ 24,807.3	-13.8%
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TOTAL MARKET	53	\$ 75,658.8	\$ 86,407.3	-12.4%
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(1) Publicly registered as of March 31, 2017 and March 31, 2016.

(2) Does not include securities registered under dividend reinvestment plans.

NL REIT Fundraising Q1 2015-2017



Public Non-Listed REIT Fundraising 2010 – 2017e

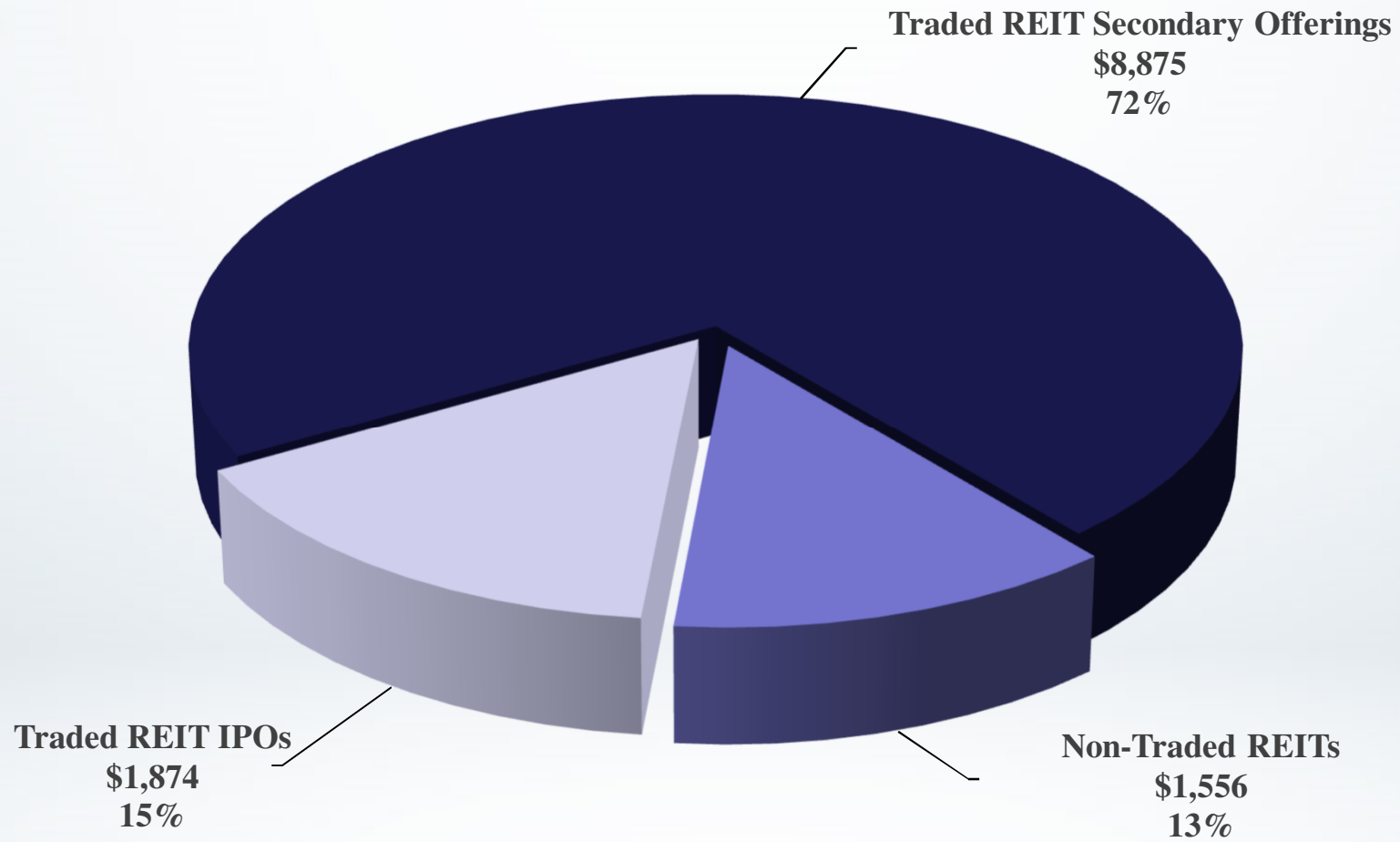
(\$ millions)



Source: The Stanger Market Pulse

Q1 2017 Capital Flows to Public REITs

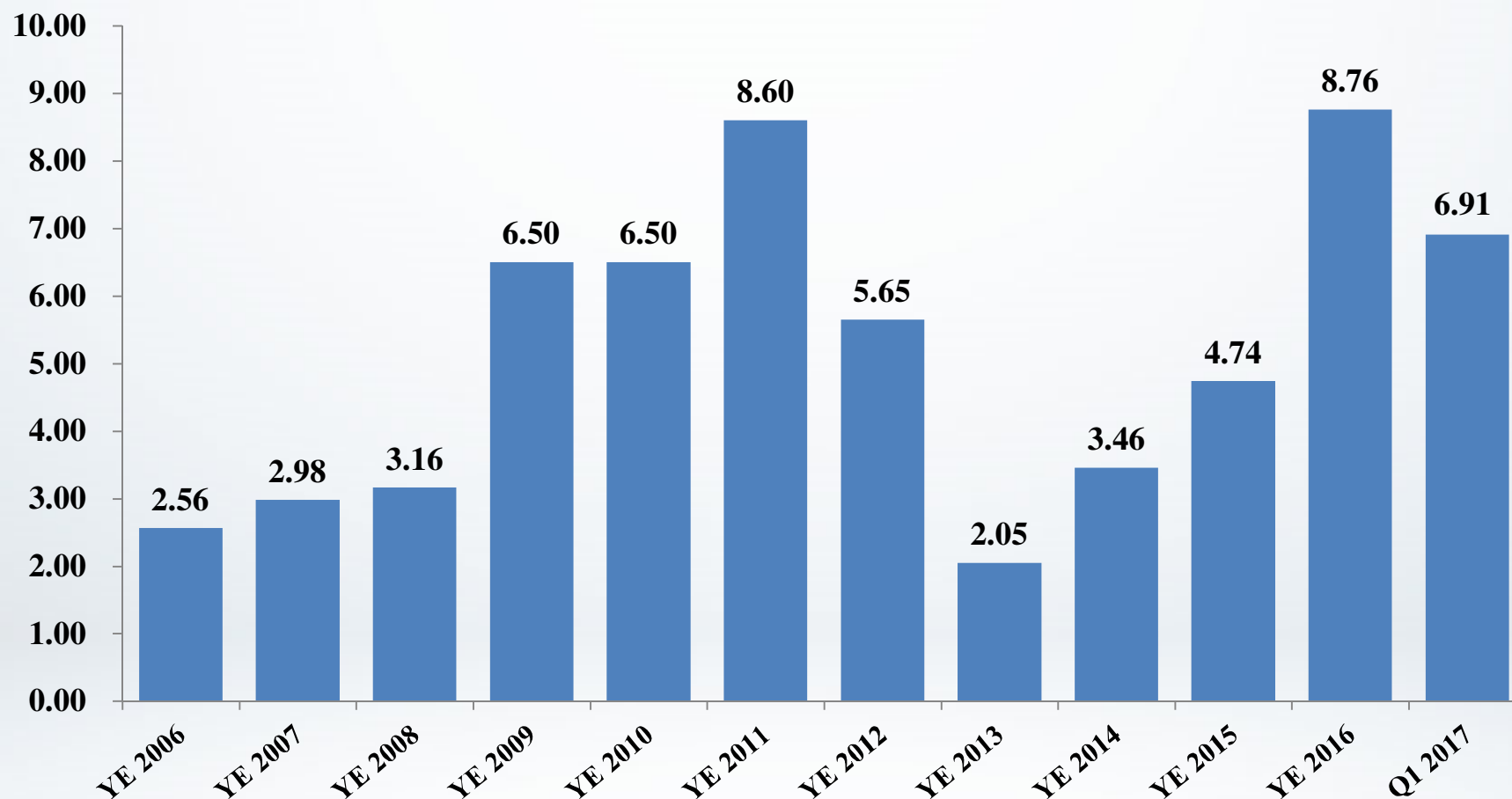
(\$ millions)



Source: Robert A. Stanger & Co., SEC filings, NAREIT

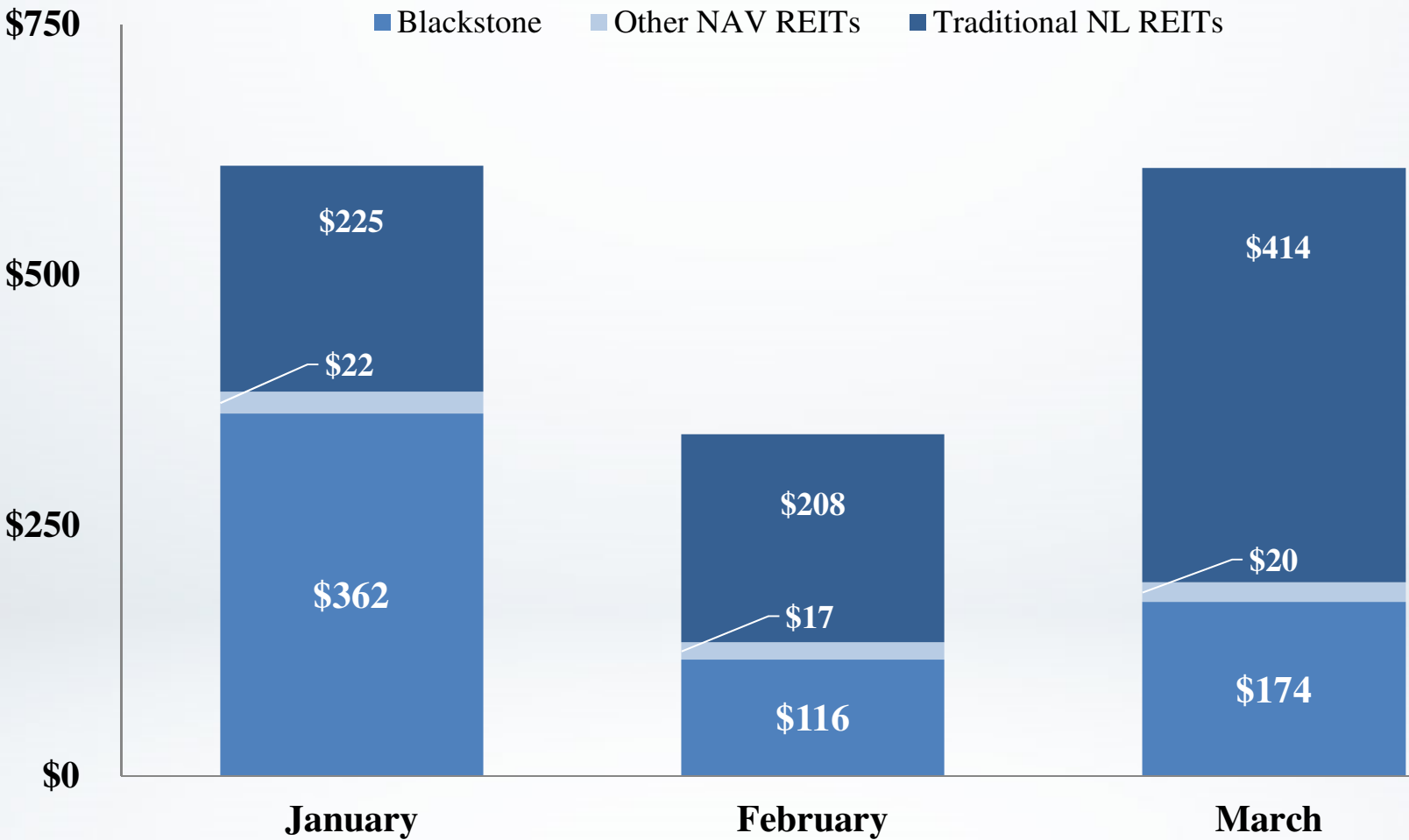
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Public Non-Listed REITs

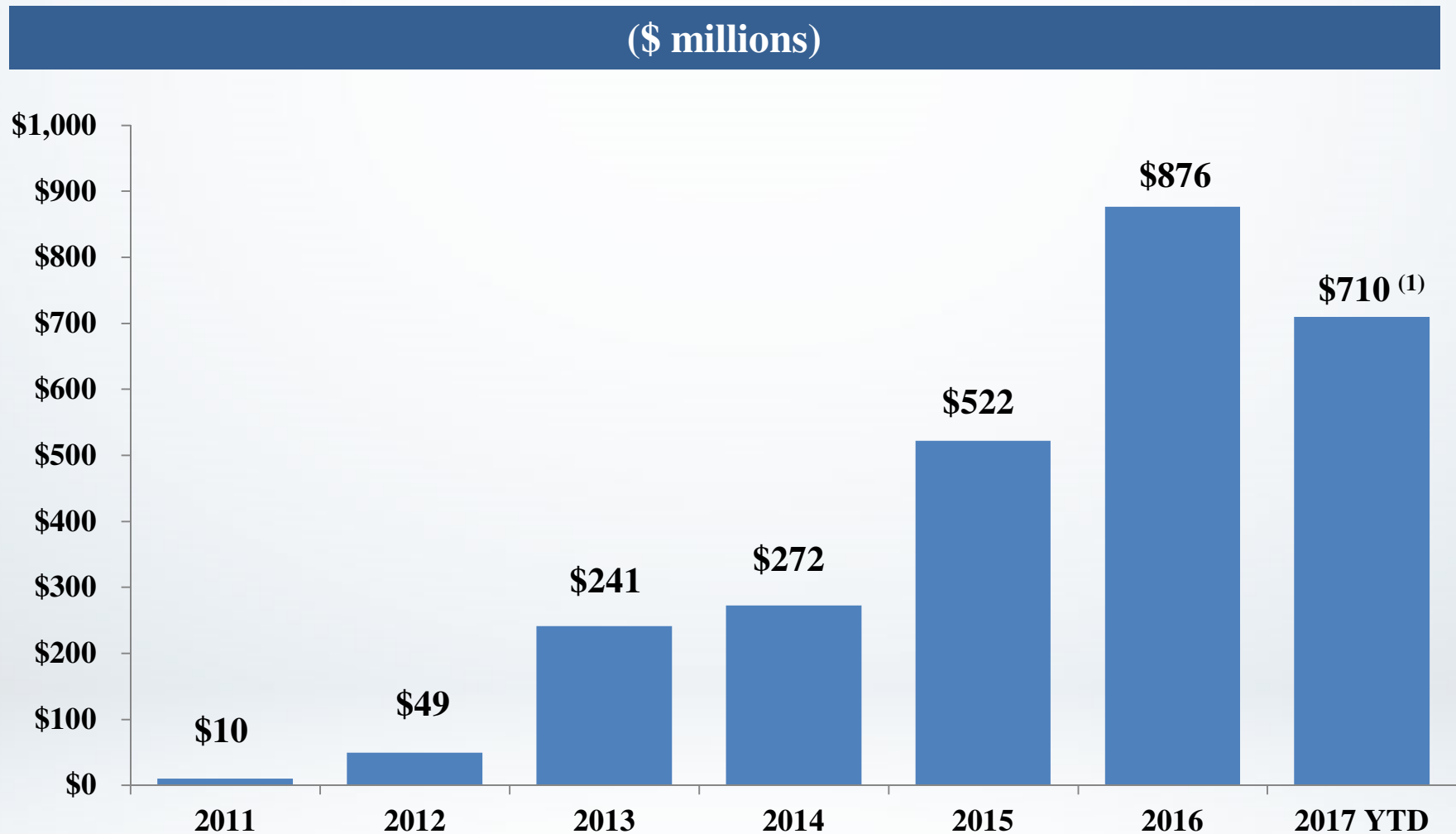


NL REIT Fundraising Q1 2017

(\$ millions)



Public NAV REIT Fundraising 2011 – YTD March 2017



Source: The Stanger Market Pulse

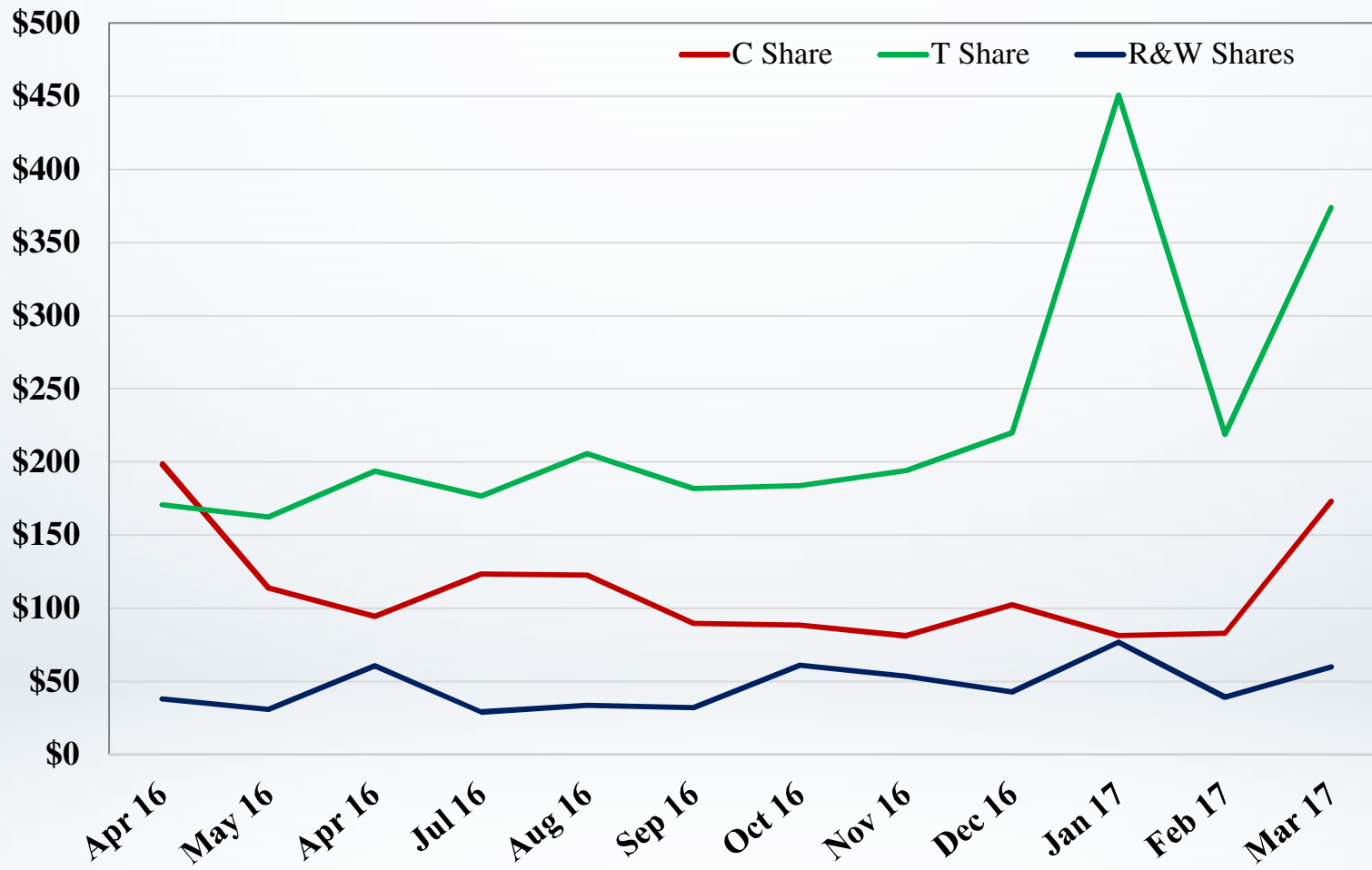
(1) Includes \$279 million of Blackstone 2016 fundraising recognized at time of escrow break in January 2017.

Effective NL-REITs & NL-BDCs By Share Class

	# Programs		
	<u>Full-Load Share Only</u>	<u>Low/No Load Share Only</u>	<u>Multi-Share Classes</u>
Q1 2014	39	2	6
Q1 2015	43	1	6
Q1 2016	16	9	19
Q1 2017	7	10	25

Non-Listed REIT Share Class Fundraising Trend

(\$ millions)



Non-Listed REIT Fundraising

Full Commission Vs. No/Low Load/Trail Shares

(\$ millions)									
	2014		2015		2016		2017 thru Mar		
Full Commission Product	\$15,213	97.2%	\$8,979	89.4%	\$1,823	40.6%	\$337	21.7%	
No/Low Load/Trail Product									
NAV	272	1.7%	522	5.2%	876	19.5%	710	45.6%	
Deferred/Low/No Load	162	1.0%	545	5.4%	1,794	39.9%	510	32.7%	
Total	\$434	2.8%	\$1,067	10.6%	\$2,669	59.4%	\$1,219	78.3%	

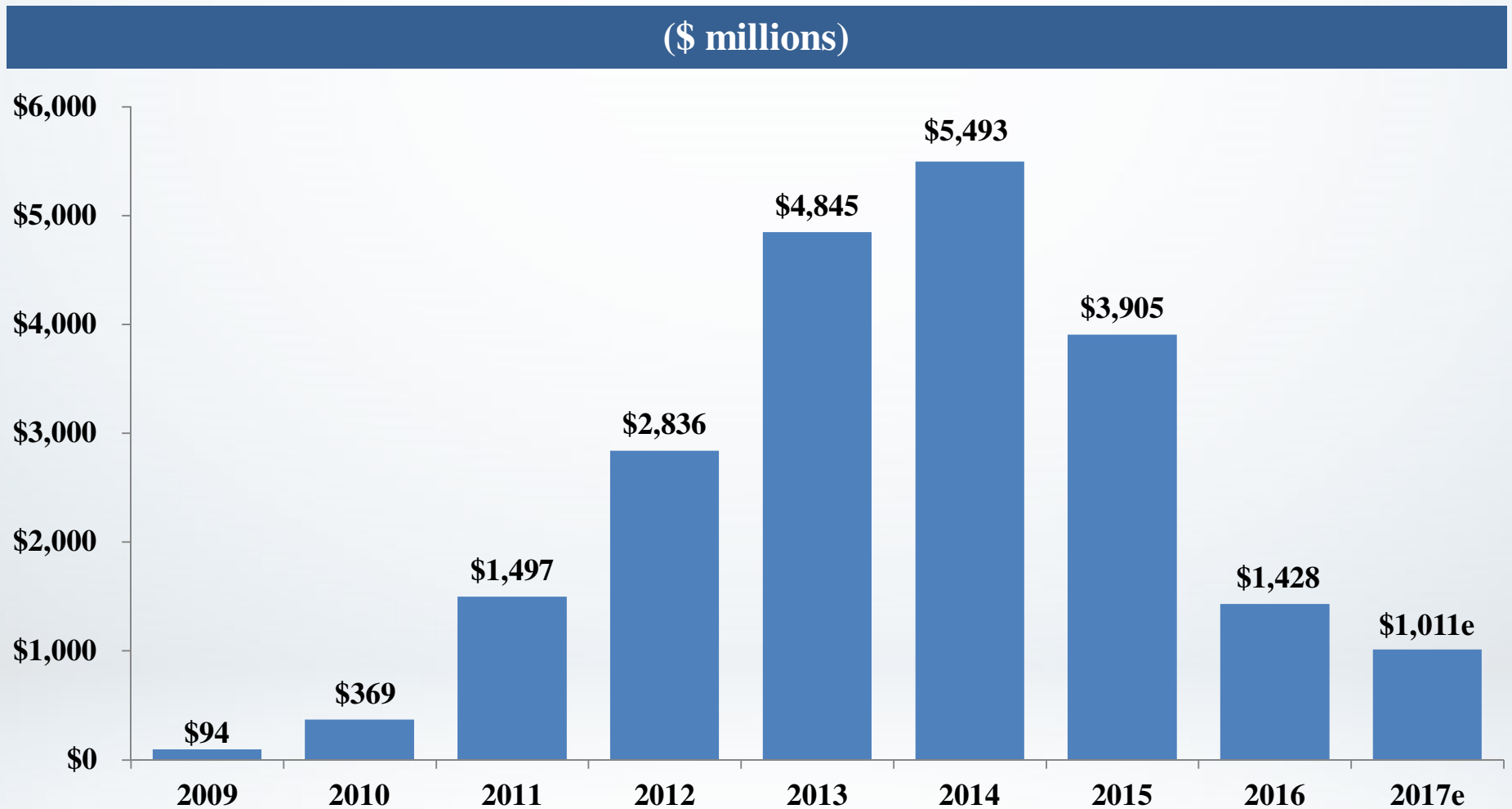
2017 Annualized Run Rate

NAV	\$1,724 mm ⁽¹⁾
Full Commission	\$1,348 mm
Deferred/Low/No Load	\$2,040 mm
Total NL REITs	\$5,112 mm

Source: The Stanger Market Pulse.

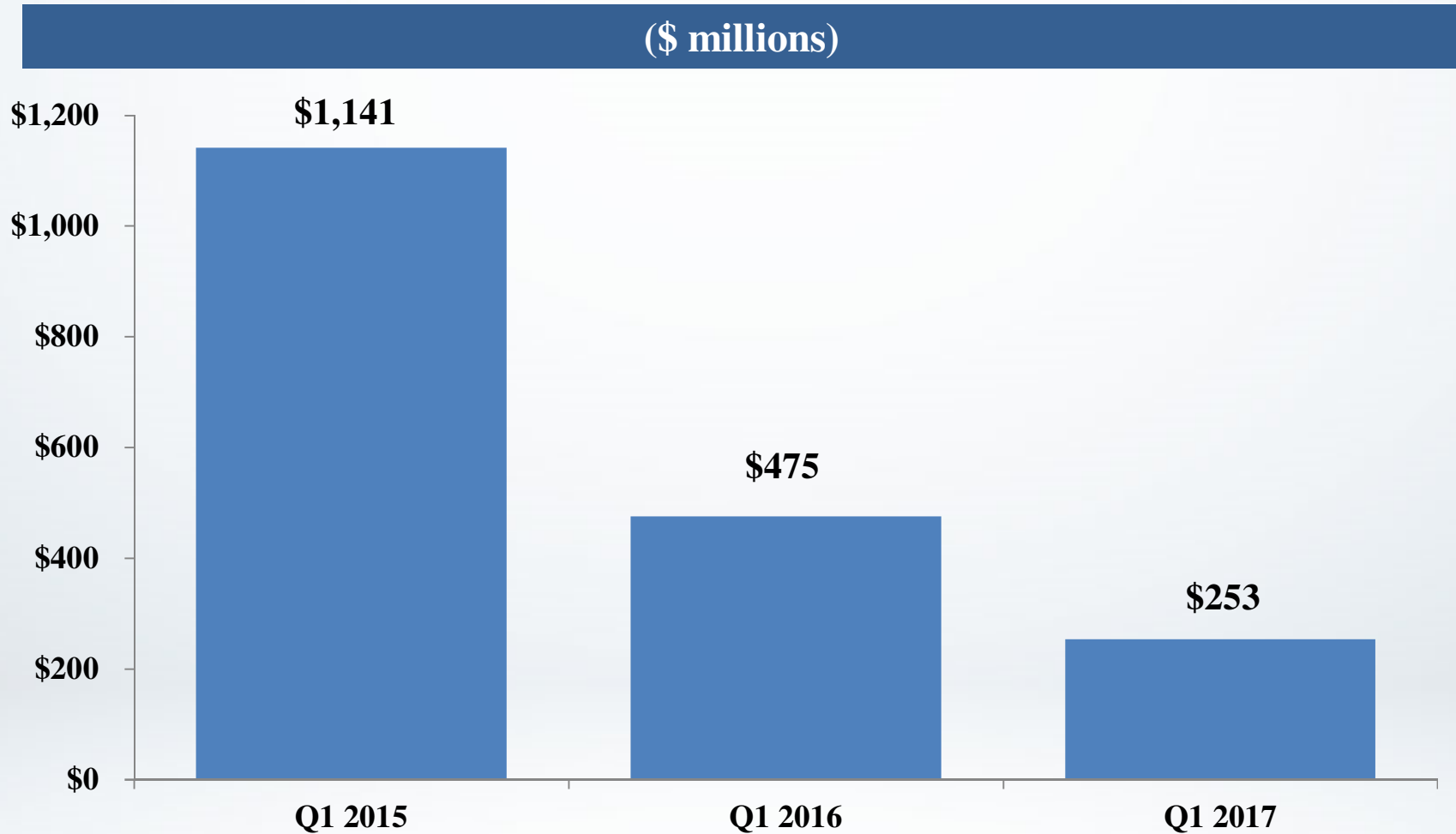
⁽¹⁾ Adjusted for removal of Blackstone 2016 sales which closed with breaking of escrow in January 2017.

Public Non-Listed BDC Fundraising 2010 – 2017 YTD Annualized



Source: The Stanger Market Pulse

NL BDC Fundraising Q1 2015 - 2017



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Public Non-Listed BDCs

