This is an excerpt of a full report comparing the performance of non-traded REITs to publicly-traded REITs. The entire report is available through the link at the bottom of the page.

Heard on the Beach

Devolution

August 27, 2014

Green Street Advisors

Executive Summary

In the presence of a highly credible and successful publicly traded REIT industry, the ten-fold expansion in fund raising that the non-traded REIT (NTR) sector has enjoyed over the last fifteen years comes as a big surprise. Who knew investors needed a higher-cost, more conflict-laden, less-liquid vehicle?

The drawbacks of NTRs relative to their publicly traded cousins have long been obvious, but, until recently, it has been impossible to directly compare their performance. A flurry of liquidity events in the sector now affords the opportunity to gauge the round-trip total returns generated by 34 NTRs. Key findings:

- On average, NTRs lagged their publicly traded peers in the same property sector by 360 bps/year. Three-quarters of the NTRs failed to keep pace.
- NTRs focusing on sectors where listed REITs trade at very large premiums to NAV fared far better than most.

The second point provides a strategic roadmap for success for any NTR or, for that matter, any private real estate market participant. When real estate is priced dearly on Wall Street, it can make sense to instead buy it on Main Street.

Those opportunities are, however, few and far between, and the best advice for anyone trying to access the commercial property asset class is, as always, "Buy publicly traded REITs."

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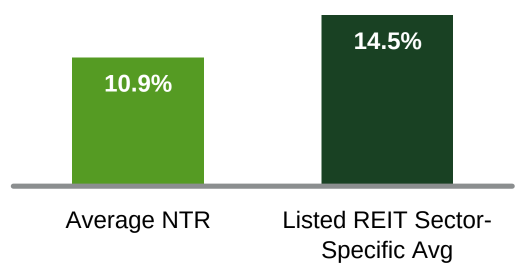
Important disclosure on page 2

Report Card: Non-traded REITs (NTRs) that have undergone a liquidity event have, in aggregate, failed to deliver total returns on par with their publicly traded peers. The high up-front costs associated with NTRs are difficult to overcome.

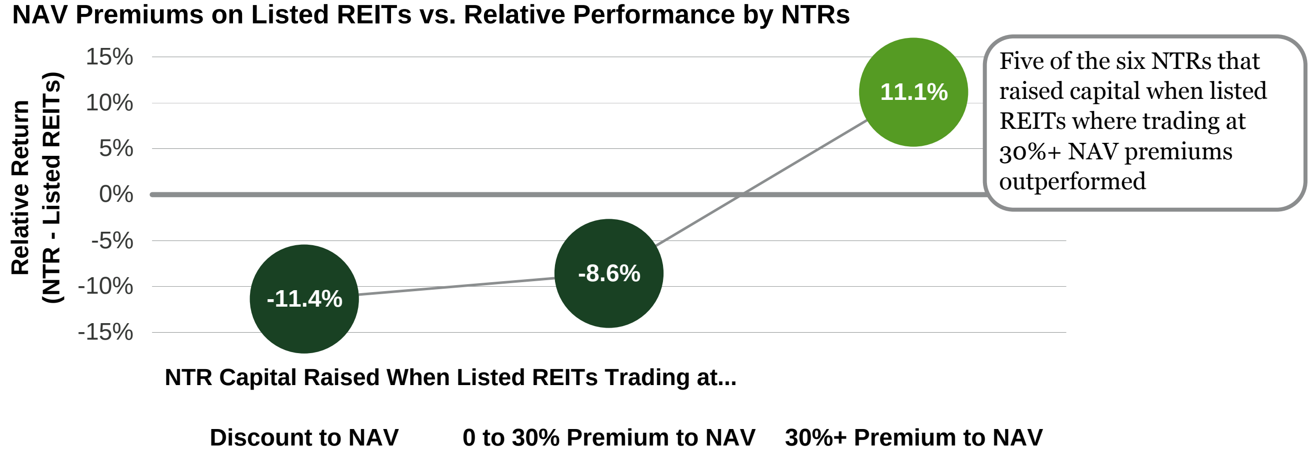
A Comprehensive Study
– 34 NTR's have experienced liquidity events
– Returns are estimated based on public filings
– These 34 NTRs raised $54 billion
– That's roughly half of the total capital raised by all NTRs
– Findings were shared with sponsors
– Comparisons vs Listed REITs are within same property type over same time span

Annualized $-Weighted Returns



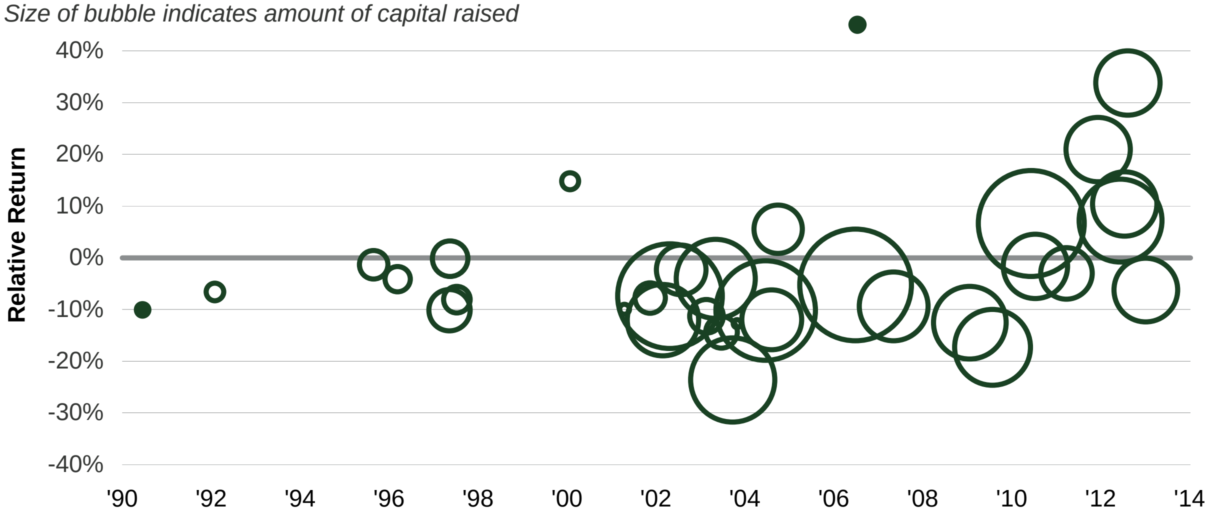
Keep an Eye on Public Premiums: 75% (26 of 34) of the NTRs failed to deliver returns commensurate with those delivered by listed REITs in the same property sector. Most of the successful NTRs raised capital when listed REITs in the same property sector were trading at very large premiums.

NAV Premiums on Listed REITs vs. Relative Performance by NTRs



Getting Better: Until recently, there had never been a large NTR that outperformed listed REITs. Recent performance by NTRs has been far more impressive, particularly those sponsored by American Realty Capital.

Relative Returns (vs. Listed REITs) by Vintage and Deal Size
Size of bubble indicates amount of capital raised



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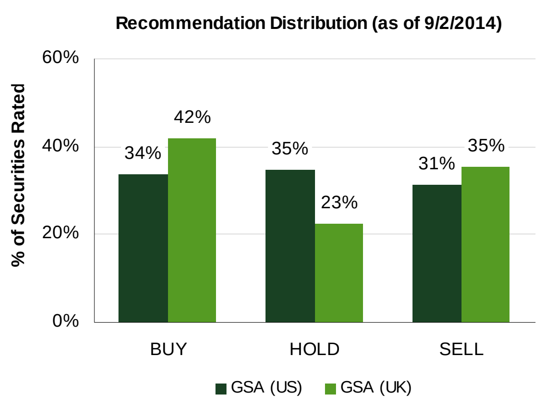

Green Street's "BUYs" have historically achieved far higher total returns than its "HOLDs", which, in turn, have outperformed its "SELLs".

Total Return of Green Street's Recommendations[1,2]

Year	Buy	Hold	Sell	Universe[3]
2014 YTD	25.4%	21.4%	15.6%	20.8%
2013	4.1%	0.6%	1.7%	2.2%
2012	24.5%	24.7%	18.9%	23.0%
2011	18.9%	7.6%	-4.7%	7.6%
2010	43.3%	32.8%	26.6%	33.8%
2009	59.0%	47.7%	6.0%	37.9%
2008	-28.1%	-30.9%	-52.6%	-37.3%
2007	-6.9%	-22.4%	-27.8%	-19.7%
2006	45.8%	29.6%	19.5%	31.6%
2005	26.3%	18.5%	-1.8%	15.9%
2004	42.8%	28.7%	16.4%	29.4%
2003	43.3%	37.4%	21.8%	34.8%
2002	17.3%	2.8%	2.6%	5.4%
2001	34.9%	19.1%	13.0%	21.1%
2000	53.4%	28.9%	5.9%	29.6%
1999	12.3%	-9.0%	-20.5%	-6.9%
1998	-1.6%	-15.1%	-15.5%	-12.1%
1997	36.7%	14.8%	7.2%	18.3%
1996	47.6%	30.7%	18.9%	32.1%
1995	22.9%	13.9%	0.5%	13.5%
1994	20.8%	-0.8%	-8.7%	3.1%
1993	27.3%	4.7%	8.1%	12.1%
Cumulative Total Return	**11260.1%**	**912.7%**	**6.2%**	**1021.3%**
Annualized	**24.5%**	**11.3%**	**0.3%**	**11.9%**

The results shown above are hypothetical; they do not represent the actual trading of securities. Actual performance will vary from the hypothetical performance shown above due to, but not limited to 1) advisory fees and other expenses that one would pay; 2) transaction costs; 3) the inability to execute trades at the last published price (the hypothetical returns assume execution at the last closing price); 4) the inability to maintain an equally-weighted portfolio in size (the returns above assume an equal weighting); and 5) market and economic factors will almost certainly cause one to invest differently than projected by the model that simulated the above returns. All returns include the reinvestment of dividends. Past performance, particularly hypothetical performance, can not be used to predict future performance.

1. Results are for recommendations made by Green Street's North American Research Team only (includes securities in the US, Canada, and Australia). Uses recommendations given in Green Street's "Real Estate Securities Monthly" from January 28, 1993 through September 2, 2014. Historical results from January 28, 1993 through October 1, 2013 were independently verified by an international "Big 4" accounting firm. The accounting firm did not verify the stated results subsequent to October 1, 2013. As of October 1, 2013, the annualized total return of Green Street's recommendations since January 28, 1993 was: Buy +24.5%, Hold +10.9%, Sell -0.3%, Universe +11.5%.
2. Company inclusion in the calculation of total return has been based on whether the companies were listed in the primary exhibit of Green Street's "Real Estate Securities Monthly". Beginning April 28, 2000, Gaming C-Corps and Hotel C-Corps, with the exception of Starwood Hotels and Homestead Village, were no longer included in the primary exhibit and therefore no longer included in the calculation of total return. Beginning March 3, 2003, the remaining hotel companies were excluded.
3. All securities covered by Green Street with a published rating that were included in the calculation of total return. Excludes "not rated" securities.

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