

A large, stylized sun graphic with a yellow center and orange and yellow wavy rays, partially obscured by the 'REIT' text.

# **REIT** **Wise** March 31 - April 2 **2015**



**NAREIT's Law, Accounting  
& Finance Conference**

JW Marriott Desert Ridge Resort & Spa  
Phoenix, AZ

A decorative graphic at the bottom of the slide featuring two thick, wavy lines in dark blue and light blue, set against a yellow background with a sun-like pattern.

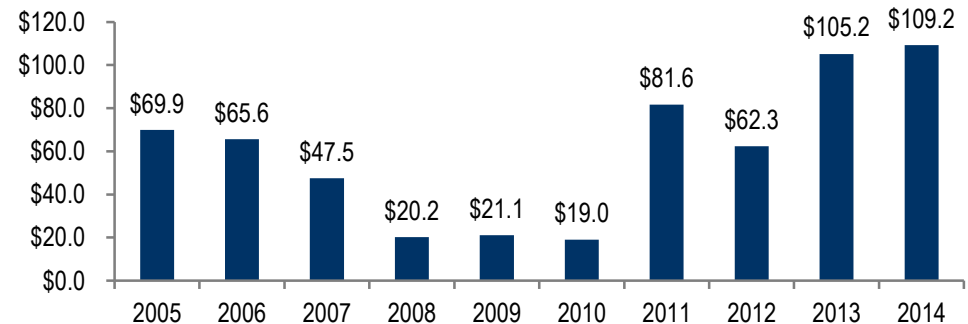
## **Capital Markets Panel**

**March 31-April 2, 2015**

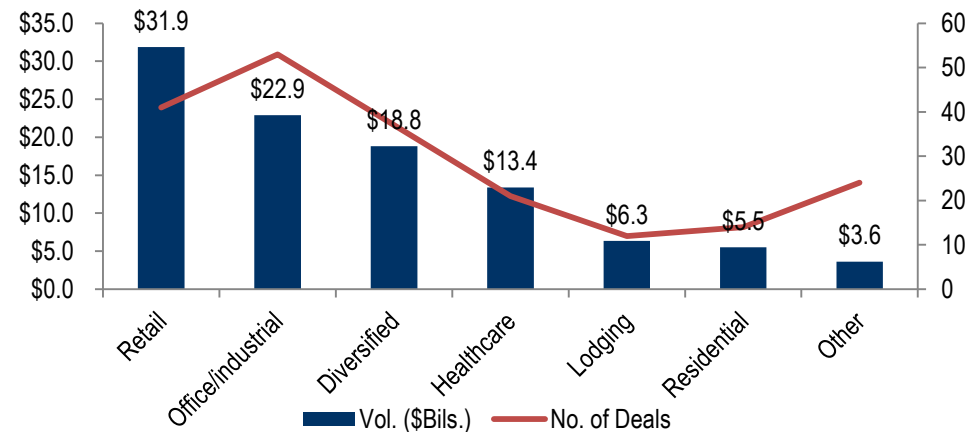
# Bank Debt Market

- ◆ 2014 U.S. REIT Bank Debt Volume of \$109.2 billion was an all-time high
- ◆ Demand remains robust and is coming from lenders historically active in the space and from a steady flow of new entrants
- ◆ Volume in the U.S. REIT bank market remained diversified across sectors
- ◆ Market participants include investment banks, money center banks, U.S. super regional and regional banks as well as some European banks

**U.S. REIT Bank Debt Volume 2005 – 2014 (\$Bn)**

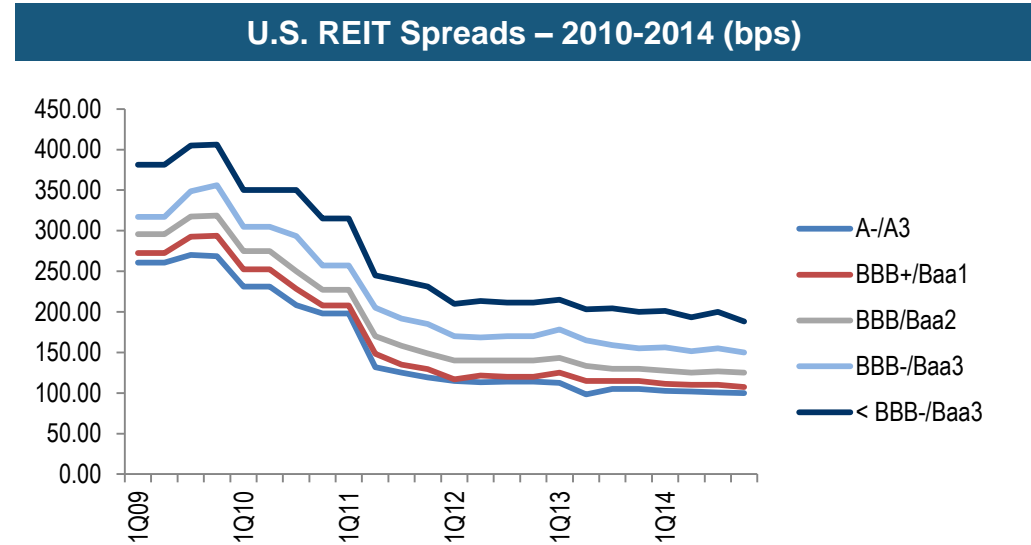


**U.S. REIT Bank Debt Volume by Sector – 2014 (\$Bn)**



# Bank Debt Market (cont'd)

- ◆ Consistent with the last 3 years, spread compression remained moderate in 2014
- ◆ Credit spreads in 2014 are approaching all-time lows in the face of record volume



# Market Observations

## Recent Trends

### Market Attitude

Superior credit risk is rewarded by lower pricing and more flexible structure  
Debt markets open for clients providing additional business opportunities  
Preference for existing clients / publicly traded entities

### Term

4-year terms are the norm for revolvers  
5-year terms are available for term loans and for clients representing the best credit risk

### Bank Group

Banks have large selection of transactions, leaning towards existing relationships and investment grade rated issuers  
Demand for quality paper has pushed terms, including pricing, structure and tenor  
Increasing need for ancillary business in order to meet return hurdles

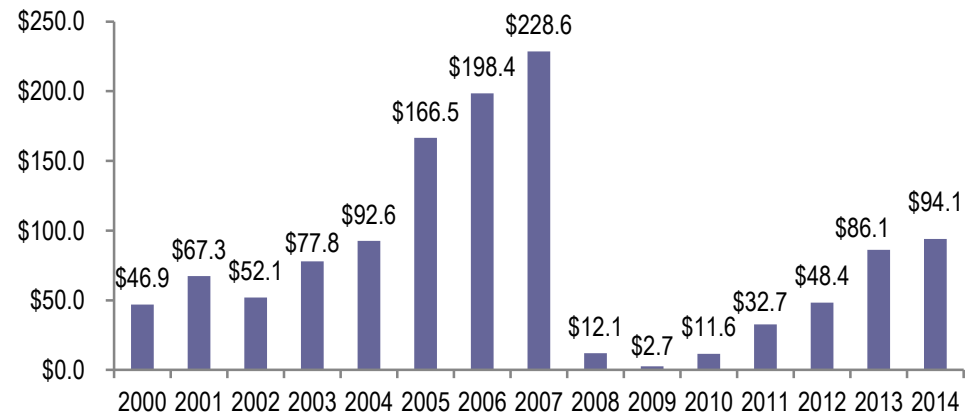
### Pricing

LIBOR spread discount are for investment grade borrowers and clients offering ancillary business  
LIBOR floor requirements are gone

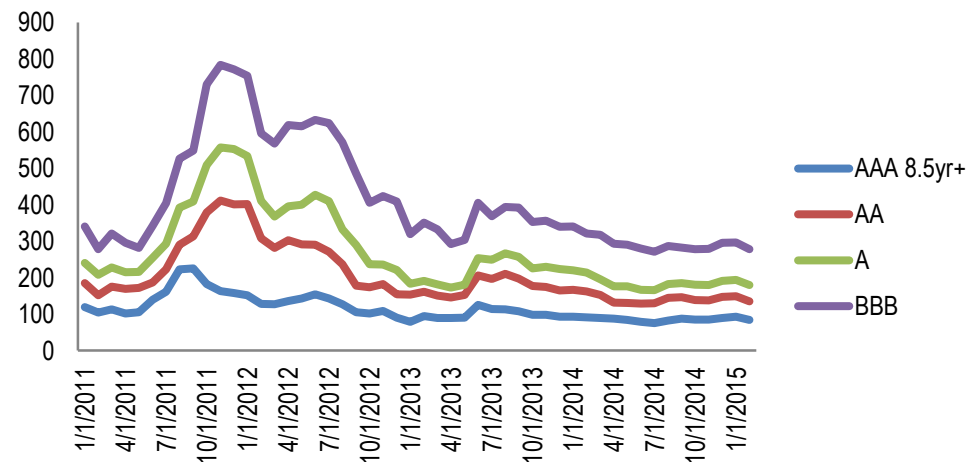
# Commercial Mortgage Market

- ◆ 2014 U.S. CMBS volumes of \$94 billion, the most since 2007
- ◆ Demand remains robust, largely from investors hunting for yield
- ◆ Growing demand from investors increased the number of active lenders to 35 in 2014 compared to just 18 in 2011
- ◆ According to Commercial Mortgage Alert, CMBS volume for 2015 is predicted to average \$124 billion
- ◆ Commercial real estate loan interest rates for CMBS originations have been steadily declining since the end of 2011
- ◆ Spreads remained relatively stable in 2014 compared to the larger movements witnessed in 2013

U.S. CMBS Issuance 2000 – 2014 (\$Bn)

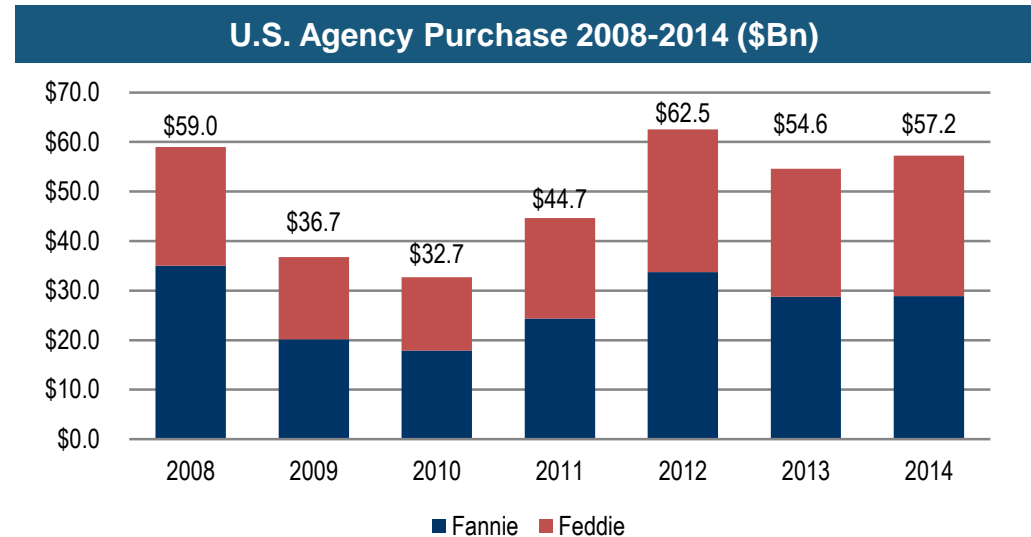


CMBS Spreads to Treasuries 2011- YTD 2015 (\$Bn)



# Commercial Mortgage Market (cont'd)

- ◆ Agencies purchased \$57.2 billion of loans in 2014. Up from \$54.4 billion in 2013, but down from the record \$62.6 billion in 2012
- ◆ Fannie purchased \$28.9 billion of multi-family loans last year, within 5% of the \$30.4 billion cap imposed by the Federal Housing Finance Agency. Freddie reached its \$25.9 billion limit.
- ◆ Fannie's origination volume in 2014 was static with 2013. Freddie's volume was up 9% from 2013.
- ◆ Fannie and Freddie acquired a combined \$10.5 billion of multi-family loans from agency lenders in December, the highest monthly total of the year.
- ◆ From January to June, purchases totaled only \$8.2 billion for Fannie and \$7.1 billion for Freddie, as the agencies faced strong competition from banks, insurers and commercial MBS programs.



# REIT Equity Market Update

## Pre-Crisis

- ◆ **2000-2007:** Investors shifted into REITs, seeking yield and diversification after the tech bubble and recession years of 2000-2001

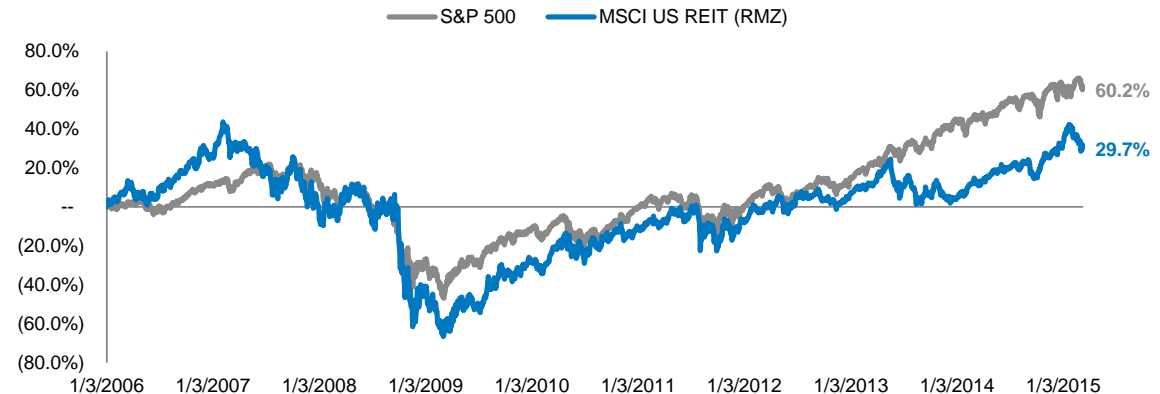
## Financial Crisis

- ◆ **2007-2009:** REIT stocks plummeted 76% to a trough in March 2009 as a result of asset value declines, dry credit markets, and the troubles of the overall economy

## Recovery

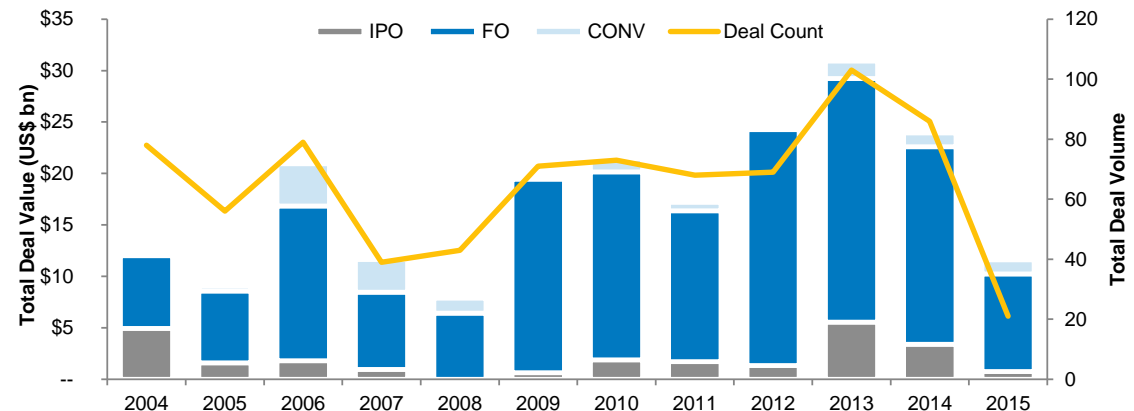
- ◆ **2010-2015:** REITs continue to raise equity to fund accretive acquisition opportunities; 2013 was a record year for equity issuance, while 2014 was down slightly overall volume was still high relative to previous years

### Price Return Since 2006



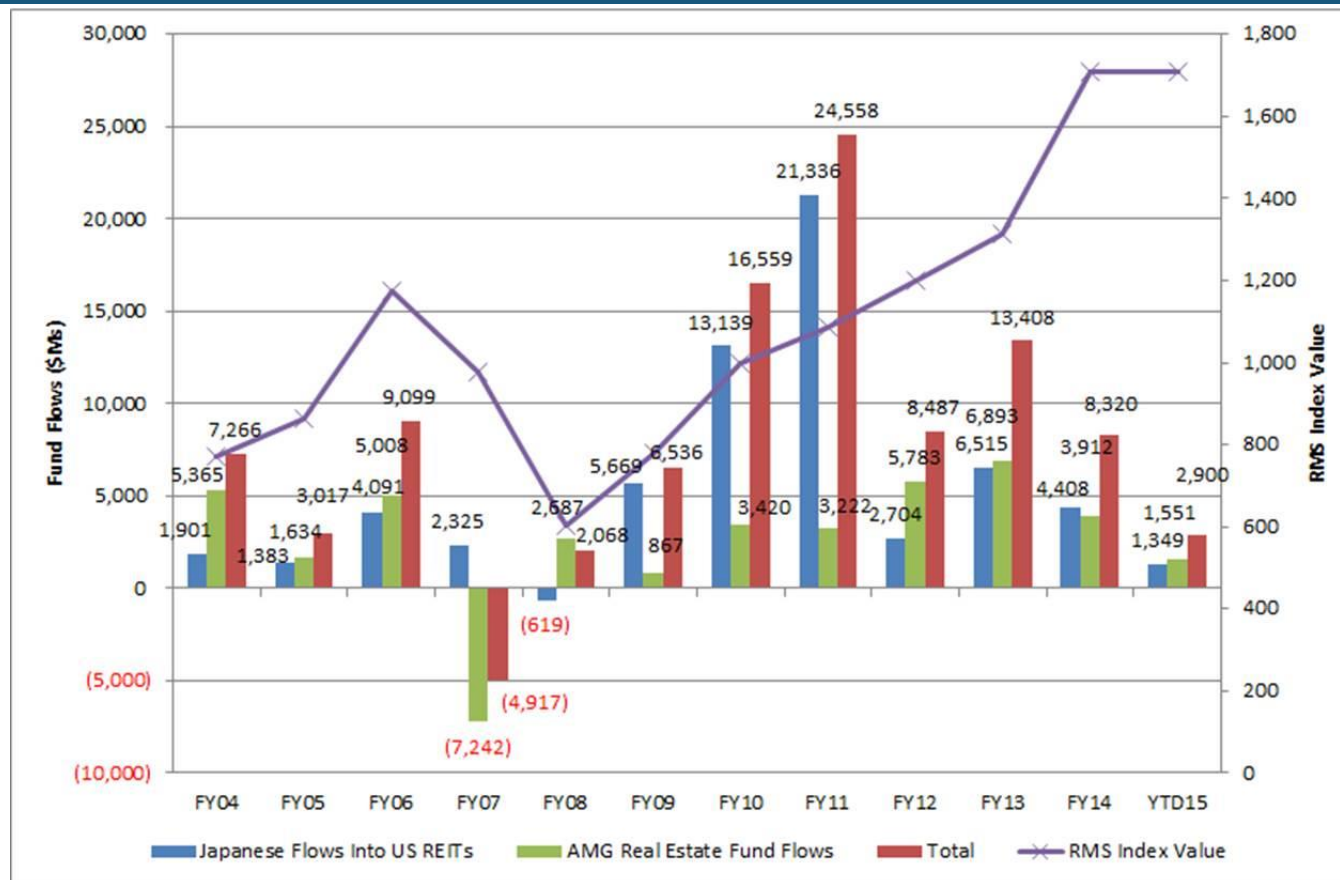
### Historical REIT ECM Activity

(US\$ in billions)



# Historical Real Estate Fund Flows

## North America, Japan, and Aggregate Flows to REIT Mutual Funds



***Flows to REIT mutual funds moderating last few years***



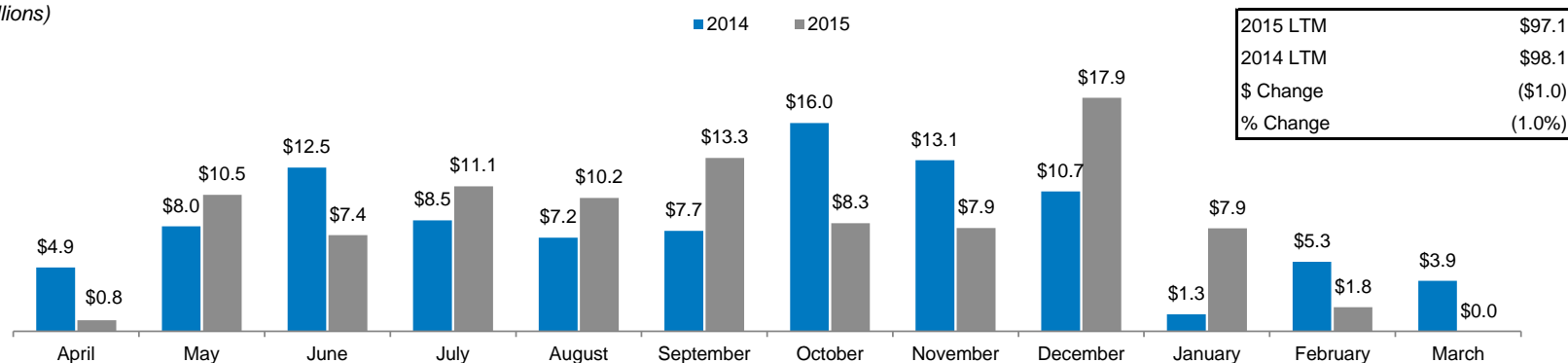
# REIT M&A Market

## Recent Notable Real Estate Transactions

Buyer	Target	Sector	Announcement Date	Announced Deal Value (\$BN)	Price / Unit-Bed-Room-SF-Site	Cap Rate	Premium / (Discount) to NAV	Consideration	Premium to Pre-Announcement Price
Blackstone	Praedium Group (apartment portfolio)	Multifamily	Jan-15	\$1.70	\$154,545	n.a.	n.a.	Cash	n.a.
Senior Housing Properties Trust	CNL Lifestyle Properties (senior housing portfolio)	Healthcare	Dec-14	0.79	227,928	~7.0%	n.a.	Cash	n.a.
GIC	IndCor Properties (Blackstone)	Industrial	Dec-14	8.10	476	n.a.	n.a.	Cash	n.a.
Griffin Capital Essential Asset REIT	Signature Office REIT	Office	Nov-14	~0.43	165	n.a.	n.a.	Stock	n.a.
EDENS	AmREIT	Shopping Center	Oct-14	0.76	449	n.a.	n.a.	Cash	6.8% <sup>(1)</sup>
Omega Healthcare REIT	Aviv REIT	Healthcare	Oct-14	2.15	81,109	6.5%	57.0%	Stock	16.2%
NorthStar / Chatham Lodging	Inland American (hotel portfolio)	Lodging	Sep-14	1.10	151,000	n.a.	n.a.	Cash, stock	n.a.
Washington Prime Group	Glimcher Realty Trust	Mall	Sep-14	2.11	117	6.5%	(9.2%)	Cash, stock	32.9%
Select Income REIT	Cole Corporate Income Trust	Diversified	Sep-14	3.40	212	6.4%	n.a.	Cash, stock	3.2%
Square Mile Capital / USAA Real Estate	EVOQ Properties	Diversified	Aug-14	0.24	119	n.a.	n.a.	Cash	51.9%
Health Care REIT	Healthlease Properties	Healthcare	Aug-14	0.95	178,203	7.0%	n.a.	Cash	31.1%
NorthStar Realty Finance	Griffin-American Healthcare REIT II	Healthcare	Aug-14	3.40	n.a.	6.4%	n.a.	Cash, stock	12.5%
Sun Communities	Green Courte Partners (portfolio)	Manufactured Housing	Jul-14	1.32	69,474	6.0%	n.a.	Cash, stock	n.a.
ARC Hospitality Trust	Equity Inns (Whitehall)	Lodging	Jun-14	1.90	138,242	n.a.	n.a.	Cash	n.a.
<b>Mean</b>				<b>\$2.06</b>		<b>6.4%</b>	<b>23.9%</b>		<b>21.0%</b>
<b>Median</b>				<b>\$1.51</b>		<b>6.5%</b>	<b>23.9%</b>		<b>14.8%</b>

## LTM Momentum (Announced Basis) vs. Prior Period<sup>(2)</sup>

(\$ in billions)

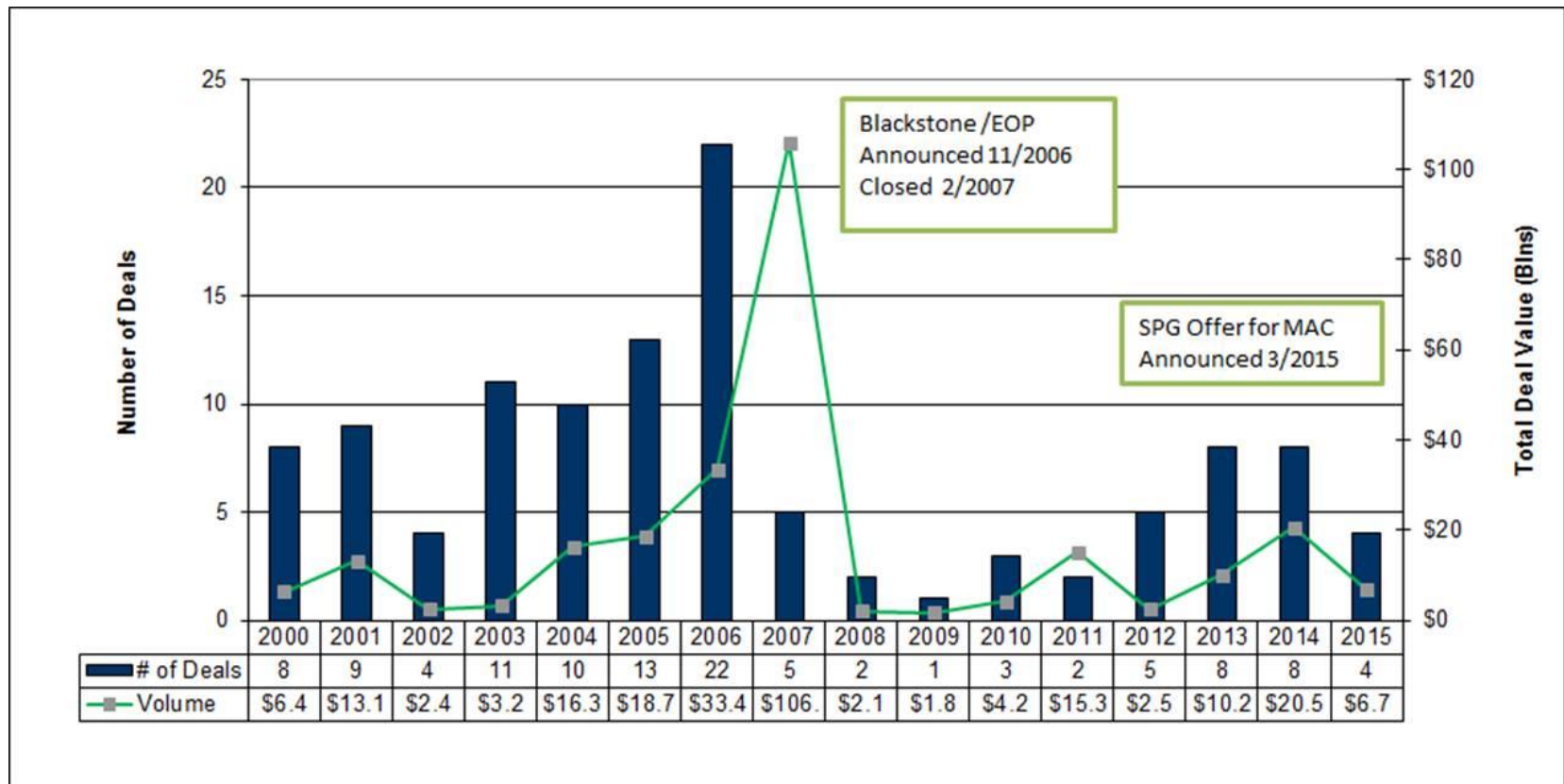


Source: Dealogic, SNL Financial, street research

1. Premium of nearly 40% over AmREIT's closing stock price on July 9, 2014, the last trading prior to disclosure of an unsolicited proposal from Regency Centers.
2. Includes U.S. corporate and property-level transactions with disclosed values greater than \$200 million. LTM as of March 6, 2015.

# REIT M&A Market (cont'd)

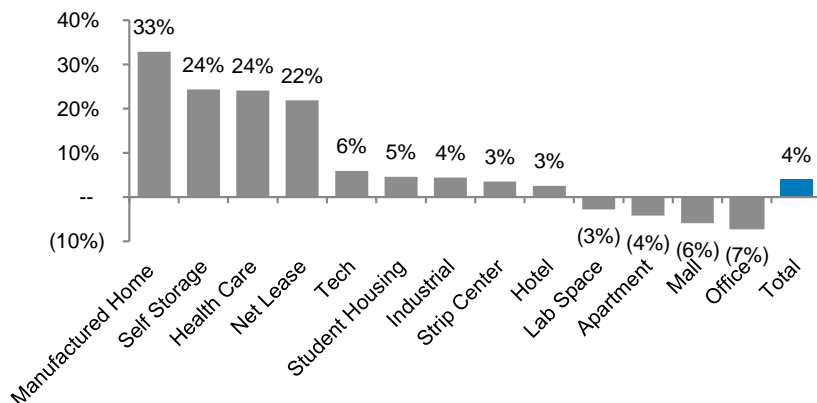
## Historical REIT M&A Volume



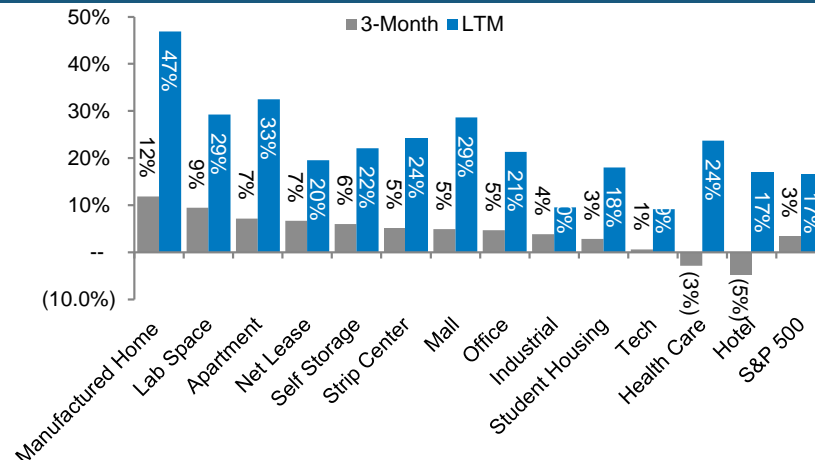
*Still waiting for a meaningful pick up in M&A activity*

# Valuations Across Property Types

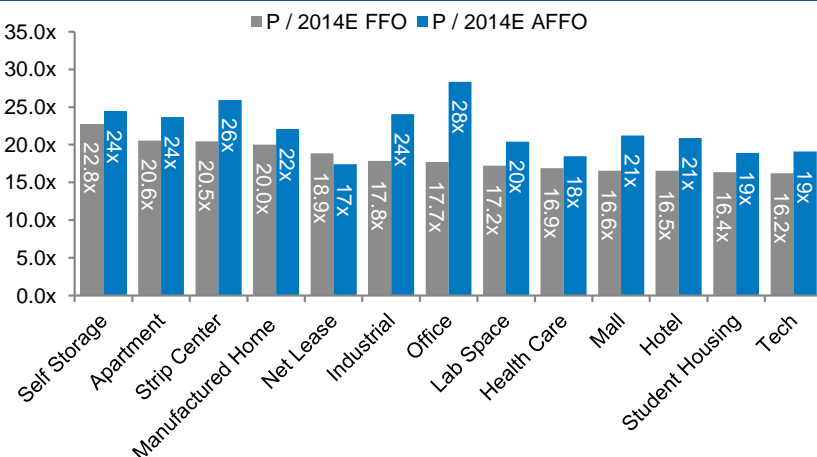
## Premium / (Discount) to NAV



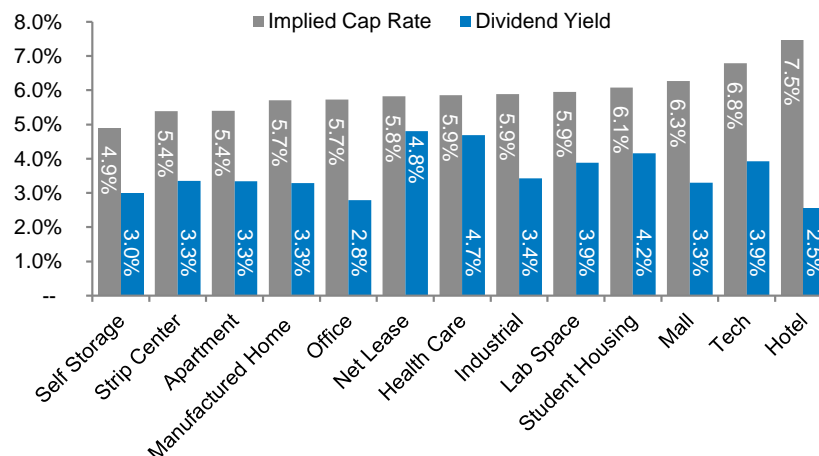
## Total Return



## FFO / AFFO Multiples



## Implied Cap Rate / Dividend Yield



Source: Green Street Advisors, FactSet, SNL Financial

Note: Reflects all U.S. REITs covered by Green Street Advisors.

# REIT Valuations

## REIT Metrics Now vs. Last '07 Peak

	Current	Q1 2007	Average			
			1 Year	3 Year	5 Year	10 Year
<b>REIT Dividend Yield</b>	3.6%	3.5%	3.6%	3.5%	3.6%	4.2%
Spread Vs Ten-Year Treasury	135	(114)	119	130	110	90
Spread Vs Baa Corporate Bonds	(114)	(276)	(116)	(140)	(172)	(183)
<b>10YR Rate</b>	2.2%	4.6%	2.4%	2.2%	2.5%	3.3%
<b>Baa Rate</b>	4.7%	6.4%	4.7%	4.9%	5.3%	6.0%
<b>S&amp;P Yield</b>	2.0%	2.0%				
<b>P/FFO Multiples <sup>(1)</sup></b>						
Straight Average	15.8	16.9	15.8	15.4	15.1	14.0
Weighted Average	18.1	18.6	17.9	17.8	17.0	15.3
S&P Average	17.0	15.3	15.8	14.2	13.6	14.2
Premium/Discount to S&P	6%	22%	13%	26%	25%	7%
Current REIT Multiple vs. Its Historical Average			1%	1%	6%	18%
Wtd Multiple/Near term Growth Rate (REITs)	2.0x	2.7x				
<b>Snapshot PEG Ratio <sup>(2)</sup></b>	2.0	2.7	NM	NM	NM	
<b>Annual FFO/Share Growth <sup>(2)</sup></b>	9.1%	6.9%				
<b>NAV Prem./Disc.</b>	1.2%	8.8%	-0.1%	4.3%	8.1%	3.8%

(1) Current = NTM Multiples

(2) 2015/2016 Earnings Growth