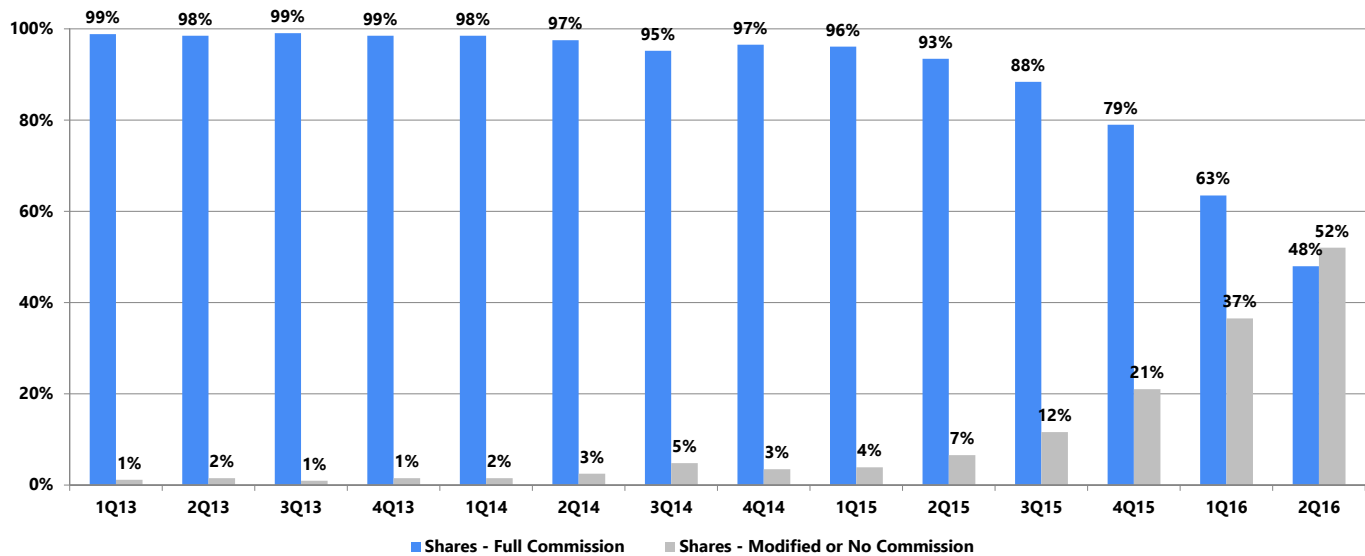


Non-Listed REIT Equity Capital Raise Historical Capital Raise by Share Type

Non-Listed REIT Equity Capital Raise: Full Commission vs. Modified or No Commission Shares



Note: Historical capital raise percentages are based solely on new equity capital raise and specifically exclude capital raised by distribution reinvestment.

Non-listed REITs achieved a milestone in 2Q16 with modified commission shares, such as Class T shares and Class I shares, representing the majority of equity capital raised for the first time ever, as predicted by Summit Investment Research in their 1Q16 report. In 2Q16, modified commission shares, such as Class T shares, or no commission shares, such as Class I shares, represented a record 52% of non-listed REIT equity capital raised. From 2013 through 1Q15, the sale of modified commission shares or no commission shares was limited to daily NAV non-listed REITs, which struggled to gain any significant traction in the market. The approval of FINRA 15-02 in 2015 and its effectiveness on April 11, 2016 has been a primary driver for the rapid rise of equity sales for modified commission and no commission shares. Within the new FINRA 15-02 environment, three trends are behind this rapid rise over the last three quarters. First, Jones Lang LaSalle Income Property Trust, a daily NAV non-listed REIT, has gained increasing market share and established itself as the leader among daily NAV non-listed REITs that offer a variety of modified commission or no commission share classes. Second, most new non-listed REITs now offer both full commission shares, typically Class A shares, and modified commission shares, typically Class T shares. Class T share commission structures vary, but they generally have a lower 2%-3% upfront commission with a capped commission trail. The ratio of sales between Class A and Class T shares varies significantly by non-listed REIT, but recent trends point to higher percentages of Class T shares in the future. However, this specific dual share class structure has inherent conflicts of interest that should result in future changes that could mean the death of the Class A share for non-listed REITs. Third, certain non-listed REITs now only offer Class T shares. Griffin Essential Asset REIT II has established itself as a market leader with its transition to only offering Class T shares back in November 2015. Based on recent trends, modified commission and no commission share classes will become the industry standard in response to the regulatory changes under FINRA 15-02 and continue to increase their market share with non-listed REIT equity capital raise.