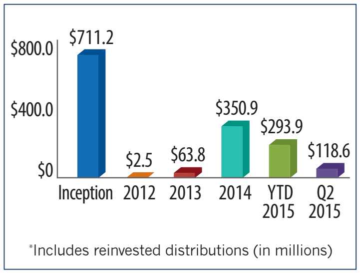
BLUEVAULT™

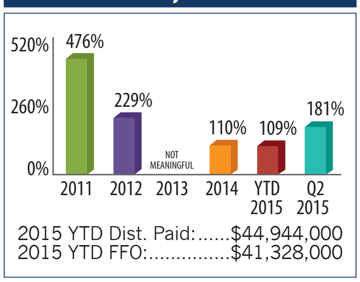
Understanding Blue Vault's Metrics for Nontraded REITs

Gross Dollars Raised*



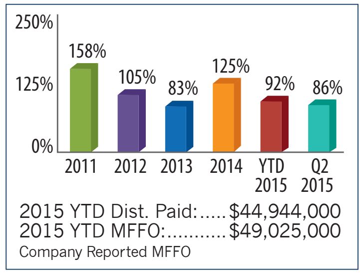
For Open REITs, gross offering proceeds are shown since the IPO date for each year, for the current YTD and most recent quarter. The REIT's ability to raise equity from investors will determine the size of its real estate portfolio and influence its overall efficiency.

Historical FFO Payout Ratio



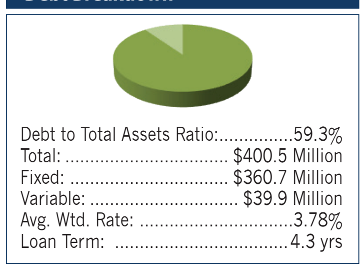
The ratio of total distributions (cash plus DRIP proceeds) paid over time to the REIT's funds from operations (FFO) gives insight into the REIT's ability to maintain distributions at current rates. This is a conservative metric, since reinvested distributions reduce the REIT's need for cash to fund distributions to common shareholders. This ratio should trend toward 100% over the REIT's life to fully fund distributions from operating cash flows.

Historical MFFO Payout Ratio



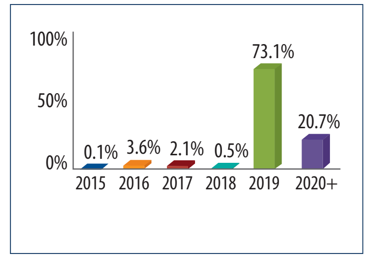
The ratio of the REIT's total distributions (including DRIP proceeds) to its MFFO (modified funds from operations) is a further indicator of distribution sustainability. MFFO includes further adjustments for non-cash items in the REIT's financial statements to better represent actual cash available to fund distributions. This ratio also should trend toward 100% over the REIT's life to assure sustainable distributions.

Debt Breakdown



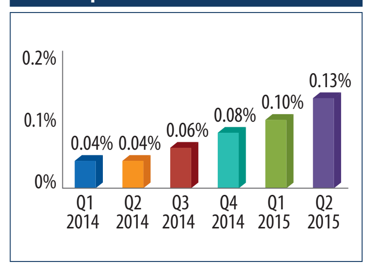
As a REIT borrows to finance its real estate investments, the structure of its debt becomes important to monitor. Reliance on variable rate debt can add interest rate risk if market rates rise. Blue Vault reports variable rate debt that has been effectively hedged via swaps or caps as fixed rate debt. The weighted average rate on debt and the range of maturities gives insight into potential re-financing needed.

Debt Repayment Schedule



A REIT's debt requires principal payments over time and eventually must be either re-financed or retired. The Debt Repayment Schedule provides insight into near-term and long-term refinancing needs.

Redemptions



Most nontraded REITs provide for limited common share redemptions, often restricted to cases of shareholder death or disability. The Daily NAV REITs offer more liberal redemption policies. BV provides quarterly history of redemptions as a percentage of outstanding common shares to give insight into trends. Relatively low rates of redemptions do not require significant funding and in most cases are met by DRIP proceeds.

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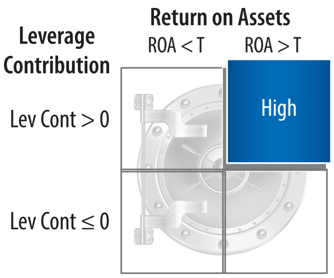
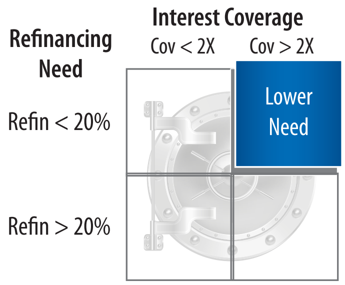
Operating Performance



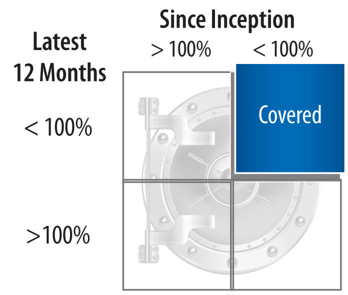
A measure of a company's ability to generate income with its assets is the return on assets (ROA). This measure simply compares the operating income generated over the most recent 12-month period, before interest expense, to the average book value of the company's assets over that same period. If ROA exceeds the yield on 10-year Treasuries over the latest 12-month period, shareholders have the potential to earn positive risk-adjusted returns. The second Operating Performance metric specifically addresses the use of leverage to increase shareholder returns. When the REIT's return on assets exceeds its average borrowing rate (weighted average cost of debt), the difference increases shareholder returns, and the degree to which it does so is directly related to the ratio of debt financing to equity financing.

Financing Outlook



Our Financing Outlook metrics capture both the maturity structure of the REIT's debt financing and its ability to meet interest payments from current earnings. We use a 20% benchmark for the REIT's reliance on short-term financing or variable rate financing. If more than 20% of the REIT's debt must be reinanced within two years or is at variable rates of interest we consider the REIT to have a significant refinancing need. We also look at the REIT's interest coverage ratio, comparing its earnings before interest, taxes, depreciation and amortization expense (EBITDA) to its interest expense over the most recent 12-month period. Industry analysts use a ratio of EBITDA to interest expense of 2.0X as a common benchmark. If the REIT has less than 20% of its debt due within two years, less than 20% at variable interest rates and an interest coverage ratio above 2.0X, it will have a financing outlook metric in the upper right corner of the four quadrants.

Cumulative MFFO Payout



MFFO (modified funds from operations) is a measure of the funds generated by a nontraded REIT that are available to fund distributions to shareholders. Typically, a nontraded REIT will pay distributions early in its existence that exceed both net income and MFFO. Over time, the REIT will increase MFFO as income from its real estate portfolio grows, adjusted for noncash expenses, and acquisition expenses fall with the stabilization of its portfolio. The total of cash distributions to shareholders will fall below MFFO, meaning the REIT is fully funding its cash distributions with cash flows from its operations. We measure the REIT's ratio of MFFO to cash distributions (excluding DRIP) both over its entire history since inception, and over the last 12-month period. When both ratios eventually fall below 100%, the REIT is fully funding its cash distributions and shareholders have more confidence that its distributions rate can be sustained.

www.BlueVaultPartners.com | 877-256-2304 toll-free | 407 East Maple Street, Suite 305, Cumming, GA 30040