It’s All Relative

Our NAV-based Pricing Model has served as the backbone of our stock selection process for over twenty years. The model is designed to assess relative valuations; i.e., it identifies the REITs that are most/least attractively valued.

The model combines NAV – a great starting point and high quality estimates are essential – with the factors that impact the premiums at which REITs should trade: franchise value, balance sheet risk, corporate governance, and overhead. The compartmentalized nature of the model forces discipline to consider all relevant valuation issues.

* Past performance (as of 5/30/14) can not be used to predict future performance. Please see recommendation track record disclosure on page 20
Table of Contents

<table>
<thead>
<tr>
<th>Sections</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Executive Summary</td>
<td>3</td>
</tr>
<tr>
<td>II. Overview</td>
<td>4-11</td>
</tr>
<tr>
<td>III. Franchise Value</td>
<td>12</td>
</tr>
<tr>
<td>IV. Balance Sheet Risk</td>
<td>13</td>
</tr>
<tr>
<td>V. Corporate Governance</td>
<td>14</td>
</tr>
<tr>
<td>VI. Overhead</td>
<td>15</td>
</tr>
<tr>
<td>VII. Frequently Asked Questions</td>
<td>16-18</td>
</tr>
</tbody>
</table>
The NAV-based Pricing Model

Executive Summary

Overview

- Our NAV-based pricing model has been a driver of our stock recommendations for over twenty years
- It has played an instrumental role in our successful recommendation track record
- The compartmentalized nature of the model forces discipline to consider all relevant valuation issues

The Basics

- NAV is the starting point - the value of a REIT is a function of the value of the assets it owns
- Warranted share price = NAV plus or minus a premium for future value added by management
- Franchise value, balance sheet risk, corporate governance and G&A impact the size of the premium
- It is a relative valuation model: roughly equal number of Buys and Sells at all times
- Relative approach anchors around average sector premiums at which REITs trade

The Components

- Franchise values are inherently subjective, but objective inputs help
  - Management Value Added (MVA) shines a bright light on performance attributable to mgm’t
  - Total returns relative to peers are also important
  - Balance sheet acumen scores give credit for broad financing menus and low debt costs
- Balance sheets are important; less leverage is better
  - REITs with less leverage have delivered far better returns
  - Investors usually ascribe higher NAV premiums to REITs with low leverage
- Corporate Governance scoring system ranks REITs in a systematic fashion
  - The impact of G&A is readily quantified and is dealt with apart from the other factors
  - Differences in G&A are large; they warrant large differences in unlevered asset value premiums

This report is an excerpt from REIT Valuation: Version 3.0 of our Pricing Model
Overview: A Disciplined Approach Toward Stock Selection

A Key Driver of Success: The Green Street NAV-based pricing model is designed to assess the valuation of any REIT relative to sector-level peers. The discipline and rigor the model embodies have played a pivotal role in the two-decade-long success of our recommendation track record. While the model is designed to be neutral with regard to whether REITs in aggregate are cheap or expensive, investors can employ other Green Street analytic tools to help assess overall valuation and/or sector allocation issues.

Company Research

NAV-Based Pricing Model

\[
\text{NAV} + \text{Warranted Premium to NAV} = \text{Warranted Share Price}
\]

Stock Recommendations

The NAV-based Pricing Model, coupled with heavy analyst input, drives our stock recommendations. The recommendations are always market and sector neutral.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Annualized Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>24%</td>
</tr>
<tr>
<td>Universe</td>
<td>11%</td>
</tr>
<tr>
<td>Sell</td>
<td>0%</td>
</tr>
</tbody>
</table>

* 20+Yr Annualized Returns of Green Street's Recommendations*

* Past performance can not be used to predict future performance. Please see recommendation track record disclosure on page 20

Macro Research

Overall REIT Valuation

The RMZ Forecast Tool, published monthly, assesses overall REIT valuation vs. bonds and stocks. Has proven very helpful in identifying periods when REITs are badly mis-priced.

Property Sector Allocation

The Commercial Property Outlook, published quarterly, addresses sector-level valuation questions with a focus on the long term. It is based on extensive research we've published on long-term sector performance and cap-ex requirements.
Overview: Why Use NAV?

**Because We Can:** Most equity investors focus a great deal of attention on P/E multiples and/or yields, so it is fair to question why NAV should be the primary valuation benchmark for REITs. The short answer is that investors elsewhere would use NAV if they could, but the concept doesn’t translate well to companies that are not in the business of owning hard assets. Because the value of a REIT is, first and foremost, a function of the value of the assets it owns, NAV is a great starting point for a valuation analysis.

---

**Too Simplistic**
- Dividend Yield
- FFO Yield or Multiple
- AFFO Yield or Multiple

**Far Better**
- **Net Asset Value** "NAV"
  - Good NAV estimates are critical and they require serious resources
- **Discounted Cash Flow** "DCF"
  - We use DCF internally to double-check results

---

**There is More to it Than Just NAV**
Compartmentalized Analysis Looks at Relevant Factors

**NAV: The Starting Point**

**The Warranted Premium to NAV**
Warranted premiums are a function of:
- Premiums Ascribed by the Market to Other REITs
- Franchise Value
- Balance Sheet Risk
- Corporate Governance
- Overhead (G&A expenses)

**Warranted Share Price**
Used to compare valuations relative to those of other REITs. It’s fair to call it "relative intrinsic value."
Overview: What is NAV?

**Mark It to Market:** An NAV-based valuation methodology is only as good as the underlying estimate of NAV. High-quality estimates of marked-to-market asset value require a great deal of effort and resources, but the estimate can be reasonably precise when done properly. It is also important to mark-to-market the right-hand side of the balance sheet, as the cost of in-place debt can stray substantially from prevailing market. Many market participants skip this important step.

**REIT Balance Sheet**

<table>
<thead>
<tr>
<th>Book Value of Assets</th>
<th>Book Value of Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replace With</td>
<td>Replace With</td>
</tr>
<tr>
<td>Market Value of Assets</td>
<td>Market Value of Liabilities</td>
</tr>
</tbody>
</table>

**Common Question:** Many REIT investors and analysts do not mark debt to market. Is it really necessary?

**Imagine:** Two identical office buildings, except that one is encumbered by a 60% LTV mortgage carrying a 7% interest rate with another five years to run, while the other has an identical loan at a 5% rate. Which building will command the higher price?

**The answer** is obvious to any real estate market practitioner. Building prices are profoundly impacted by assumed debt, and a high-cost mortgage negatively impacts pricing. The same holds true when those buildings are held by a REIT and if the debt is unsecured rather than secured. Marking assets to market without doing the same for liabilities yields the wrong answer.
Overview: NAV - A Simplified Example

Calculating NAV - A Simplified Example

Balance Sheet for REIT XYZ (X's $1,000)

<table>
<thead>
<tr>
<th>Analyze</th>
<th>Market Value</th>
<th>Book Value</th>
<th>and Replace</th>
<th>Current Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Real Estate</td>
<td>A</td>
<td>$6,000,000</td>
<td>$2,250,000</td>
<td>$9,350,000</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>B</td>
<td>$500,000</td>
<td>$550,000</td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>C</td>
<td>$200,000</td>
<td>$162,000</td>
<td></td>
</tr>
<tr>
<td>Equity in Unconsolidated JVs</td>
<td>D</td>
<td>$1,000,000</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Value of Fee Businesses</td>
<td>E</td>
<td>$0</td>
<td>$500,000</td>
<td></td>
</tr>
<tr>
<td>Other Assets</td>
<td>F</td>
<td>$100,000</td>
<td>$68,625</td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td></td>
<td>$7,800,000</td>
<td>$12,880,625</td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td>G</td>
<td>$5,000,000</td>
<td>$1,500,000</td>
<td></td>
</tr>
<tr>
<td>Preferred Stock</td>
<td></td>
<td>$500,000</td>
<td>$500,000</td>
<td></td>
</tr>
<tr>
<td>Shareholders Equity</td>
<td>$2,300,000</td>
<td>$5,630,625</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fully Diluted Shares</td>
<td>H</td>
<td>200,000</td>
<td>204,750</td>
<td></td>
</tr>
<tr>
<td>NAV</td>
<td></td>
<td>$11.50</td>
<td>$27.50</td>
<td></td>
</tr>
</tbody>
</table>

The Adjustments:

A. Operating Real Estate: The most important part of an NAV analysis, this step involves calculating a 12-month forward estimate of NOI and applying an appropriate cap rate. The quality of the analysis rests on an in-depth knowledge of prevailing cap rates, the quality/location of the real estate, and other required industry- and company-specific adjustments.

B. Construction in Progress: Adjustments to the book value of CIP reflect the extent to which stabilized yields are likely to exceed an appropriately high risk-adjusted return bogey.

C. Land: Land values can be much higher or lower than book.

D. Joint Venture Accounting is a Mess: Because of that, we present a pro-rata allocation of JV assets and liabilities. There is no reliable way to otherwise value JV interests, as leverage within the JV typically renders more simplified approaches useless. A pro-rata allocation also does a much better job of showing leverage that may be embedded, but otherwise hidden, in JV investments.

E. Fee Income: Some REITs generate asset management/property management fees associated with JV structures. This fee income can be lucrative, and the range of appropriate multiples to apply is dependent on the quality of the fee stream. This value is not reflected on GAAP balance sheets.

F. Other Assets: REITs often have a material amount of intangible assets, which are deducted for this exercise.

G. Liabilities: Mark-to-market adjustments are necessary where: subsidized financing is present, or market interest rates are materially higher or lower than contract rates on the REIT’s debt.

H. Fully Diluted Shares: All in-the-money options, converts, etc. need to be included in the share count.
Overview: NAV - More on Operating Real Estate

Calculating NAV - More on Operating Real Estate

Income Statement for REIT XYZ (X’s $1,000)

Three Months Ending XXX

- **GAAP Net Operating Income (NOI)**: $149,500
- **Adjustments**
  - **Straight-Line Rent (A)**: $(1,250)
  - **NOI of Properties Acquired During Quarter (B)**: $1,750

**The Adjustments:**

A. **Straight-Line Rent**: GAAP requires that companies report average rental revenue over the term of the lease. For example, GAAP rent for a 10-yr lease with a starting rent of $50/sqft and 2% annual escalators is $55/sqft. Phantom income items like straight-line rent need to be deducted to arrive at "cash" NOI.

B. **Acquisitions**: Properties acquired during the quarter will contribute less to reported NOI than they would have had they been owned the full period. Reported NOI needs to be adjusted upward when this is the case.

C. **Cap Rate**: The convention in the real estate industry is to quote pricing in terms of the first-year yield on investment. This measure is known as the capitalization rate (cap rate). Cap rates are the most critical input in the NAV analysis. An in-depth understanding of the location, age, and general desirability of the real estate portfolio coupled with a good handle on prevailing cap rates is essential to coming up with good estimates. The cap rate for the entire portfolio is shown here, but the analysis is typically done on a market-by-market basis.

- **Quarterly Pace of Net Operating Income**: $150,000
- **Annual Pace NOI**: $600,000
- **Estimated Growth Over Next 12 Months**: $12,000
- **12-Month Look-Forward NOI Estimate**: $612,000
- **Cap Rate (C)**: 6.5%
- **Value of Operating Real Estate**: $9,350,000
Overview: Where Do Green Street NAVs Come From?

**Hard Work:** Green Street takes its NAVs very seriously. We devote a great deal of resources toward deriving the best possible estimates of NAV because it has always been the driver of our valuation conclusions.

**Kicking the Tires**
- Extensive property visits
- Deep market contacts - public & private
- Lengthy coverage of most REITs
- Strategic partner: Eastdil Secured

**A Large Research Team**
- 30 full-time research professionals in US
- We take NAV seriously
- It has always driven our Pricing Model

**Real Estate Data Sources**
- Green Street’s property databases are extensive
- We also use other research vendors
- Local leasing and sales brokers

**Cap-ex: the 500-Pound Gorilla**
- Capitalized costs are big and they need to be considered
- They vary a lot even among REITs in the same sector
- Cap-ex is broadly misunderstood…we have studied extensively
- Market participants underestimate cap-ex
- Cap-ex policies influence the cap rate used
Overview: Warranted Premiums to NAV

**NAV Plus or Minus?** Prospective future total returns for any REIT are a function of how its real estate portfolio is likely to perform, as well as the value that its management team is likely to add or detract. Our Pricing Model provides a systematic assessment of the four key variables - franchise value, corporate governance, balance sheet risk, and overhead - that typically distinguish REITs that deliver "real estate plus" returns from those in the "real estate minus" camp.

Warranted Premium to NAV for a REIT is a Function of...

- **Prevailing Premiums for Sector Peers Based on Prevailing Share Prices**
- **The net value that a management team is likely to add or detract in the future**
- **Our Pricing Model tallies up a total score on the variables below and ranks each REIT relative to sector peers**

Which is it, NAV or UAV?

The investment world focuses on premiums to NAV, which are impacted by leverage, but the mechanics of our model strip out the distortions leverage can cause by focusing on premiums to **unlevered asset value (UAV)**. Even though the model is UAV-centric, the many references herein to NAV are employed to better speak the language most commonly used in our industry.

- **Franchise Value**
  A gauge of management's propensity to add or detract value

- **Corporate Governance**
  Our governance scoring system provides an annual review

- **Balance Sheet Risk**
  Capital Structure plays a big role in how REITs are valued

- **Capitalized Value of Unusual G&A**
  This can be readily quantified and is dealt with apart from the other factors that impact premiums
Overview: The Influence of Property Sectors

A Normal World: The starting point in calculating the warranted premium for any REIT is the sector-average premium ascribed by the market at current share prices. An assumption is made that the dispersion of observed premiums for the entirety of our coverage universe serves as a good indicator of how premiums should be dispersed in any given sector. REITs that stack up better in the Pricing Model relative to their sector peers are then ascribed better-than-average warranted premiums, and vice versa.

Each sector tends to march to its own drummer on average premiums... ...to which the dispersion of premiums for all REITs can be applied.

Why Sector Premiums Vary
There are three primary reasons:
1) REIT investors often disagree with private-market valuations
2) Some sectors may offer more lucrative growth opportunities.
3) A sector full of "A-students" should trade better.

The model is neutral with regard to sector valuations.
Franchise Value: What is it?

An Important Assessment: Franchise value and G&A are the most important drivers of UAV premiums. Franchise value pertains to the value that a management team is likely to create in the future, which is a question best addressed by combining objective tools with subjective input from experienced analysts.

Franchise Value: a Forward-Looking Concept
Franchise value is an estimate of the relative value that a management team is likely to add or detract in coming years. Our analysts determine franchise value based on a wide variety of objective inputs and subjective assessments.

Objective Metrics
- Past Performance
  - Management Value Added (MVA)
  - Total Returns to Shareholders
- Balance Sheet Management
  - Balance Sheet Acumen Score
  - Full Menu of Options is good
  - Cheap debt → UAV Premium

Subjective Factors
- Lessons from REIT History
  - Simplicity is a virtue
  - Activity ≠ Value Added
  - Development is a tough business
  - Capital allocation skills are critical
- Other Factors to Consider
  - Will past performance recur?
  - Has there been a strategy change?
  - Has management learned lessons?
- Franchise Score
  - The objective metrics help guide the analyst, but the ultimate score is entirely at his/her discretion.

This report is an excerpt from REIT Valuation: Version 3.0 of our Pricing Model
Balance Sheet Risk: Balance Sheets Matter

**Low Leverage is Better:** Even though property prices have risen more than 50% over the last ten years, REITs that have employed less leverage have delivered far better returns over that time period than REITs with higher leverage. The same statement has held true over the vast majority of ten-year periods since the Modern REIT era commenced in the early-'90s. Not surprisingly, investors are willing to ascribe much higher NAV premiums to REITs with low leverage.

**Leverage has Impacted Total Returns**
A 10% variance in the lev'g ratio has been associated with a 5% gap in total returns. Every year!

**Leverage has a Big Impact on Pricing**
A 10% variance in the lev'g ratio currently equates to a 4% variance in the UAV premiums at which REITs trade

* Charts are from Oct 2, 2012 Heard on the Beach. Left chart uses total returns from Aug '02 to Aug '12; right is based on stock pricing as of Sept '12.
Corporate Governance

Green Street’s Governance Scoring System: Our governance ranking system, which is published annually, differs in two key respects from those provided by other evaluators: 1) our familiarity with the companies allows for subjective input; and 2) issues unique to REITs (e.g., the 5 or fewer rule) are ignored by others. Scoring is on a 100-point basis with the key inputs highlighted below. REITs with higher governance scores typically trade at larger premiums to asset value.

<table>
<thead>
<tr>
<th>Category</th>
<th>Max Points</th>
<th>Ideal Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board Rating:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-staggered Board</td>
<td>20</td>
<td>Yes</td>
</tr>
<tr>
<td>Independent Board</td>
<td>5</td>
<td>80+%</td>
</tr>
<tr>
<td>Investment by Board Members</td>
<td>5</td>
<td>Large Investment by Numerous Members</td>
</tr>
<tr>
<td>Conduct</td>
<td>25</td>
<td>No Blemishes, Fair Comp, Leadership</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Anti-Takeover Weapons:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Anti-takeover Provisions</td>
<td>12</td>
<td>Opt out/Shareholders Approve Change</td>
</tr>
<tr>
<td>Ownership Limits from 5/50 Rule</td>
<td>5</td>
<td>Limit Waived for Ownership by other REITs</td>
</tr>
<tr>
<td>Shareholder Rights Plan</td>
<td>10</td>
<td>Shareholders Must Approve Implementation</td>
</tr>
<tr>
<td>Insider Blocking Power</td>
<td>8</td>
<td>No Veto Power</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Potential Conflicts of Interest:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Dealings with Mgmt.</td>
<td>6</td>
<td>No Business Dealings</td>
</tr>
<tr>
<td>Divergent Tax Basis of Insiders</td>
<td>4</td>
<td>Basis Near Share Price</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Perfect Score</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>
Overhead: A Strong Connection with Size

**Big is Better:** A dollar of cash flow devoted to G&A is worth the same as a dollar of cash flow at the property level, and efficiency differences between REITs can have a profound impact on share valuation. The impact on appropriate unlevered valuations can be calculated by capping those differences at the all-REIT cap rate and adding or subtracting that figure directly as a warranted premium to unlevered asset value. Not surprisingly, big REITs are more efficient when it comes to overhead, and this efficiency should translate into higher relative valuations.

![Company Size and Warranted Premiums Attributable to G&A](chart)
Frequently Asked Questions

Answers to Frequently Asked Questions

Q. Net Asset Value (NAV) estimates are far from precise. It’s very common to see NAV estimates for a given REIT spanning a broad range, with some being as much as 30% higher than others. Why base a model on such an imprecise estimate?

A. NAV is admittedly an imprecise estimate of value. It may be best to consider NAV as the midpoint of a reasonable range in which a figure at least 5% higher or lower than the midpoint might be accurate. Reasonable minds can disagree within this range. However, this lack of precision should not be viewed as a serious shortcoming. Every valuation methodology lacks precision, and alternative methodologies are almost certainly less precise than NAV. For instance, where do appropriate Price/Earnings (P/E) multiples come from? EBITDA multiples? An NAV-based approach componentizes the valuation question into discrete pieces and incorporates private-market pricing information, attributes that should yield a higher level of precision than a broad-brush approach to entity valuation. When analyst estimates of NAV fall well outside a reasonable range, this probably reflects the quality of the analysis, as opposed to the metric’s quality. In addition, most analysts only mark-to-market the left-hand side of the balance sheet; Green Street marks-to-market the right-hand side too. NAV calculations require a great deal of time, energy, and expertise to get right; big errors likely occur when shortcuts are taken.

Q. An NAV analysis is only as good as the cap rate applied to net operating income (NOI). Where does Green Street get its cap rates?

A. The choice of cap rates is the most important input in our model. Our analysts spend a great deal of time talking to market participants (e.g., REIT executives, private real estate participants, brokers, etc.), compiling databases of comparable transactions, reading trade publications, reviewing findings of providers of transaction information, and understanding the extent to which contractual rents are above or below market.

Q. As the REIT industry continues to mature, analysts and investors will inevitably value these stocks the same way the vast majority of other stocks are valued. Approaches based on P/E multiples, EBITDA multiples, or discounted cash flow models will take the place of a REIT-centric concept like NAV. After all, no one tries to figure out the NAV of General Motors or Microsoft, so why bother to do so with REITs?

A. The simple answer to this question is that investors in other sectors would use NAV if they could. However, their inability to do so relegates them to using generally inferior metrics. Thoughtfully applied alternative approaches to valuation should result in similar answers to an NAV-based approach, but these other methods must be used with caution.
Frequently Asked Questions (continued)

Q. REITs are more than just a collection of assets. Management matters a lot, and an NAV-based approach can’t possibly factor that in.

A. Contrary to a widespread misperception, the use of an NAV-based model is consistent with a view that management is important. As long as an NAV-based model provides output with a sizable variance in company-specific warranted premiums/discounts, that model is implicitly acknowledging that management matters significantly. Capital allocation and balance sheet management are by far the key differentiators of management capabilities.

Q. Many REITs own hundreds of properties spread across the U.S., and an asset-by-asset appraisal would take an enormous amount of time. How can an analyst know the value of any given portfolio?

A. A reasonable NAV estimate can be derived if disclosure at the portfolio level is sufficient to allow for a comparison of the characteristics of a given portfolio with the characteristics of properties that have traded hands. No two portfolios are exactly the same, but plenty of pricing benchmarks exist to allow for adjustments based on portfolio location, quality, lease structure, growth prospects, etc.

Q. REITs have broad latitude in how they expense many operating costs. Can an NAV-based approach be fooled if a REIT inflates NOI by moving costs to the General & Administrative (G&A) expense line?

A. Yes. This is why an explicit valuation adjustment for G&A expense is included in our pricing model. It identifies companies that shift expenses in ways that are inconsistent with those of its peers.

Q. An NAV analysis derived from real estate NOI seemingly ignores capital expenditures (cap-ex). How does cap-ex factor into the analysis?

A. One of the easiest ways to make big mistakes in an NAV analysis is to utilize simple rules of thumb with regard to cap-ex. Most rules of thumb undercount the magnitude of cap-ex. In addition, the range of appropriate reserves varies hugely by property sector, property quality, and accounting practices. Each factor needs to be addressed before choosing the cap-ex reserve to utilize for a particular portfolio. The real estate portfolios in any sector that offer the highest quality, best growth, and lowest risk should be accorded the highest valuation multiples (lowest cap rates), and vice versa. Thus, it is important to rank the portfolios relative to each other and to then ensure “economic” cap rates (based on NOI less a cap-ex reserve) line up in this manner. An analysis that does not back out cap-ex costs, and is instead based off of nominal cap rates, will generate misleading relative conclusions.
Frequently Asked Questions (continued)

Q. NAV is a backward looking metric.

A. Real estate markets are active and liquid, and when buyers and sellers agree on deal terms (e.g., cap rates, price/square foot, etc.), those terms reflect their views of future prospects. When prevailing cap rates are applied to a REIT’s forward-looking NOI estimate, the result is an estimate of value that is as forward looking as any other approach toward valuing stocks.
This report is an excerpt from REIT Valuation: Version 3.0 of our Pricing Model

To View the Full Report…
Please contact a member of our Sales team at
(949) 640-8780 or e-mail
inquiry@greenstreetadvisors.com
Management of Conflicts of Interest: Conflicts of interest can seriously impinge the ability of analysts to do their job, and investors should demand unbiased research. In that spirit, Green Street adheres to the following policies regarding conflicts of interest:

- Green Street employees are prohibited from owning the shares of any company in our coverage universe.
- Green Street employees do not serve as officers or directors of any of our subject companies.
- Green Street does not commit capital or make markets in any securities.
- Neither Green Street nor its employees/analysts receives any compensation from subject companies for inclusion in our research.
- Green Street does not directly engage in investment banking or underwriting work with any subject companies.

Please also have regard to the Affiliate Disclosures listed below when considering the extent to which you place reliance on this research presentation and any research recommendations made herein.

A number of companies covered by Green Street research reports pay an annual fee to receive Green Street’s research reports. Green Street may periodically solicit this business from the subject companies. In the aggregate, annual fees for GSA (US) and GSA (UK) research reports received from subject companies represent approximately 3% of each of GSA (US)’s and GSA (UK)’s respective total revenues.

Green Street publishes research reports covering issuers that may offer and sell securities in an initial or secondary offering. Broker-dealers involved with selling the issuer’s securities or their affiliates may pay compensation to GSA upon their own initiative, or at the request of Green Street’s clients in the form of “soft dollars,” for receiving research reports published by Green Street.

The information contained in this presentation is based on data obtained from sources we deem to be reliable; it is not guaranteed as to accuracy and does not purport to be complete. This presentation is produced solely for informational purposes and is not intended to be used as the primary basis of investment decisions. Because of individual client requirements, it is not, and it should not be construed as, advice designed to meet the particular investment needs of any investor. This presentation is not an offer or the solicitation of an offer to sell or buy any security.

Green Street Advisors is an accredited member of the Investorside® Research Association, whose mission is to increase investor and pensioner trust in the U.S. capital markets system through the promotion and use of investment research that is financially aligned with investor interests.

Green Street generally prohibits research analysts from sending draft research reports to subject companies. However, it should be presumed that the analyst(s) who authored this presentation has/have had discussions with the subject company to ensure factual accuracy prior to publication, and has/have had assistance from the company in conducting due diligence, including visits to company sites and meetings with company management and other representatives.

References to “Green Street” in Disclosures in this section and in the Other Important Information section apply to:
- GSA (US) to the extent that this presentation has been disseminated in the USA; or
- GSA (UK) to the extent that this presentation has been disseminated in the EEA.

Green Street Advisors US is exempt from the requirement to hold an Australian financial services license under the Act in respect of the financial services; and is regulated by the SEC under US laws, which differ from Australian laws.

Green Street Advisors UK Ltd. is exempt from the requirement to hold an Australian financial services license under the Act in respect of the financial services; and is regulated by the FCA under UK laws, which differ from Australian laws.

Green Street reserves the right to update the disclosures and policies set out in this document at any time. We encourage a careful comparison of these disclosures and policies with those of other research providers, and welcome the opportunity to discuss them.

For Green Street’s advisory customers, this research presentation is for informational purposes only and the firm is not responsible for implementation. Nor can the firm be liable for suitability obligations.

Affiliate Disclosures: Green Street does not directly engage in investment banking, underwriting or advisory work with any of the companies in our coverage universe. However, the following are potential conflicts regarding our affiliates that should be considered:

- Green Street is affiliated with, and at times assists, Eastdil Secured, a real estate brokerage and investment bank, when Eastdil Secured provides investment banking services to companies in Green Street’s coverage universe. Green Street is never part of the underwriting syndicate, selling group or marketing effort but Green Street may receive compensation from Eastdil Secured for consulting services that Green Street provides to Eastdil Secured related to Eastdil Secured’s investment banking services. Green Street does not control, have ownership in, or make any business or investment decisions for, Eastdil Secured.
- Green Street has an advisory practice servicing investors seeking to acquire interests in publicly-traded companies. Green Street may provide such valuation services to prospective acquirers of companies which are the subject(s) of Green Street’s research reports.
- An affiliate of Green Street is the investment manager of an equity securities portfolio on behalf of a single client. The portfolio contains securities of issuers covered by Green Street’s research department. The affiliate also acts as a sub advicer to an outside Investment Management firm. The sub-advisor will develop and provide a suggested asset allocation model based on published research that is received from the research department. The affiliate is located in a separate office, employs an investment strategy based on Green Street's published research, and does not trade with Green Street's trading desk.
To the extent that this presentation is issued by GSA (U.S.), this material is the proprietary and confidential information of Green Street Advisors, Inc., and is protected by copyright. To the extent that this presentation is issued by GSA (U.K.), this material is the proprietary and confidential information of Green Street Advisors (U.K.) Limited, and is protected by copyright.

This presentation may be used solely for reference for internal business purposes. This presentation may not be reproduced, re-distributed, sold, lent, licensed or otherwise transferred without the prior consent of Green Street. All other rights with respect to this presentation are reserved by Green Street.

EEA Recipients: For use only by Professional Clients and Eligible Counterparties: GSA (UK) is authorized by the Financial Conduct Authority of the United Kingdom to issue this presentation to “Professional Clients” and “Eligible Counterparties” only and is not authorized to issue this presentation to “Retail Clients”, as defined by the rules of the Financial Conduct Authority. This presentation is provided in the United Kingdom for the use of the addressee only and is intended for use only by a person or entity that qualifies as a “Professional Client” or an “Eligible Counterparty”. Consequently, this presentation is intended for use only by persons having professional experience in matters relating to investments. This presentation is not intended for use by any other person. In particular, this presentation intended only for use by persons who have received written notice from GSA (UK) that he/she/it has been classified, for the purpose of receiving services from GSA (UK), as either a “Professional Client” or an “Eligible Counterparty”. Any other person who receives this presentation should not act on the contents of this presentation.

Review of Recommendations:

- Unless otherwise indicated, Green Street reviews all investment recommendations on at least a monthly basis.
- The research recommendation contained in this report was first released for distribution on the date identified on the cover of this report.
- Green Street will furnish upon request available investment information supporting the recommendation(s) contained in this report.

At any given time, Green Street publishes roughly the same number of “BUY” recommendations that it does “SELL” recommendations.

Green Street’s “BUYs” have historically achieved far higher total returns than its “HOLDS”, which, in turn, have outperformed its “SELLs”. At any given time, Green Street publishes roughly the same number of “BUY” recommendations that it does “SELL” recommendations.

<table>
<thead>
<tr>
<th>Year</th>
<th>Buy</th>
<th>Hold</th>
<th>Sell</th>
<th>Universe*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>17%</td>
<td>9.9%</td>
<td>3.5%</td>
<td>16.9%</td>
</tr>
<tr>
<td>2013</td>
<td>11.5%</td>
<td>1.1%</td>
<td>2.7%</td>
<td>12.9%</td>
</tr>
<tr>
<td>2012</td>
<td>20%</td>
<td>19.3%</td>
<td>10.7%</td>
<td>25.4%</td>
</tr>
<tr>
<td>2011</td>
<td>20%</td>
<td>20%</td>
<td>10.4%</td>
<td>26.3%</td>
</tr>
<tr>
<td>2010</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
<tr>
<td>2009</td>
<td>20%</td>
<td>20%</td>
<td>10.4%</td>
<td>26.3%</td>
</tr>
<tr>
<td>2008</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
<tr>
<td>2007</td>
<td>20%</td>
<td>20%</td>
<td>10.4%</td>
<td>26.3%</td>
</tr>
<tr>
<td>2006</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
<tr>
<td>2005</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
<tr>
<td>2004</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
<tr>
<td>2003</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
<tr>
<td>2002</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
<tr>
<td>2001</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
<tr>
<td>2000</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
<tr>
<td>1999</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
<tr>
<td>1998</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
<tr>
<td>1997</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
<tr>
<td>1996</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
<tr>
<td>1995</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
<tr>
<td>1994</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
<tr>
<td>1993</td>
<td>19%</td>
<td>20%</td>
<td>11%</td>
<td>25.6%</td>
</tr>
</tbody>
</table>

The results shown in the table in the upper right corner are hypothetical; they do not represent the actual trading of securities. Actual performance will vary from this hypothetical performance 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 hypothetical returns 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 May 23, 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.

Per NASD rule 2711, “Buy” = Most attractively valued stocks. We recommend overweight position; “Hold” = Fairly valued stocks. We recommend market-weighting; “Sell” = Least attractively valued stocks. We recommend underweight position.

Green Street will furnish upon request available investment information regarding the recommendation.