

# *General Session: State of Capital Markets Meeting*

*Wednesday, April 1<sup>st</sup>*

*8am – 9:30am*

*JW Marriot Desert Ridge Resort & Spa  
Phoenix, AZ*

## **Moderator:**

Mark Decker, Jr., Managing Director & Head-US Real  
Estate, Lodging & Leisure Group

## **Panelists:**

Joel Beam, VP & Portfolio Manager, Forward Management  
Daniel Heberle, Principal, KeyBank  
Sheila McGrath, Managing Director, Evercore ISI  
Christopher Volk, President & CEO, STORE Capital  
Corporation



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



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

JW Marriott Desert Ridge Resort & Spa  
Phoenix, AZ



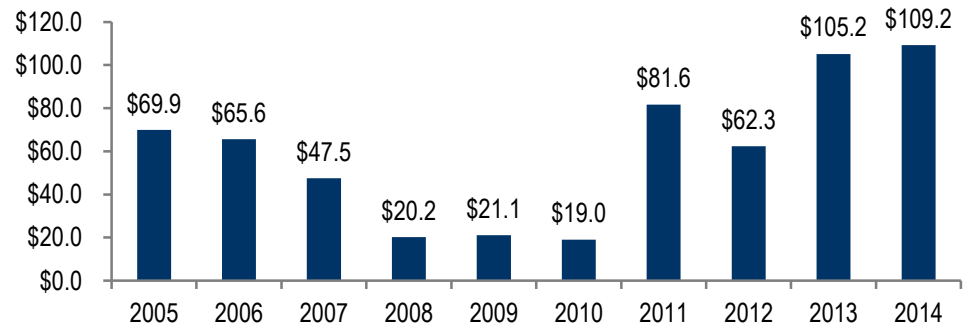
## **Capital Markets Panel**

**March 31-April 2, 2015**

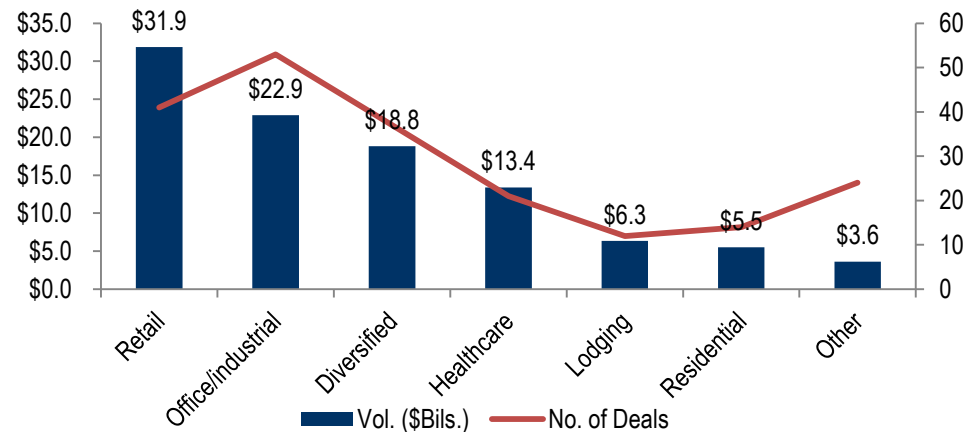
# Bank Debt Market

- ◆ 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)**

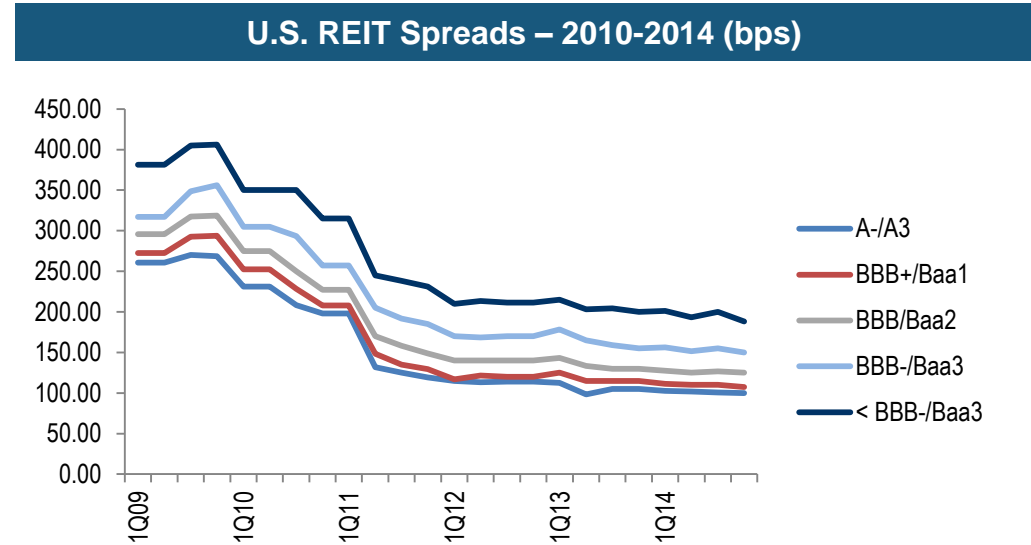


**U.S. REIT Bank Debt Volume by Sector – 2014 (\$Bn)**



# 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

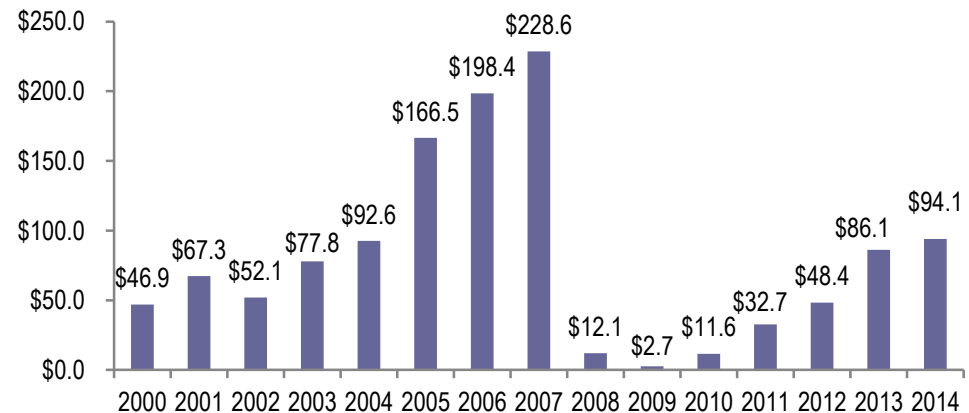
### Pricing

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

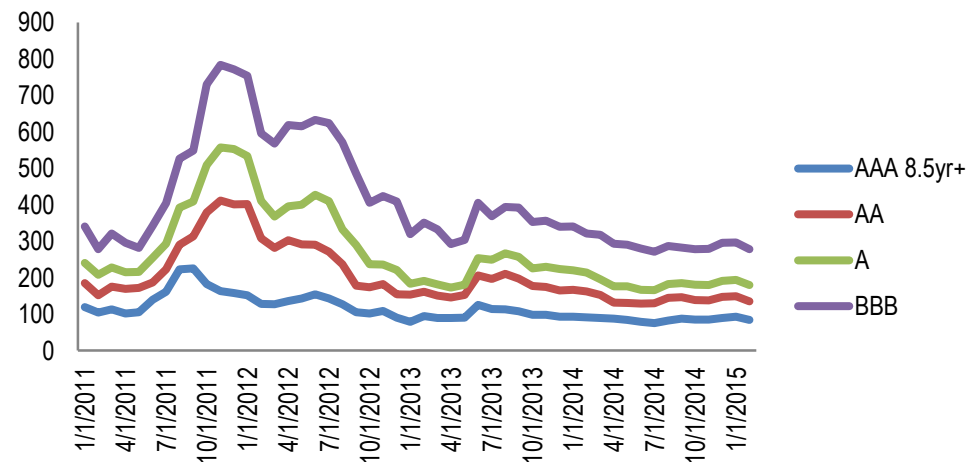
# Commercial Mortgage Market

- ◆ 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)

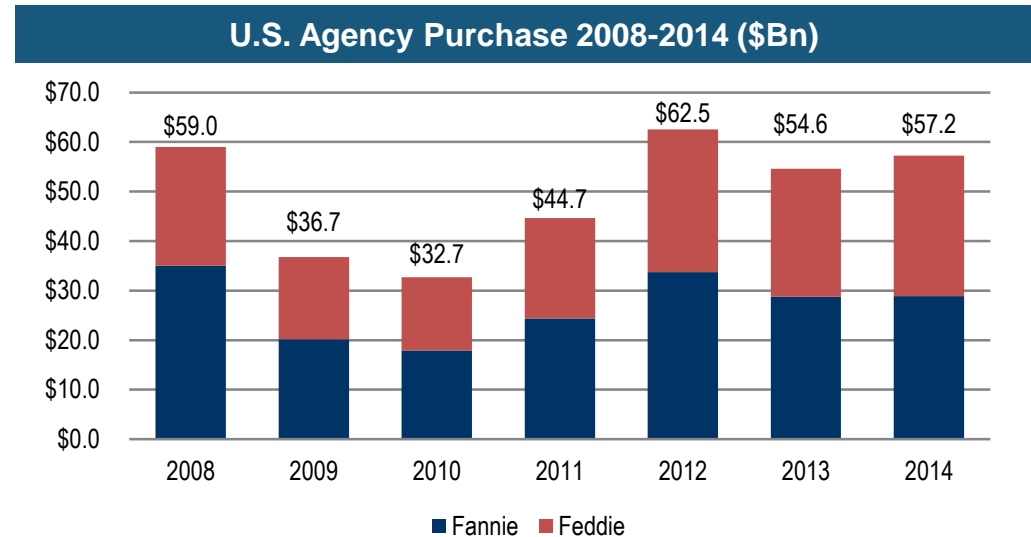


CMBS Spreads to Treasuries 2011- YTD 2015 (\$Bn)



# 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

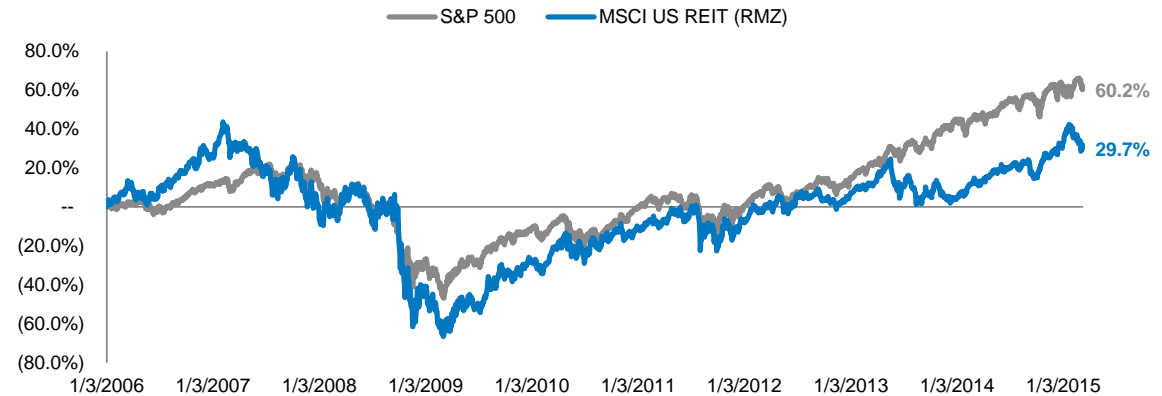
## Financial Crisis

- ◆ **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

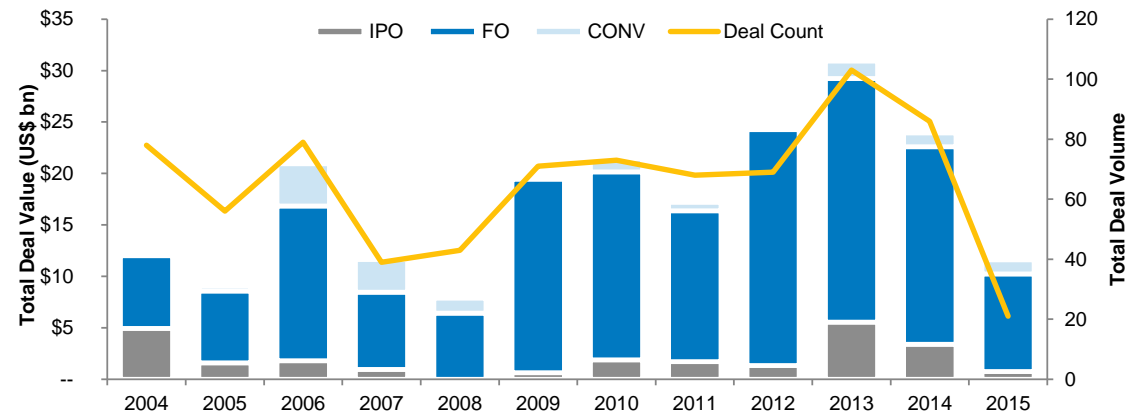
- ◆ **2010-2015:** REITs continue to raise equity to fund accretive acquisition opportunities; 2013 was a record year for equity issuance, while 2014 was down slightly overall volume was still high relative to previous years

### Price Return Since 2006



### Historical REIT ECM Activity

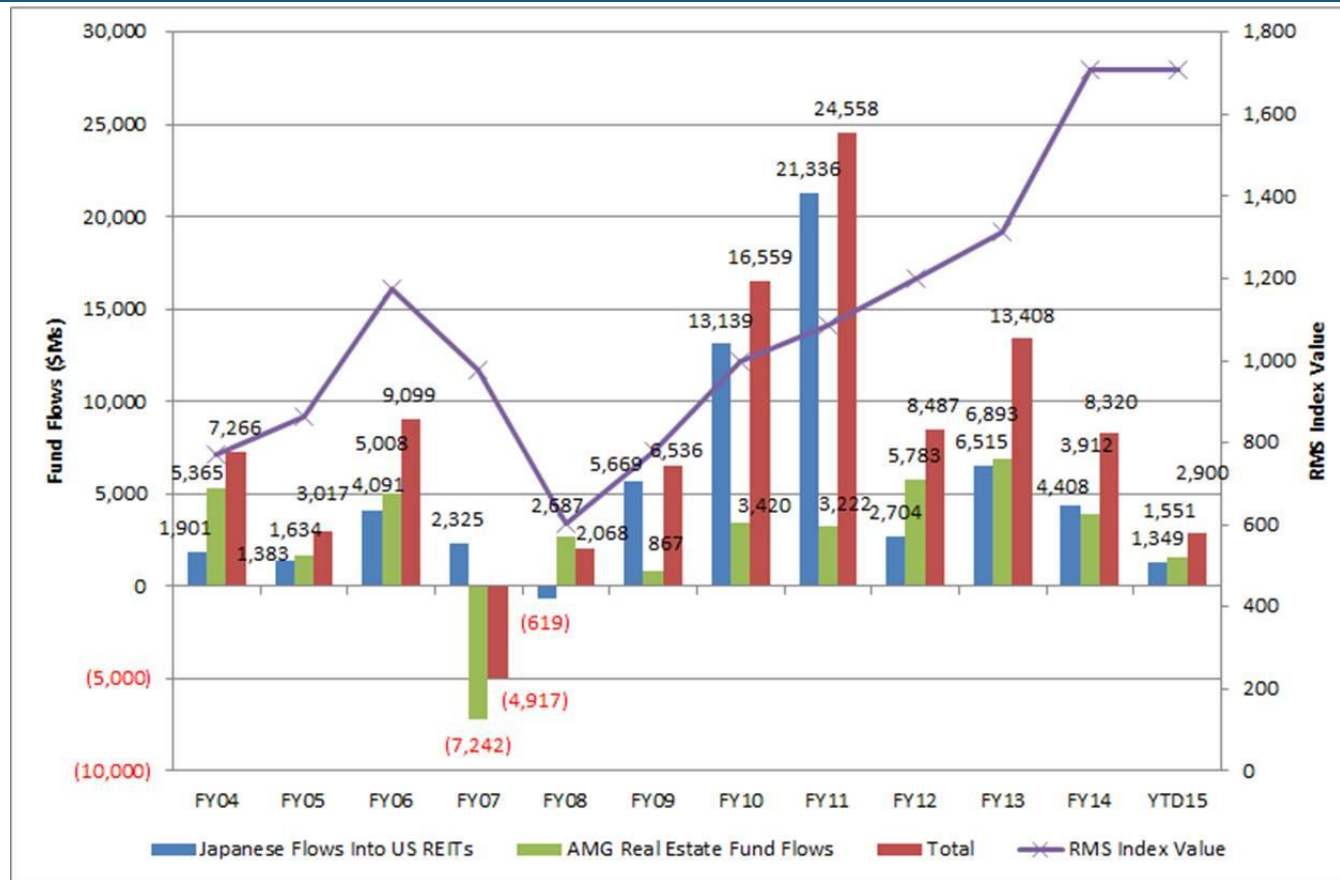
(US\$ in billions)





# Historical Real Estate Fund Flows

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



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

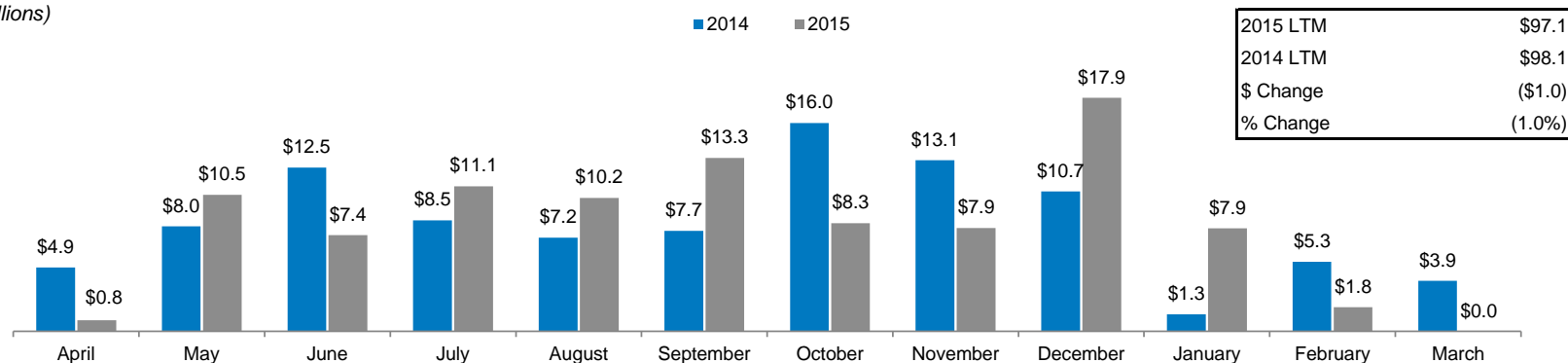
# REIT M&A Market

## 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)

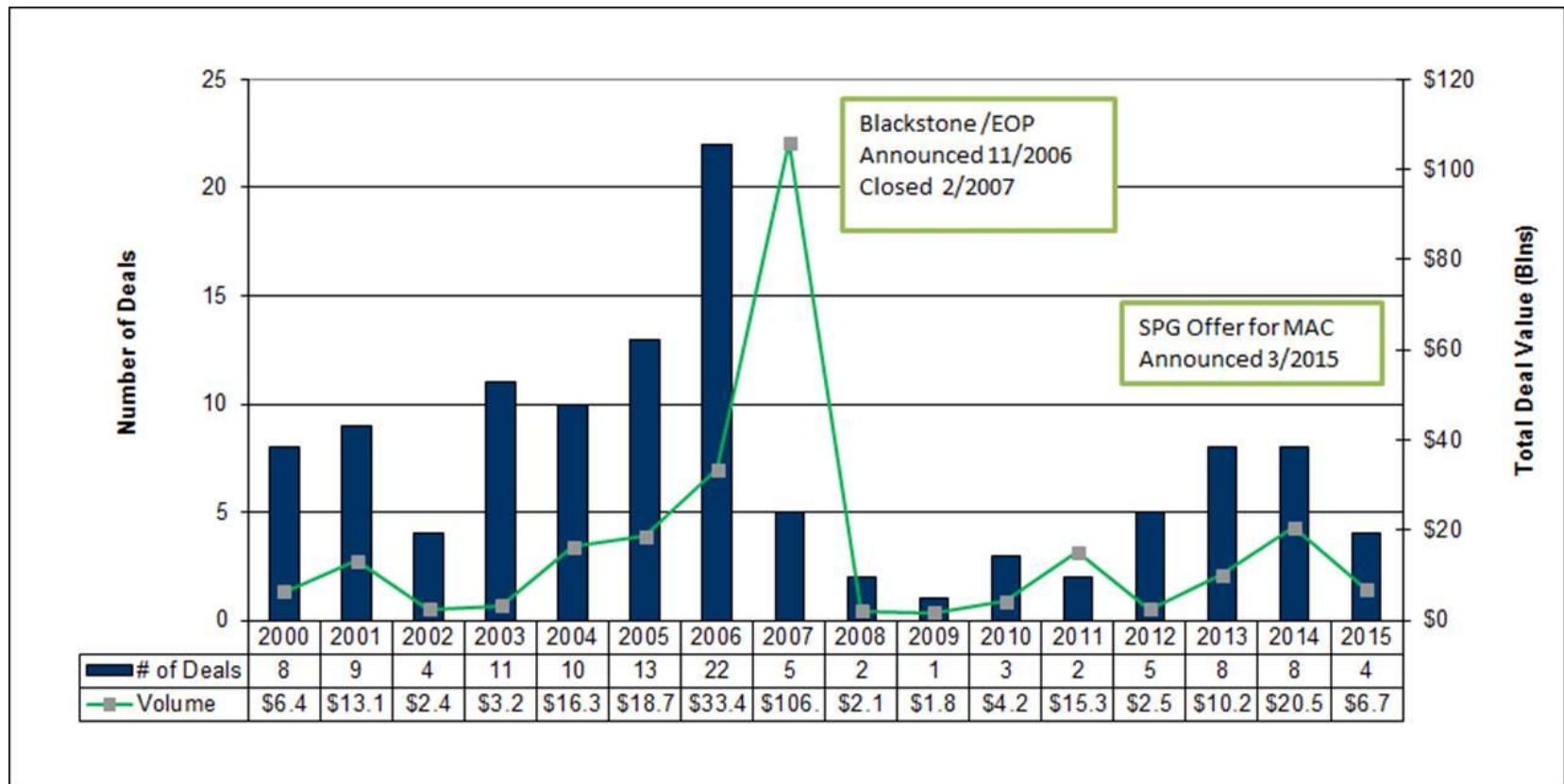


Source: Dealogic, SNL Financial, street research

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)

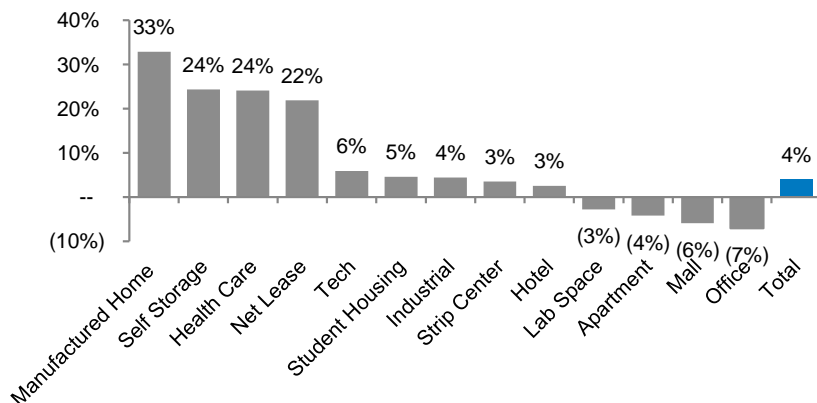
## Historical REIT M&A Volume



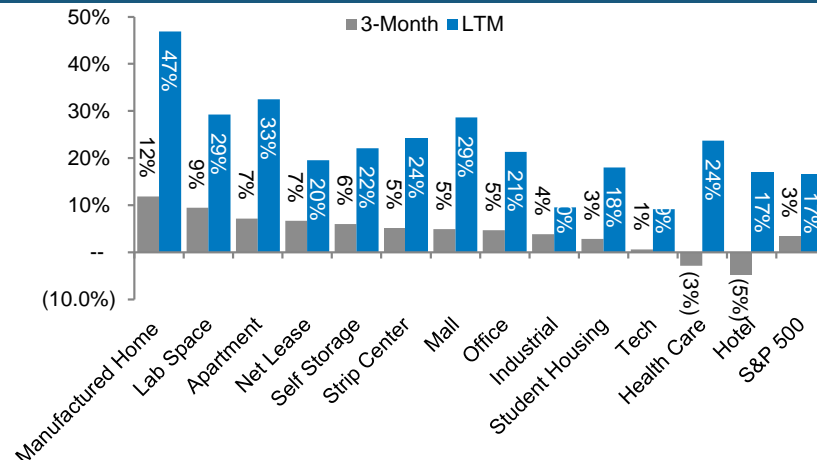
*Still waiting for a meaningful pick up in M&A activity*

# Valuations Across Property Types

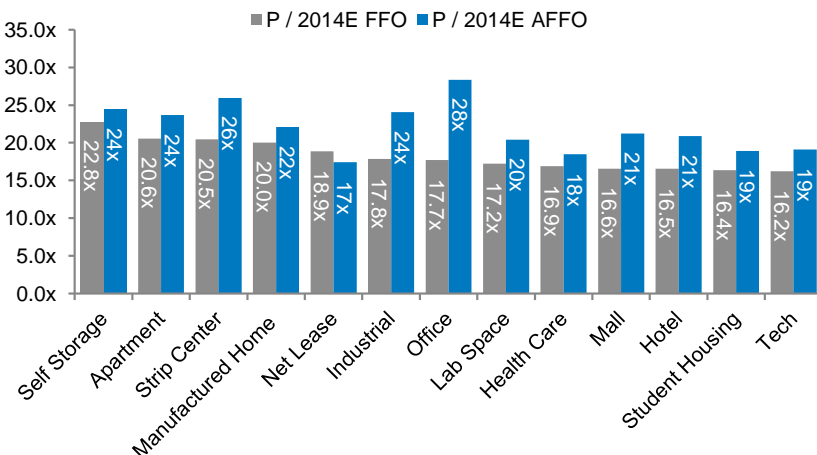
## Premium / (Discount) to NAV



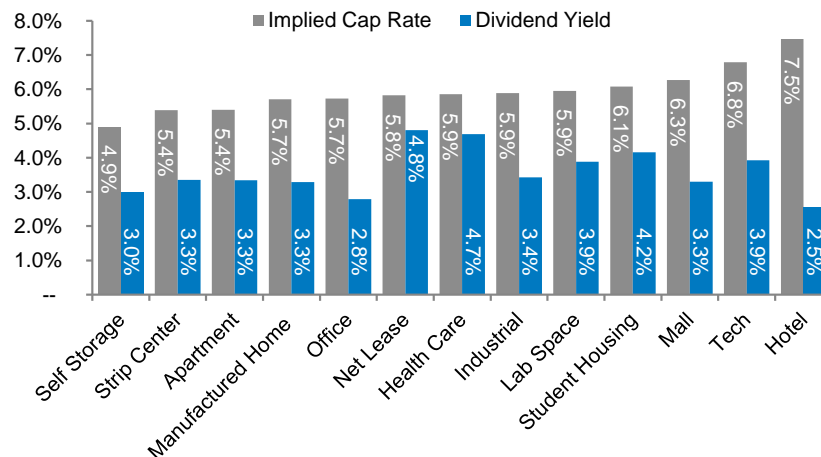
## Total Return



## 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

# Historical Offerings of Securities

February 27, 2015

Period	Total		Initial		Secondary Equity				Secondary Debt	
			Public Offerings		Common Shares		Preferred Shares		Unsecured	
	Number	Capital Raised <sup>1</sup>	Number	Capital Raised <sup>1</sup>	Number	Capital Raised <sup>1</sup>	Number	Capital Raised <sup>1</sup>	Number	Capital Raised <sup>1</sup>
<b>Annual Totals (including current year to date)</b>										
2007	129	36,031	4	1,820	56	11,854	26	4,202	43	18,155
2008	82	17,991	2	491	60	11,132	9	1,195	11	5,173
2009	130	34,656	9	2,990	87	21,244	0	0	34	10,422
2010	173	47,450	9	1,975	91	23,629	17	2,617	56	19,230
2011	164	51,280	8	2,307	92	31,075	31	4,108	33	13,790
2012	254	73,326	8	1,822	106	35,143	71	10,631	69	25,730
2013	254	76,958	19	5,707	121	35,756	28	4,755	86	30,739
2014	218	63,642	5	3,984	102	24,106	24	4,618	87	30,934
2015	35	15,763	3	817	17	8,304	3	1,441	12	5,200
<b>Quarterly Totals</b>										
2013: Q4	61	16,396	5	2,626	26	5,164	4	362	26	8,243
2014: Q1	41	11,158	2	701	20	3,383	3	630	16	6,444
Q2	78	23,965	1	61	31	9,565	13	2,093	33	12,245
Q3	57	16,056	0	0	28	7,284	4	306	25	8,466
Q4	42	12,463	2	3,221	23	3,874	4	1,589	13	3,779
2015: Q1	35	15,763	3	817	17	8,304	3	1,441	12	5,200
<b>Monthly Totals</b>										
2013: May	34	11,344	3	698	16	7,249	2	207	13	3,190
Jun	14	5,029	0	0	8	2,464	1	690	5	1,875
Jul	13	3,750	3	1,207	7	1,290	0	0	3	1,252
Aug	13	4,709	1	39	7	2,020	0	0	5	2,650
Sep	19	6,591	0	0	7	1,681	0	0	12	4,910
Oct	26	7,582	4	2,463	12	2,655	2	224	8	2,240
Nov	23	5,767	0	0	12	1,730	0	0	11	4,038
Dec	12	3,046	1	163	2	780	2	138	7	1,965
2014: Jan	18	4,433	0	0	12	1,903	0	0	6	2,530
Feb	6	2,099	0	0	2	366	1	26	3	1,707
Mar	17	4,626	2	701	6	1,114	2	604	7	2,207
Apr	26	6,488	1	61	11	2,233	4	333	10	3,860
May	30	10,090	0	0	12	5,281	7	1,547	11	3,263
Jun	22	7,387	0	0	8	2,052	2	213	12	5,123
Jul	12	3,118	0	0	8	1,718	0	0	4	1,400
Aug	12	3,049	0	0	4	695	1	88	7	2,266
Sep	33	9,889	0	0	16	4,871	3	218	14	4,800
Oct	15	3,851	0	0	8	849	2	1,349	5	1,654
Nov	19	6,922	2	3,221	7	1,335	2	240	8	2,125
Dec	8	1,690	0	0	8	1,690	0	0	0	0
2015: Jan	26	8,518	1	529	11	2,723	2	66	12	5,200
Feb	9	7,245	2	288	6	5,581	1	1,375	0	0

Source: SNL Financial, NAREIT®.

Notes:

<sup>1</sup> Data presented in millions of dollars.

# US REIT Industry Equity Market Cap

## HISTORICAL REIT INDUSTRY MARKET CAPITALIZATION: 1972-2014

### EQUITY MARKET CAPITALIZATION OUTSTANDING (MILLIONS OF DOLLARS AT YEAR END)

	All REITs		Equity		Mortgage		Hybrid	
End of Year	# of REITs	Market Capitalization	# of REITs	Market Capitalization	# of REITs	Market Capitalization	# of REITs	Market Capitalization
# of REITs	Market Capitalization		# of REITs	Market Capitalization		# of REITs	Market Capitalization	
<b>1971</b>	34	1,494.3	12	332.0	12	570.8	10	591.6
<b>1972</b>	46	1,880.9	17	377.3	18	774.7	11	728.9
<b>1973</b>	53	1,393.5	20	336.0	22	517.3	11	540.2
<b>1974</b>	53	712.4	19	241.9	22	238.8	12	231.7
<b>1975</b>	46	899.7	12	275.7	22	312.0	12	312.0
<b>1976</b>	62	1,308.0	27	409.6	22	415.6	13	482.8
<b>1977</b>	69	1,528.1	32	538.1	19	398.3	18	591.6
<b>1978</b>	71	1,412.4	33	575.7	19	340.3	19	496.4
<b>1979</b>	71	1,754.0	32	743.6	19	377.1	20	633.3
<b>1980</b>	75	2,298.6	35	942.2	21	509.5	19	846.8
<b>1981</b>	76	2,438.9	36	977.5	21	541.3	19	920.1
<b>1982</b>	66	3,298.6	30	1,071.4	20	1,133.4	16	1,093.8
<b>1983</b>	59	4,257.2	26	1,468.6	19	1,460.0	14	1,328.7

<b>1984</b>	59	5,085.3	25	1,794.5	20	1,801.3	14	1,489.4
<b>1985</b>	82	7,674.0	37	3,270.3	32	3,162.4	13	1,241.2
<b>1986</b>	96	9,923.6	45	4,336.1	35	3,625.8	16	1,961.7
<b>1987</b>	110	9,702.4	53	4,758.5	38	3,161.4	19	1,782.4
<b>1988</b>	117	11,435.2	56	6,141.7	40	3,620.8	21	1,672.6
<b>1989</b>	120	11,662.2	56	6,769.6	43	3,536.3	21	1,356.3
<b>1990</b>	119	8,737.1	58	5,551.6	43	2,549.2	18	636.3
<b>1991</b>	138	12,968.2	86	8,785.5	28	2,586.3	24	1,596.4
<b>1992</b>	142	15,912.0	89	11,171.1	30	2,772.8	23	1,968.1
<b>1993</b>	189	32,158.7	135	26,081.9	32	3,398.5	22	2,678.2
<b>1994</b>	226	44,306.0	175	38,812.0	29	2,502.7	22	2,991.3
<b>1995</b>	219	57,541.3	178	49,913.0	24	3,395.4	17	4,232.9
<b>1996</b>	199	88,776.3	166	78,302.0	20	4,778.6	13	5,695.8
<b>1997</b>	211	140,533.8	176	127,825.3	26	7,370.3	9	5,338.2
<b>1998</b>	210	138,301.4	173	126,904.5	28	6,480.7	9	4,916.2
<b>1999</b>	203	124,261.9	167	118,232.7	26	4,441.7	10	1,587.5
<b>2000</b>	189	138,715.4	158	134,431.0	22	1,632.0	9	2,652.4
<b>2001</b>	182	154,898.6	151	147,092.1	22	3,990.5	9	3,816.0
<b>2002</b>	176	161,937.3	149	151,271.5	20	7,146.4	7	3,519.4
<b>2003</b>	171	224,211.9	144	204,800.4	20	14,186.5	7	5,225.0
<b>2004</b>	193	307,894.7	153	275,291.0	33	25,964.3	7	6,639.4
<b>2005</b>	197	330,691.3	152	301,491.0	37	23,393.7	8	5,806.6
<b>2006</b>	183	438,071.1	138	400,741.4	38	29,195.3	7	8,134.3
<b>2007</b>	152	312,009.0	118	288,694.6	29	19,054.1	5	4,260.3
<b>2008</b>	136	191,651.0	113	176,237.7	20	14,280.5	3	1,132.9
<b>2009</b>	142	271,199.2	115	248,355.2	23	22,103.2	4	740.8
<b>2010</b>	153	389,295.4	126	358,908.2	27	30,387.2	--	--
<b>2011</b>	160	450,500.6	130	407,528.9	30	42,971.7	--	--



<b>2012</b>	172	603,415.3	139	544,414.9	33	59,000.3	--	--
<b>2013</b>	202	670,334.1	161	608,276.6	41	62,057.4	--	--
<b>2014</b>	216	907,425.5	177	846,410.3	39	61,017.2	--	--

Note: The FTSE NAREIT Hybrid REIT Index was discontinued on December 17, 2010.