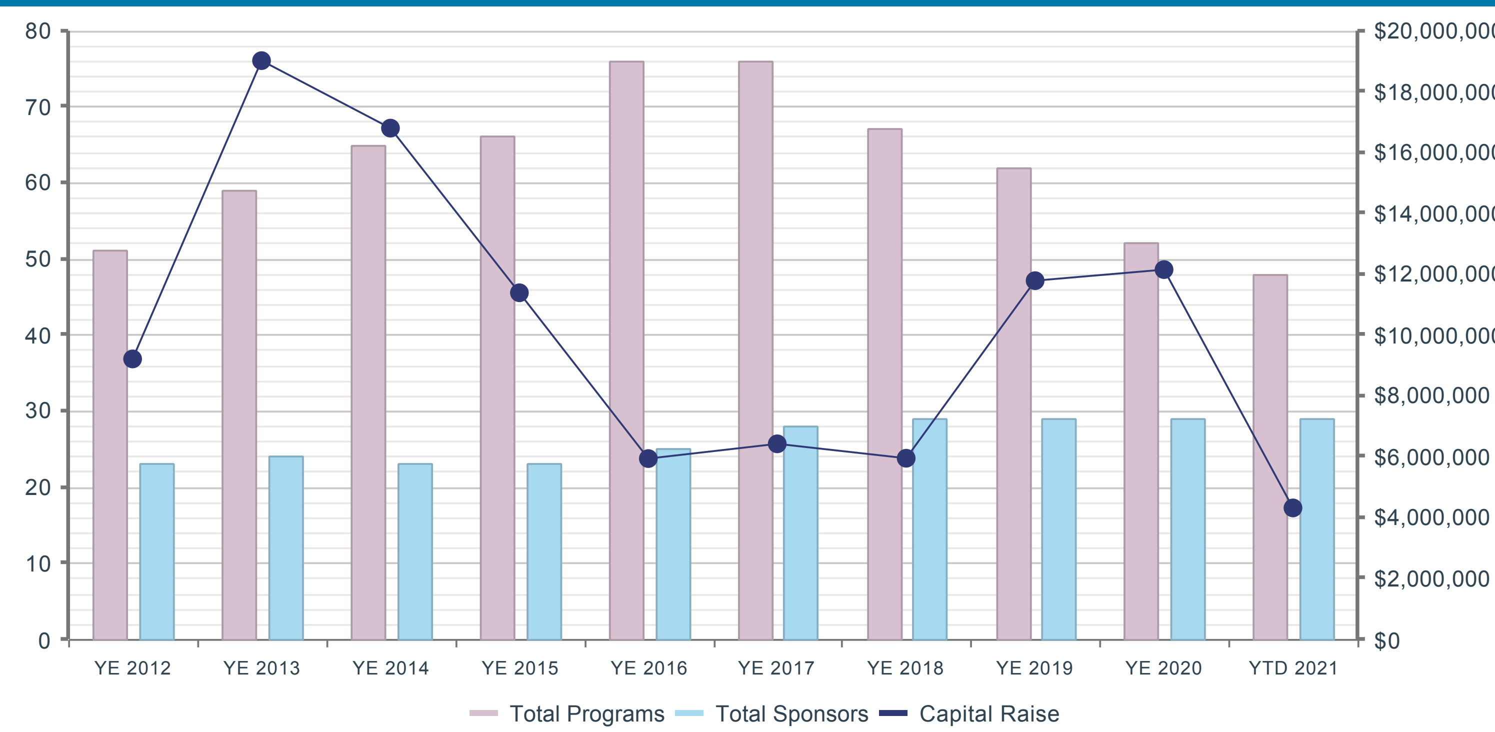
Public Non-Traded REIT Industry Insights - (3M 2021)

Top 10 by Raise | Capital Raise | Distributions
Sponsors & Programs | Financing | AUM

Overview Totals

Sponsors	29	AUM	$119,150,245
Open	16	Open	$62,263,078
Closed	18	Closed	$56,887,167
Programs	48	Capital Raise (YTD)	$4,302,122
Open	18	Open	$4,245,995
Closed	30	Closed	$56,127

Total Programs, Sponsors and Capital Raise



Top 10 Capital Raise – Open Programs	QTD	YTD
Blackstone Real Estate Income Trust, Inc.	$3,068,598	$3,068,598
Starwood Real Estate Income Trust, Inc.	$619,228	$619,228
Black Creek Industrial REIT IV Inc.	$114,199	$114,199
Hines Global Income Trust, Inc.	$105,678	$105,678
Jones Lang LaSalle Income Property Trust, Inc.	$103,204	$103,204
Nuveen Global Cities REIT, Inc.	$94,843	$94,843
FS Credit Real Estate Income Trust, Inc.	$64,687	$64,687
Black Creek Diversified Property Fund Inc.	$49,353	$49,353
Cantor Fitzgerald Income Trust, Inc. (Formerly Rodin Global Property Trust, Inc.)	$11,860	$11,860
RREEF Property Trust, Inc.	$6,832	$6,832

Sponsor and Program Insights

At March 31, 2021, there were 18 active public non-traded REITs offered by 16 separate sponsors. Two of these funds remain suspended but have not terminated their offerings. We also cover 30 closed, non-liquidated public non-traded REITs.

Of the 16 that are open, five are structured as traditional ("lifecycle") REITs with a defined liquidity lifecycle and event, while 11 are structured as perpetual life ("NAV") REITs. New entrants to the space over the last few years have primarily been NAV REITs although there have been no new entrants in 2021.

Notable events during the quarter for non-traded REITs within our coverage included:
• The merger of Resource Apartment REIT III, Inc, and Resource Real Estate Opportunity REIT, Inc. into Resource Real Estate Opportunity REIT II, forming a new REIT named Resource REIT, on January 28, 2021. The newly formed REIT owns 51 properties, with 14,995 unit across 15 states.
• The merger of Cole Office & Industrial REIT (CCIT II), Inc. into Griffin Capital Essential Asset REIT, Inc. on March 1, 2021. The newly formed REIT owns 123 properties across 26 states for a total asset value of $5.8 billion.
• The merger of Strategic Storage Trust IV, Inc. into SmartStop Self Storage REIT, Inc. on March 17, 2021. Strategic Storage Trust IV stockholders received 2.1875 shares of SmartStop common stock, which represented an increase of $0.10 per share from Trust IV's most recent estimated NAV of $10.40 per share.
• Subsequent to the end of Q1, the offerings for Strategic Student & Seniors Housing Trust, Inc. and Rodin Income Trust, Inc. terminated on May 1 and May 2, 2021, respectively.

New Sponsors

None

Sponsor Departures

None

New Programs

None

Closed Programs

None

Liquidity Events

Resource Apartment REIT III, Inc.	01/28/2021	Merger
Resource Real Estate Opportunity REIT, Inc.	01/28/2021	Merger
Cole Office & Industrial REIT (CCIT II), Inc.	03/01/2021	Merger
Strategic Storage Trust IV, Inc.	03/17/2021	Merger

Capital Raise Insights

Open NTRs on our platform raised $4.2 billion in Q1 2021, down approximately 36% on a year-over-year basis. Perpetual life NAV REITs represented 97% of total raise, the highest percentage ever, with lifecycle REITs raising 3% or just under $117 million. Closed NTRs raised $56.1 million through distribution reinvestment programs.

Capital raise has been consistently concentrated in Blackstone Real Estate Investment Trust, Inc., which represented 71% of total raise in Q1. Starwood REIT, another diversified NAV REIT that is relatively new to the space, is gaining traction and raised 14% of total raise. The next closest competitor, Black Creek Industrial REIT IV, raised 4% of total raise.

According to the IPA-Stanger Monitor, the Stanger NAV REIT Total Return Index and the Stanger Lifecycle REIT Total Return Index (both of which include returns of open and closed, non-liquidated NTRs) posted 3-month returns of 3.52% and 0.83%, respectively, as well as 1-year annualized returns as of March 31, 2021 of 14.15% and -8.06%, respectively, and 3-year annualized total returns of 7.53% and -0.80%, respectively. NAV REITs have rebounded since declining early on in the pandemic in Q1 2020. The more frequent pricing aspect of these REITs allow them to realize returns both positive and negative more quickly, whereas Lifecycle REITs, which often own less liquid and sometimes more value-added assets, have seen uneven returns since the start of the pandemic. After a 6.25% decline in Q4 2020, Q1's positive 0.83% return was the highest for Lifecycle REITs since Q3 2019. Both categories saw the widest dispersion of returns ever. Within the NAV REIT category, Blackstone REIT posted the highest 1-year return at 20.62%, while InPoint posted the lowest at -16.70%. Sila Realty Trust (formerly Carter Validus Mission Critical REIT II), which owns data centers and hospitals, posted the highest return within the Lifecycle REITs at 6.35%, while, not surprisingly, Watermark Lodging Trust declined 51.71%.

Private real estate, as represented by NCREIF's Property Index, posted a quarterly total return of 1.72% in Q1, up from 1.15% in Q4 2020. Total return consisted of 1.04% income and 0.67% of net appreciation. Market values increased by 0.90% for the quarter. All property types experienced improvements, although there was still significant divergence in performance. Industrial, which has led all property types since Q1 2016, was up 4.72%, followed by apartments, office, retail, and hotel at 1.69%, 0.99%, -0.45%, and -1.61%, respectively. NCREIF reported that transactions dropped from 264 in Q4 2020 to 131, although this is still well above the lows of 30 and 49 transactions in Q2 and Q3 2020.

The traded REIT market as represented by iShares US Real Estate ETF (NYSE:IYR), delivered a positive return of 6.0% in Q1, outperforming the S&P 500 by nearly 2%. This is after a slight decline of 5.39% in 2020, significantly less than the 40.02% loss in 2008 but under-performing the S&P 500 by more than 11%. As of June 4, 2021, IYR is up 19.7%, with real estate's inflation flighting characteristics giving it a boost to outperform the S&P 500 by over 8%.

Market Update
Trends impacting **commercial real estate** lately include not only the impact of the pandemic, which clearly take center stage, but also the potential for tax changes and the prospects of rising inflation.

Real estate markets could be impacted by some of the tax changes proposed under the American Families Plan. The Plan includes funding from the elimination of 1031 tax breaks when investors exchange property for gains above $500,000, elimination of the bonus depreciation schedule for real estate improvements, elimination of the step-up in basis for assets and property at death, and finally, an increase in capital gains tax rates. Tax changes passed this year would be expected to take effect in 2022 although the capital gains tax changes may be retroactive to April 2021 to avoid selloffs.

As we recently reported in our private placements insights, the prospect of rising inflation is another story in the real estate world. According to the Federal Reserve, core inflation of 3.1% in April is the highest it has been since January of 1992. Jones Lang LaSalle (JLL) reports that this is due to monetary and government stimulus, a resumption to normal economic activity, and the release of pent-up demand combined with supply shortages. Inflation has not been a focus for so long that real estate hasn't been relied upon for its inflation-hedging abilities, but it does tend to perform well in rising inflationary periods. According to NCREIF, in rising inflationary periods direct real estate is up an average of 11% while traded REITs were up 4%. On a quarterly basis, direct real estate was up an average of 2.4% while traded REITs were up an average of 1.6%. JLL states that with the inflation situation changing, CRE "could play a more prominent role in investment portfolios during this expansion."

The COVID pandemic clearly had wide-reaching implications for real estate impacting everything from transactions to pricing. Preqin reports aggregate deal value fell by half in 2020 compared to 2019, with 2021 off to a slow start as well with Q1 deal value down 30% year-over-year. Global real estate transaction volume was down 13% year-over-year in Q1 2021 according to JLL. Residential deal value overtook office for the first time ever in 2020 and the trend continues in 2021. According to Preqin, real estate capital has been more focused on core strategies, with less capital in value-added or opportunistic funds.

Real estate debt markets are healthy and moving, unlike during the Great Financial Crisis. Private debt helped bridge the gap for owners who needed help when bank lending receded in 2020, according to Preqin and the National Real Estate Private Equity Group. This means there was less distress, and also means that property owners are waiting to sell until more signs of stability emerge.

Despite a slowdown in transactions, fundraising, and deal volume, private real estate AUM and dry powder hit an all-time high in Q1 2021 according to JLL. This is similar to what we have seen within our non-traded REIT coverage. JLL reports that institutional investor target allocations continue to increase, a positive signal for the industry.

Within the **office markets**, CBRE reports that physical office occupancy fell 80% in 2020, and was still only at 26% as of the end of April. However, with its typically longer lease terms, the actual impact on vacancy rates is just now starting to take hold as rent was still being paid on many of those vacant offices in 2020. As leases start to roll over, tenants are taking less space in renewals or terminating altogether. Moody's REIS (REIS) reports that vacancy rates are now up to the highest level since 2012 and forecasts vacancy rates to increase to 19.2% in 2021, surpassing the previous cyclical high of 17.6% in 2010. Average lease durations are also shortening, from an average of five to ten years to three to seven years, according to Preqin and RSM US, LLP.

It still remains to be seen how people work once the impact of the pandemic has fully subsided. There is evidence that investors believe hybrid models will be the new norm – activity in office was slower in the core markets and stronger in non-core markets according to Preqin. Office leases going forward will require more flexibility to manage and landlords will need to adjust to this or be outbid by co-working companies. Another trend likely accelerated by the pandemic and hybrid work model is the dispersion of performance between the best and worst properties. Stephen Sakhai of Sovereign Partners states "we trust that Class-A buildings, whether urban or suburban, will triumph, leaving many older and less amenities buildings uninhabitable."

On the plus side for office, construction is down. According to JLL, new deliveries are set for 2021 but there is very little development slated for 2022 and 2023.

While the **retail** industry has and will continue to evolve over time, there are signs that the recovery from bottom has begun, especially in gateway markets where vaccines have been widely rolled out. Total retail sales have rebounded according to CBRE, with total sales up 28% in March and all retail categories recording positive sales growth. Areas that are already open including China are seeing retail sales surging as consumers buy what they couldn't during the pandemic, otherwise known as "revenge spending" according to Preqin. However, retail real estate still faces significant headwinds. E-commerce declined from its highs in late 2020 but is still well above 2019 as acceptance of this mode of shopping accelerated through the pandemic. Another headwind facing the retail sector is that the US remains "over shopped" according to PwC, with nearly five times the amount of retail space per head compared with France, Japan, and the UK. REIS expects retail rents to fall another 6.8% in 2021 and vacancy to hit an all-time high of 12.3% before recovering.

Despite an uptick in cap rates last year, The Boulder Group reported that **net leased retail** properties with highly rated tenants have bounced back quickly in 2021. Cap rates for these properties are at historic lows, as they are often occupied not only by highly rated but also essential tenants such as pharmacies and convenience stores.

JLL reports that **industrial** real estate leasing and demand are up in Q1 based on strong demand from e-commerce. According to the US Census and Preqin, US e-commerce sales grew 32% to $792 billion in 2020, higher than the 10-year average growth rate of 15%. CBRE reports that every $1 billion in incremental e-commerce sales generates 1.3 million square feet of warehouse space demand. Even if e-commerce sales return to the average growth rate, the US would need an additional 150 million square feet of additional space to meet demand.

Rents are up 7.1% year-over-year in Q1 2021, and vacancy has declined. Preqin and CBRE report low levels of construction overall, although industrial assets are quick to develop so the supply story can and often does change fast. Focus on last-mile facilities in space constrained markets pushed interest in retail conversions and other creative solutions. Data centers demand jumped 73% globally in 2020. However, the development pipeline is the largest on record and double 2019.

With COVID restrictions being lifted around the country, domestic travel is picking up which is much needed relief for the **hospitality** industry. Drive-to leisure properties are seeing the biggest recovery, while business and large group travel remain under pressure. With international travel still restricted, urban travel will lag which is where large hotel brands have "significant footprints" according to REIS. Signs of recovery include a large transaction in which Starwood and Blackstone will look to acquire economy hotel company Extended Stay America, at a 21% premium over the per-share closing price on the day prior to the transaction.

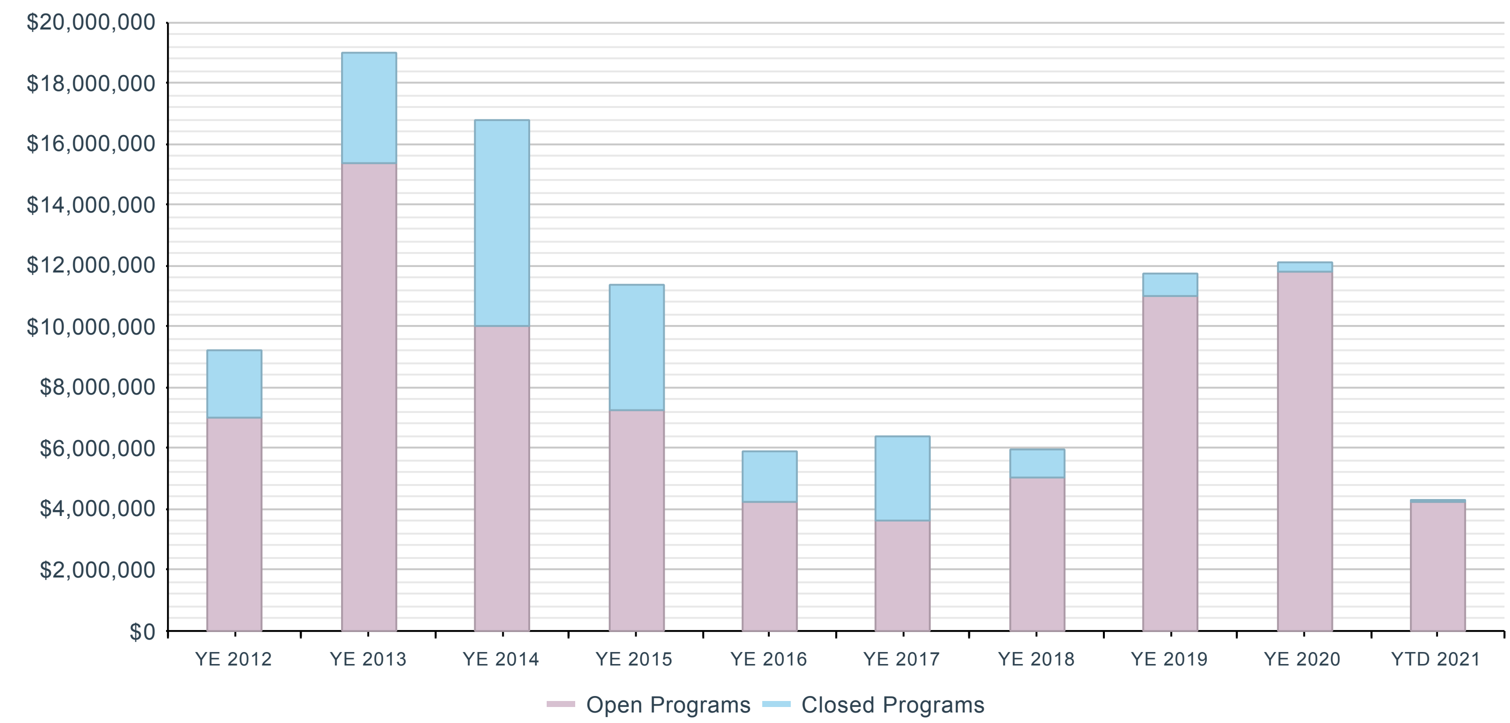
According to JLL, despite all of the issues facing the hospitality market, there is actually not a lot of distress. There are minimal properties on the market and a subdued investment environment, with REIS reporting that first quarter 2021 transaction volume is just 40% of the 2018 – 2020 Q1 average. However, with a little over 20% of hospitality loans in special servicing, and many taken out of servicing just due to modifications, it remains to be seen whether the sector can avoid distress once all is said and done.

Multifamily real estate is now often referred to in the context of the broader "living sector" as new housing segments have been added to the mix. Single family rentals, senior living communities, student housing, and co-living housing are all attracting more attention according to JLL. Significant interest remains for more affordable workforce housing in class B and C properties with room for improvements, but also newer properties and houses for the ESG potential – a major topic of discussion around the world and no longer an option, but a necessity, in newer construction.

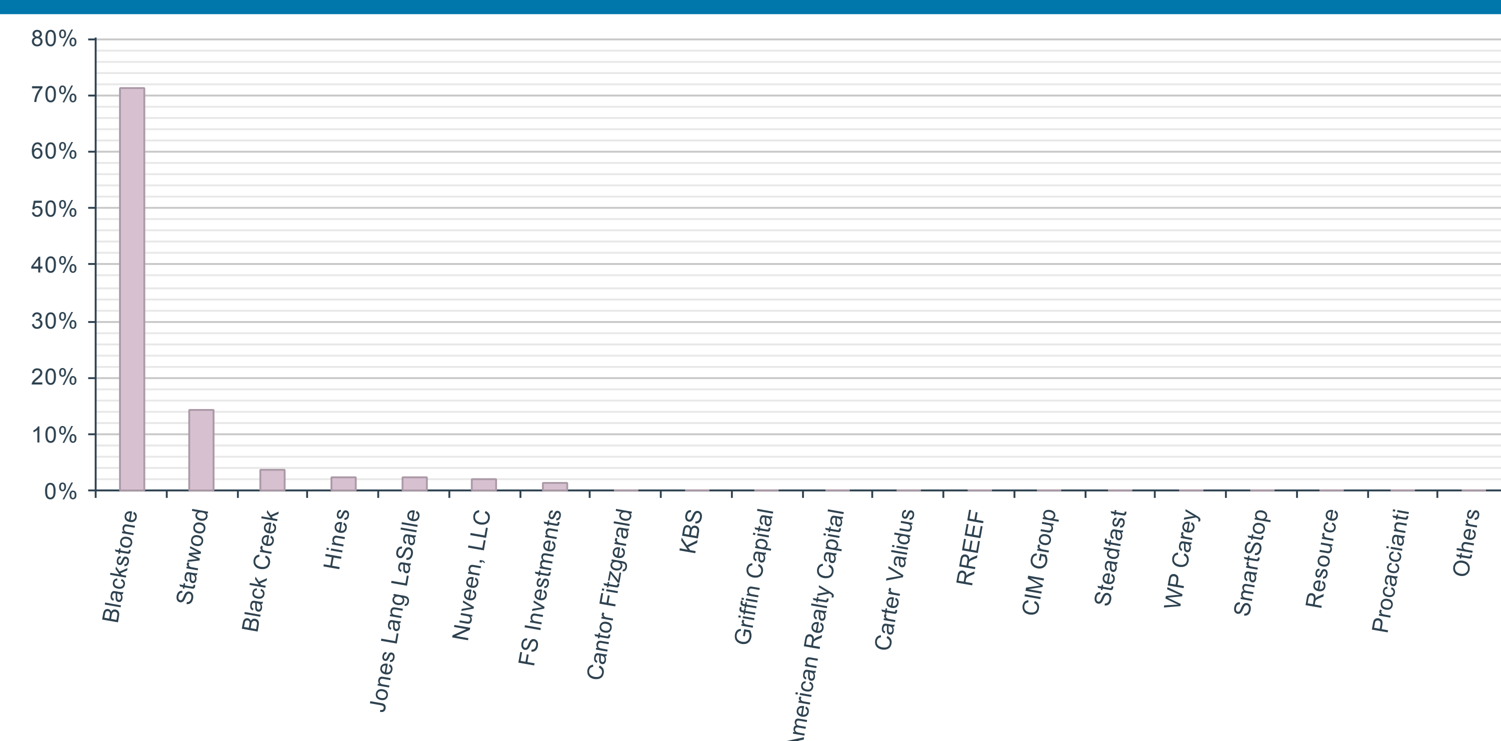
Multifamily housing has seen the most activity of any sector in early 2021 according to Preqin, with a shift away from the Northeast to more affordable, warmer markets such as Florida, Arizona, and North Carolina. Renters also appear to be looking for more living space along with greater access to outdoor space, especially if there is a long-term trend toward more working at home. However, there are signs that this shift may not be permanent and the end result remains to be seen. Preqin reports that 60% of New York City renters who moved out of the city during the pandemic put their belongings in storage rather than take them along, a sign that there could be a quick recovery in demand. Also, Mosser Capital and Preqin report that even hybrid schedules would require employees to live in close proximity to the office, which puts upward pressure on the urban workforce housing sector that had become more affordable during the pandemic.

REIS reports that while average rents for apartments fell a record 3.0% in 2020, they are forecast to bounce back to pre-pandemic levels by year-end 2022. Even the largest markets which were hardest hit by the pandemic, such as New York, the Bay Area, and Washington D.C., all appear to have hit bottom and begun to recover, according to REIS.

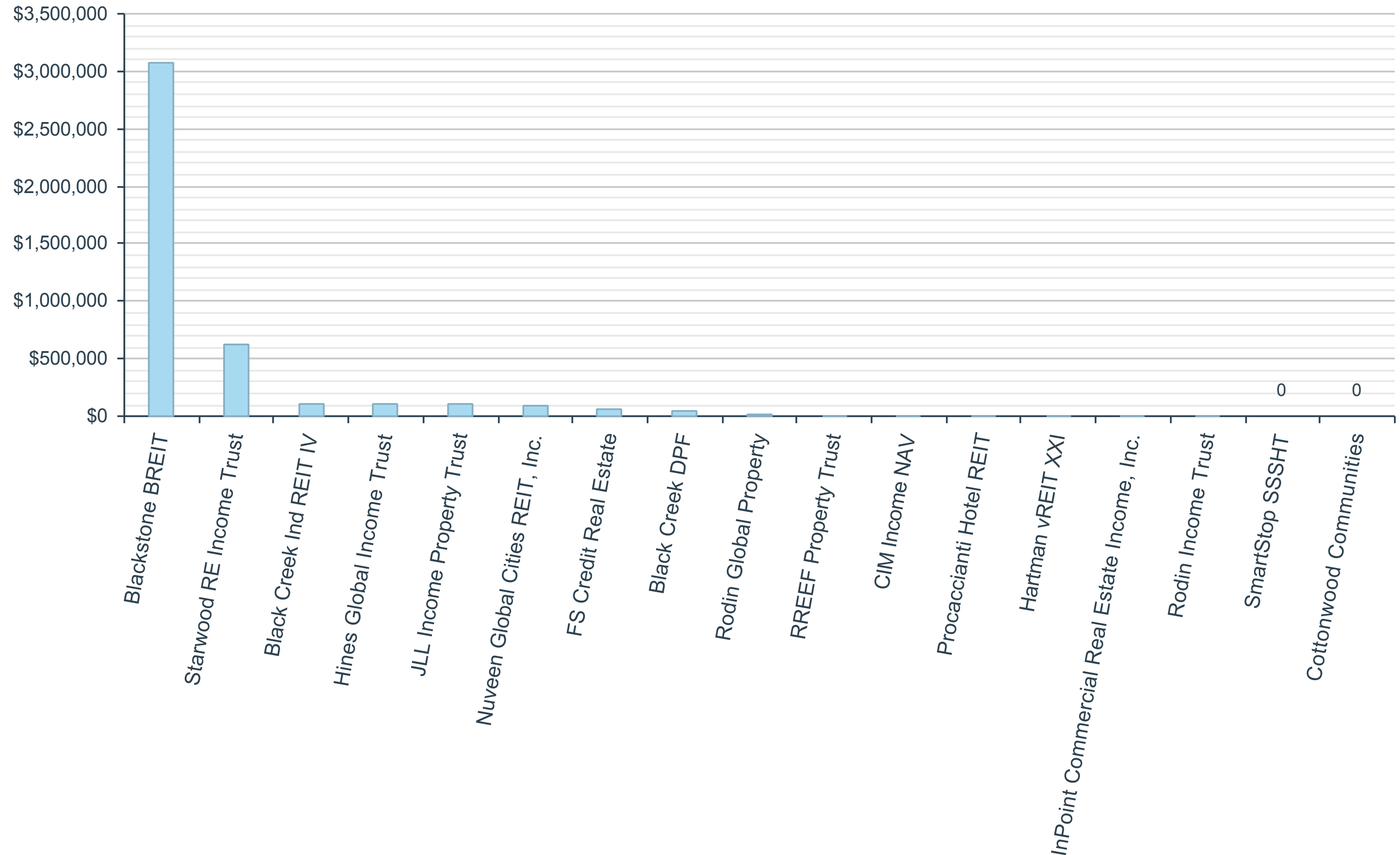
Capital Raise by All Programs (Including DRP) – YTD



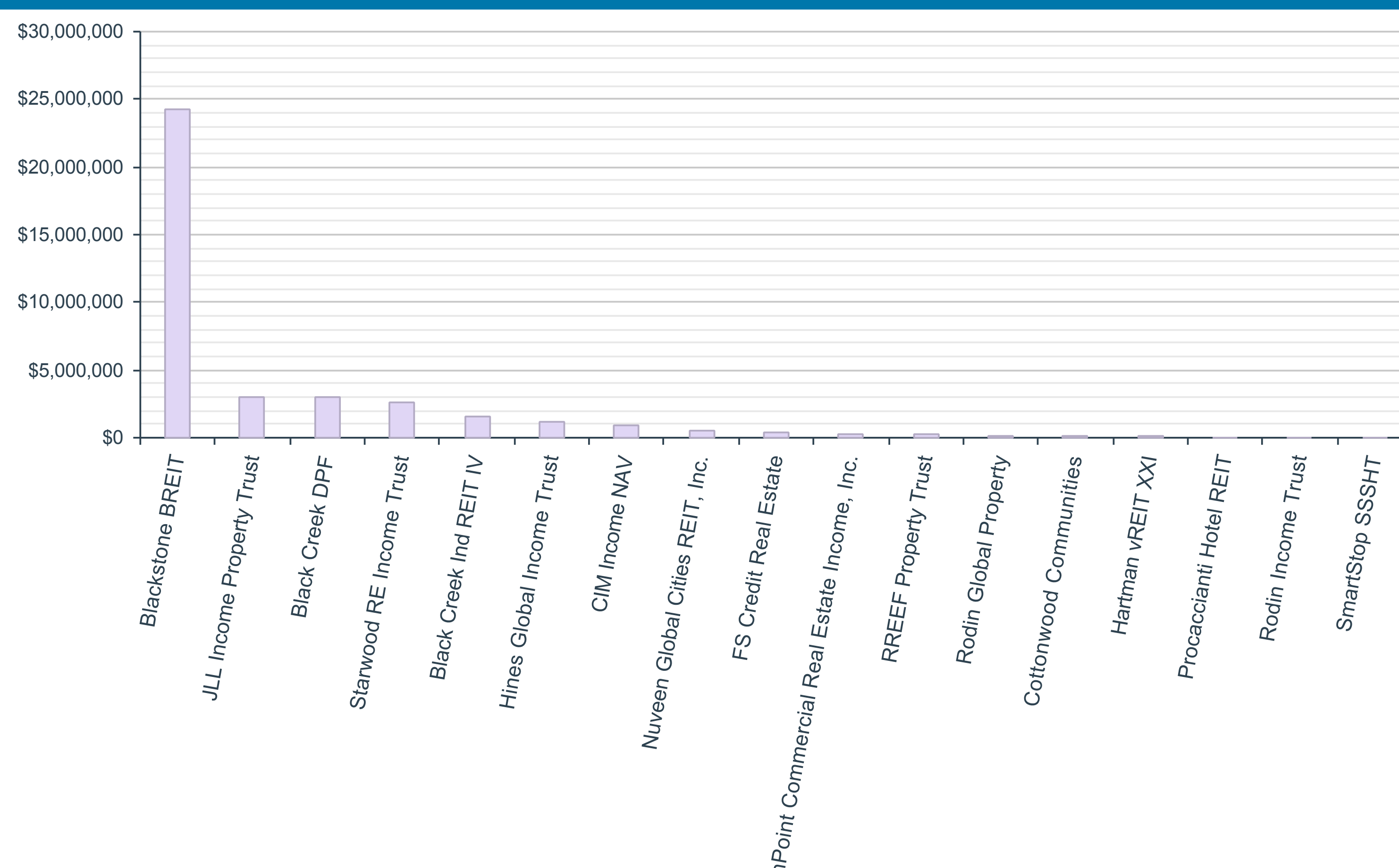
Capital Raise by Sponsor (Including DRP) – YTD



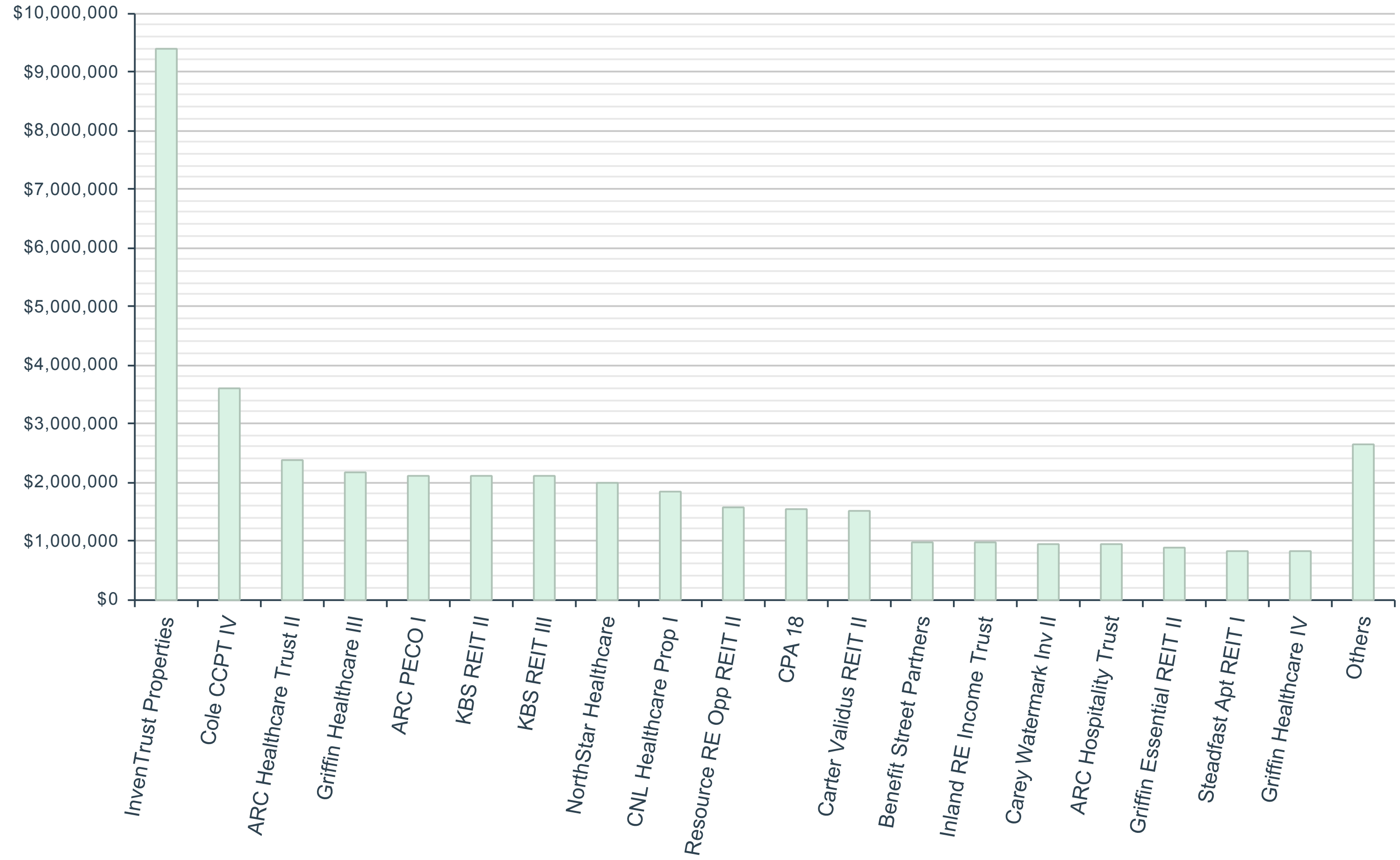
Capital Raise by Open Programs (Including DRP) – YTD



Capital Raise by Open Programs (Including DRP) – Since Inception



Capital Raise by Closed Programs (Including DRP) – Since Inception



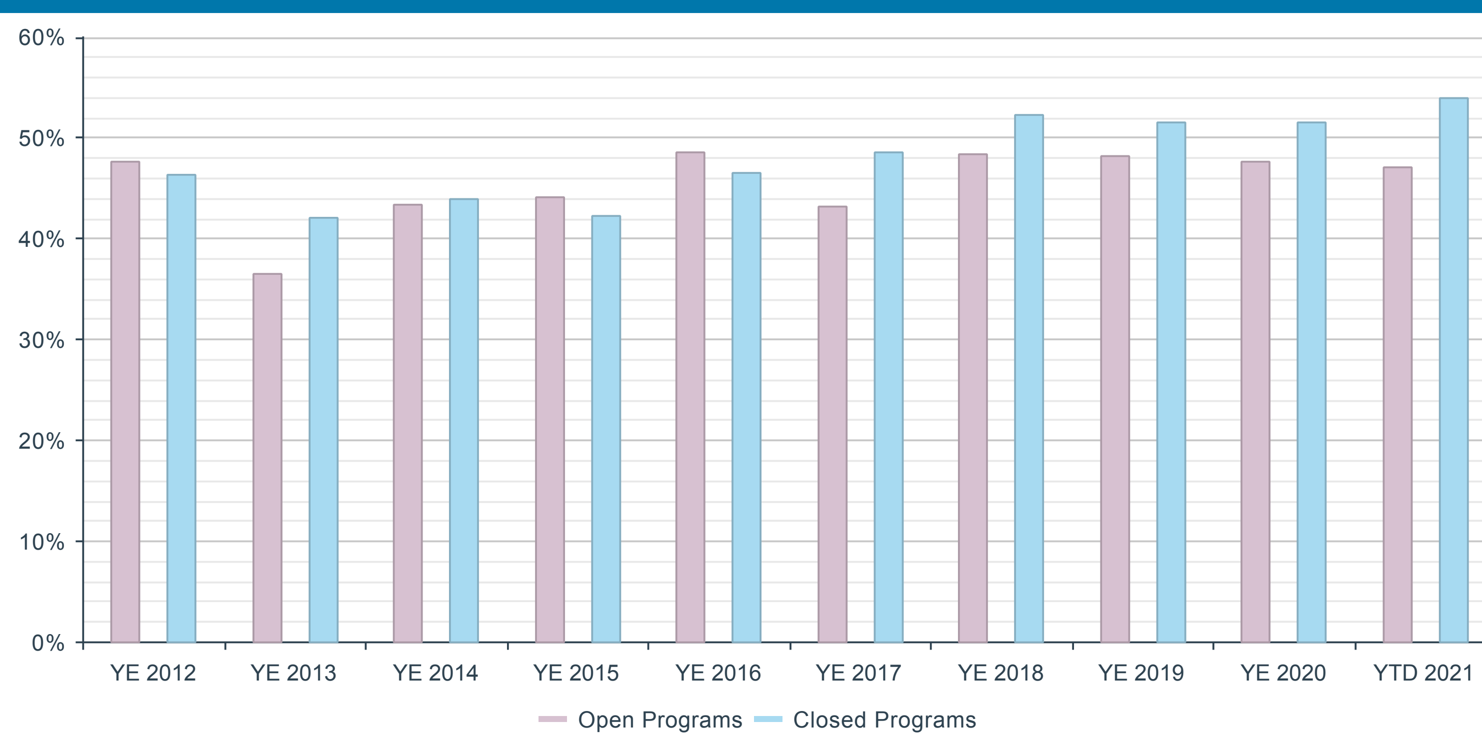
Financing Insights

Open and closed NTRs reported debt ratios of 47.04% and 53.96%, respectively, as of March 31, 2021, with open NTRs lower than the last couple of quarters and closed NTRs taking on more leverage than in prior months or years. Interest rates have inched up from their mid-year lows, but remain lower than prior years with the average interest rate on debt for open and closed NTRs reported at 2.97% and 3.49%, respectively.

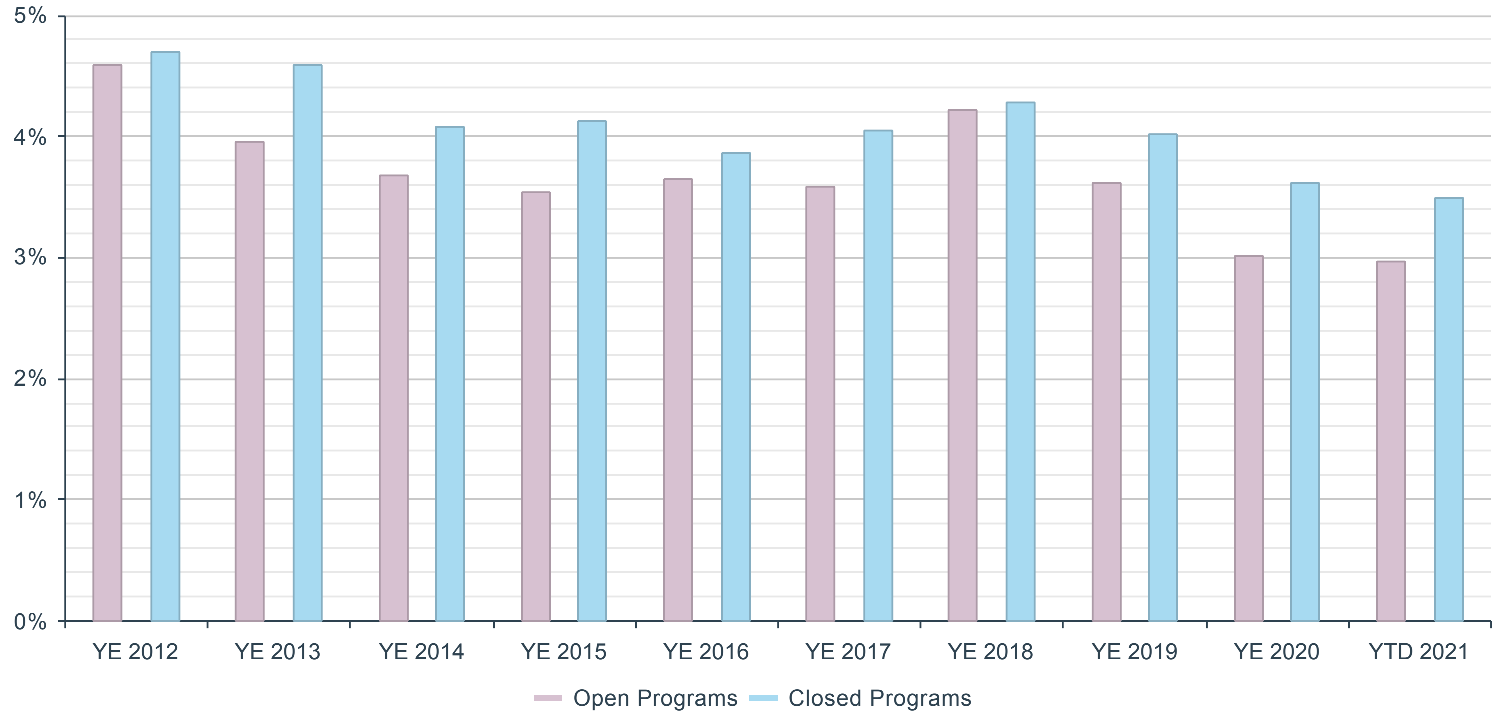
According to NAREIT, the average debt ratios for equity REITs was 32.2%. NCREIF reported that of the 9,442 properties within its NCREIF Property Index, there were 4,069 properties with leverage and the weighted average loan to value ratio was 45%.

Open NTRs reported a modest shift toward more variable rate debt compared to 2020, with an average of 52% of total debt in fixed-rate debt, and 48% in variable rate debt (versus 46% at YE 2020). Closed NTRs reported having more fixed-rate debt than prior quarters, with an average of 51% in fixed and 49% in variable rate debt.

Total Debt to Assets



Weighted Average Interest Rate on Debt



Distribution Insights

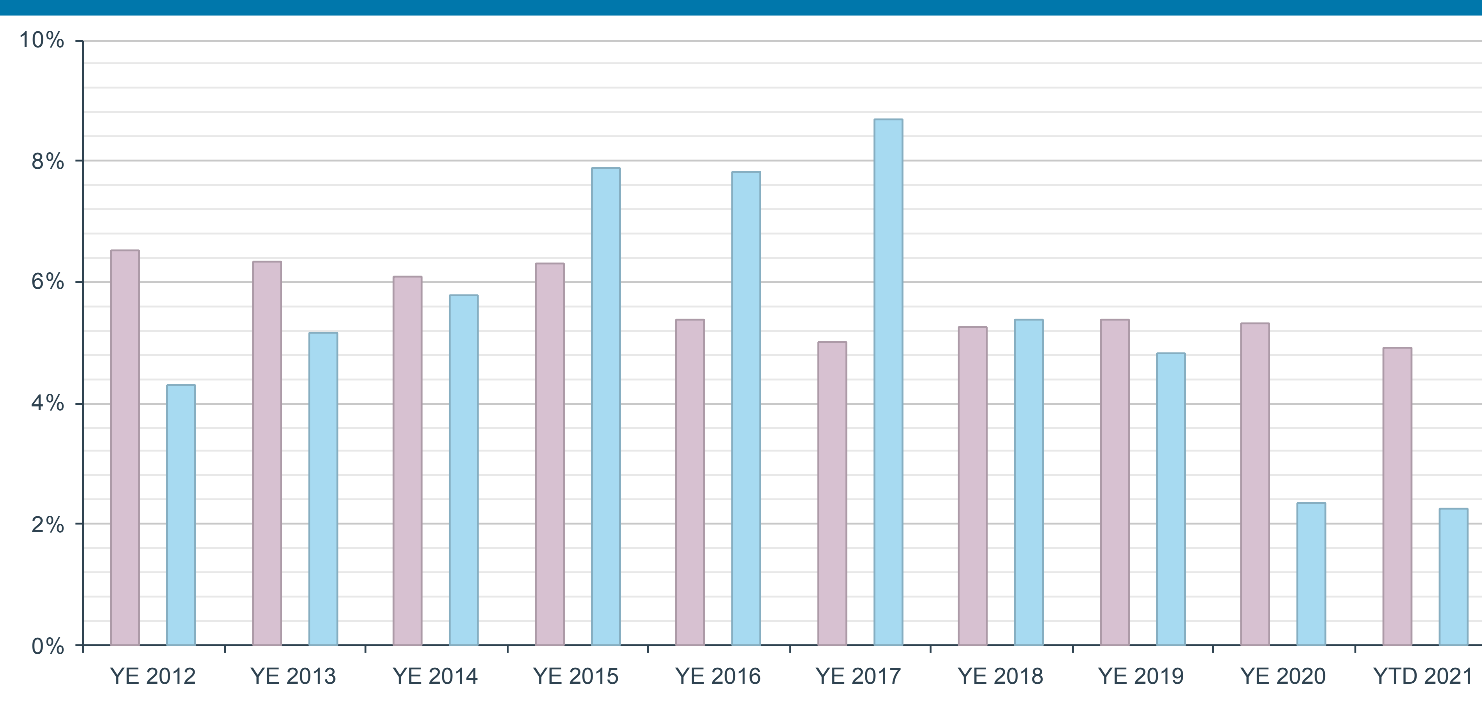
Average non-traded REIT distributions are at decade lows, with the average open REIT paying a 4.90% yield and the average closed non-traded REIT at 2.24%. Closed non-traded REITs cut or eliminated distributions in 2020 to preserve capital. With the longer-term impact of the pandemic still uncertain, many have elected to maintain no or low distributions.

Open REITs with a perpetual life structure reported an average of 5.16%, which is actually up modestly from year-end 2020, while lifecycle REITs have maintained lower rates with an average of 4.15%.

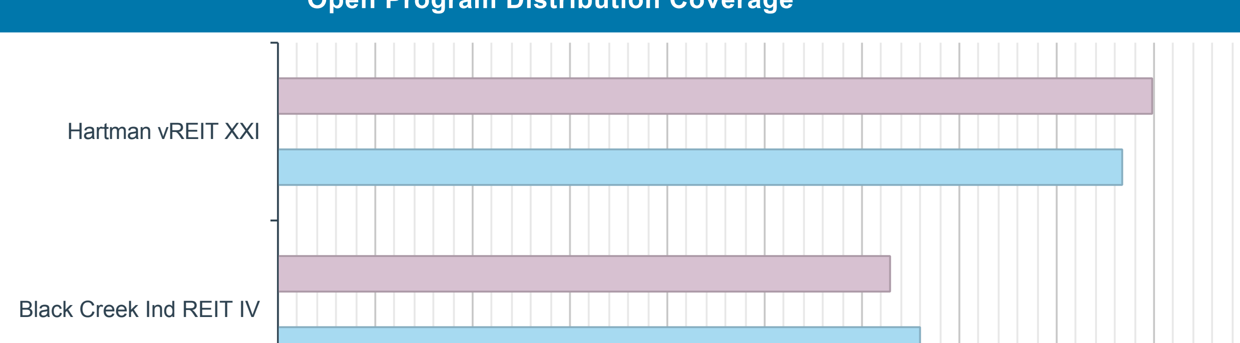
According to NAREIT, as of March 31, 2021, the average dividend yield for the FTSE NAREIT All REIT Index, the FTSE NAREIT Equity REIT Index, and the S&P 500 Index were 3.56%, 3.31%, and 1.41%, respectively, between 25 to 50 basis points below year-end.

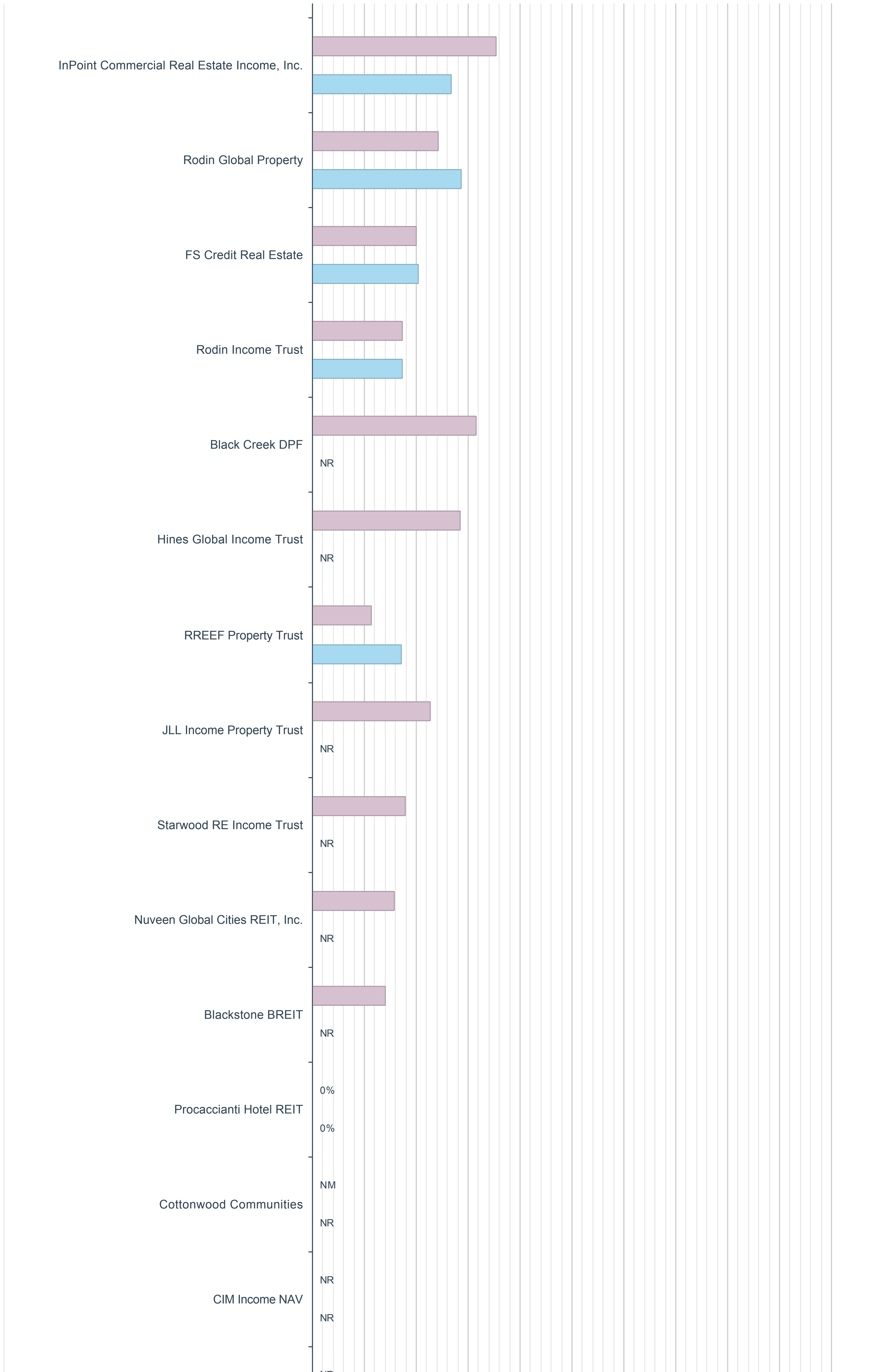
Open Perpetual		Closed Perpetual		Open Lifecycle		Closed Lifecycle	
Average	Range	Average	Range	Average	Range	Average	Range
5.16%	4.20% - 6.49%	N/A	N/A	4.15%	0.00% - 6.78%	2.24%	0.00% - 6.15%

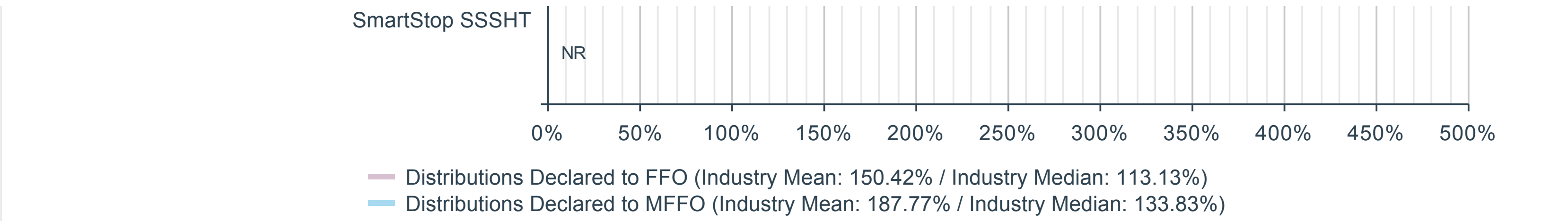
Annualized Distribution Rates



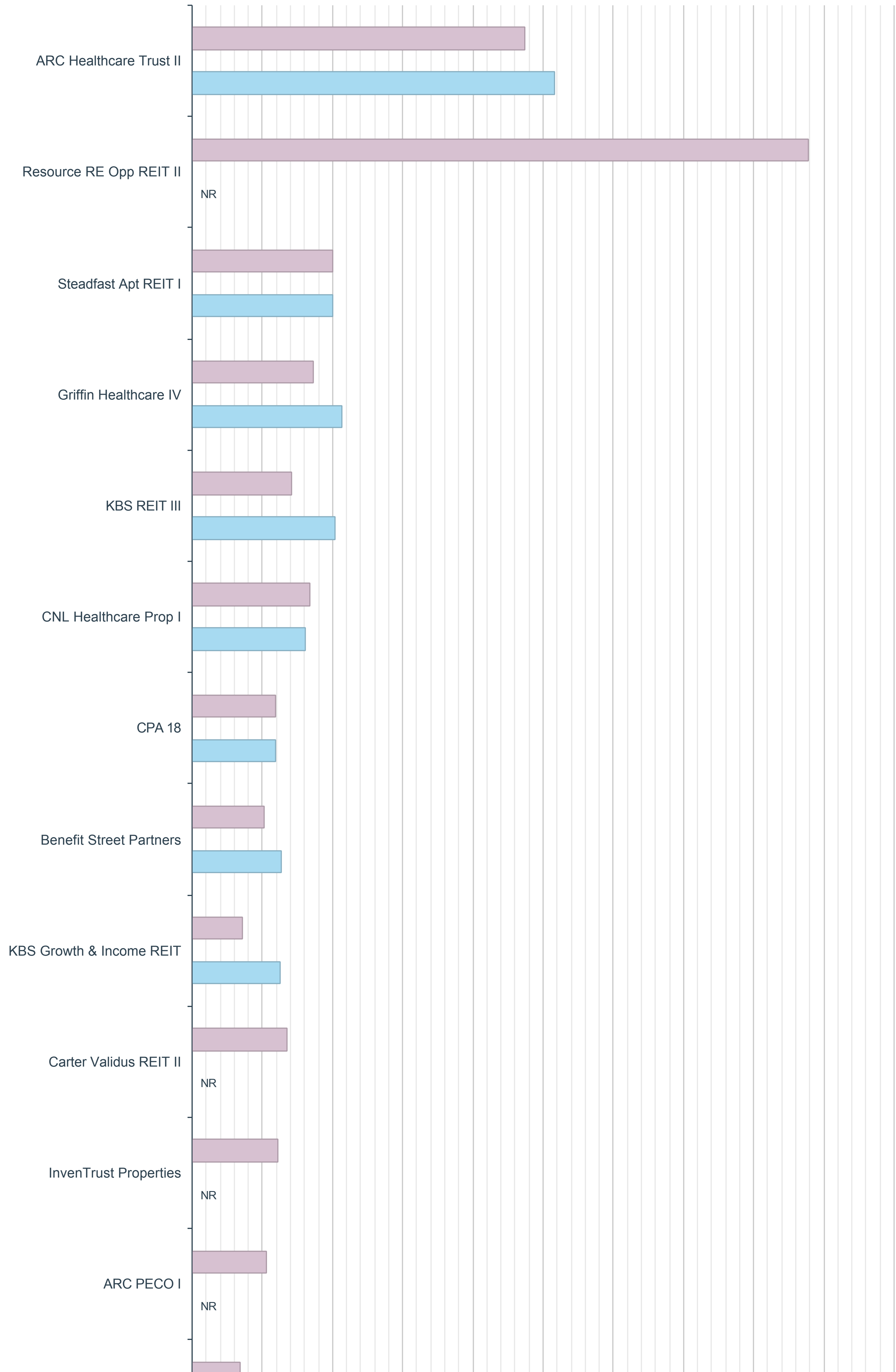
Open Program Distribution Coverage

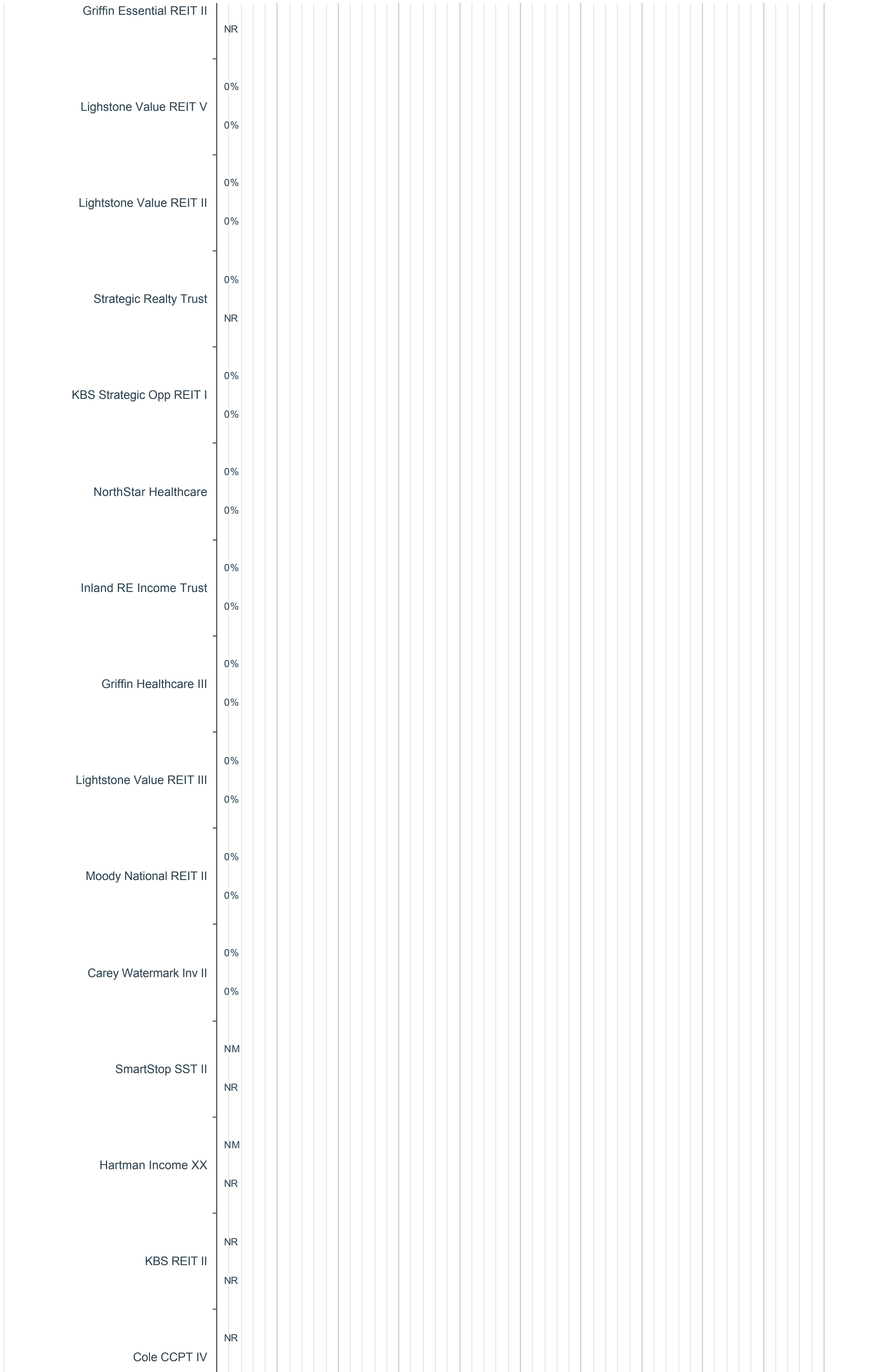



InPoint Commercial Real Estate Income, Inc.
Rodin Global Property
FS Credit Real Estate
Rodin Income Trust
Black Creek DPF
NR
Hines Global Income Trust
NR
RREEF Property Trust
JLL Income Property Trust
NR
Starwood RE Income Trust
NR
Nuveen Global Cities REIT, Inc.
NR
Blackstone BREIT
NR
Procaccianti Hotel REIT
0%
0%
Cottonwood Communities
NM
NR
CIM Income NAV
NR
NR
NR



Closed Program Distribution Coverage




Griffin Essential REIT II
NR
Lighstone Value REIT V
0%
0%
Lightstone Value REIT II
0%
0%
Strategic Realty Trust
0%
NR
KBS Strategic Opp REIT I
0%
0%
NorthStar Healthcare
0%
0%
Inland RE Income Trust
0%
0%
Griffin Healthcare III
0%
0%
Lightstone Value REIT III
0%
0%
Moody National REIT II
0%
0%
Carey Watermark Inv II
0%
0%
SmartStop SST II
NM
NR
Hartman Income XX
NM
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KBS REIT II
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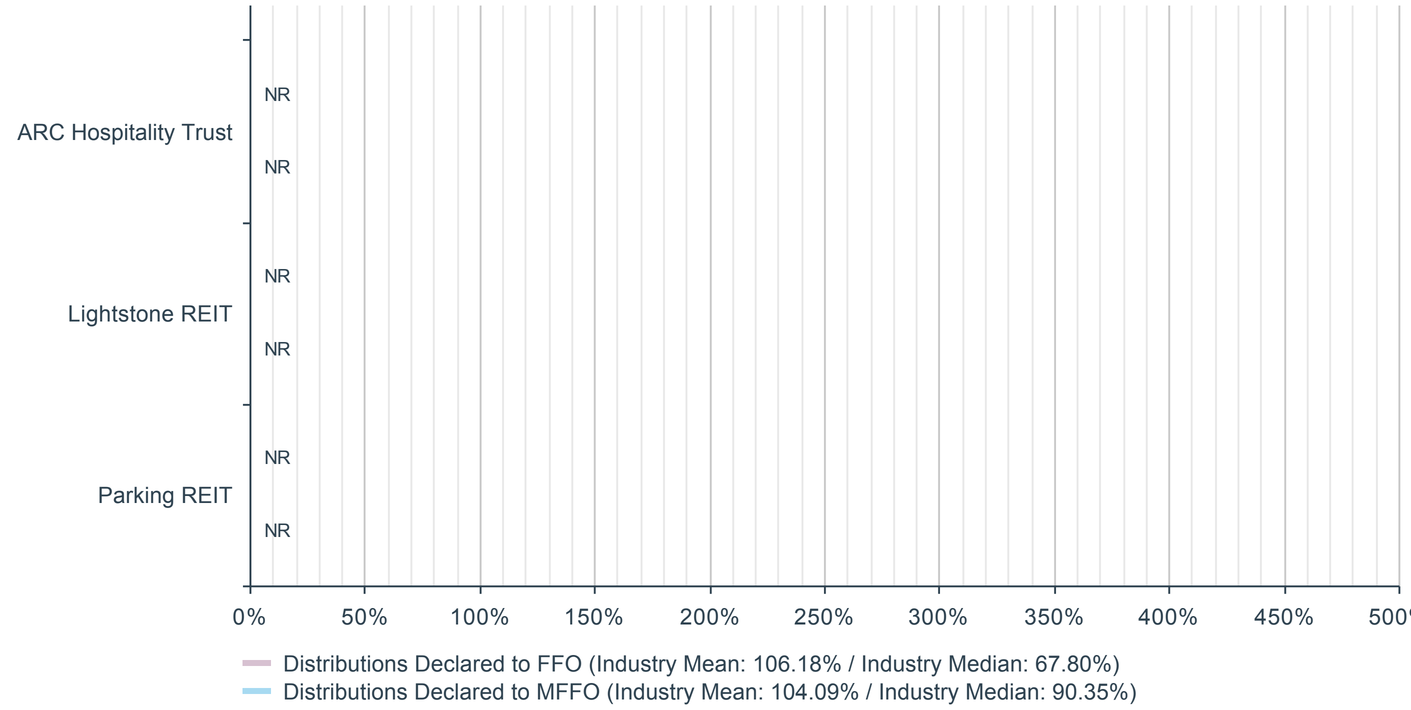
Cole CCPT IV
NR
NR



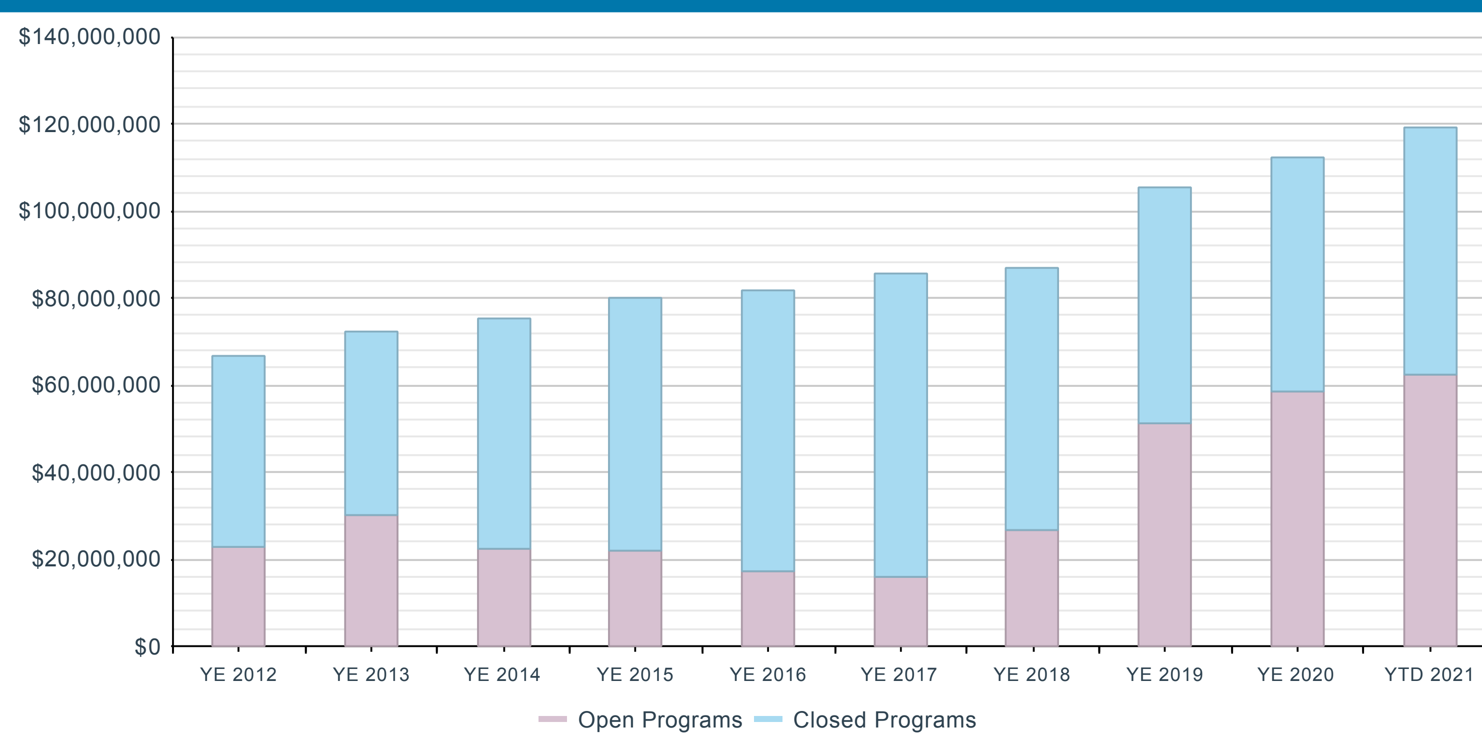
AUM Insights

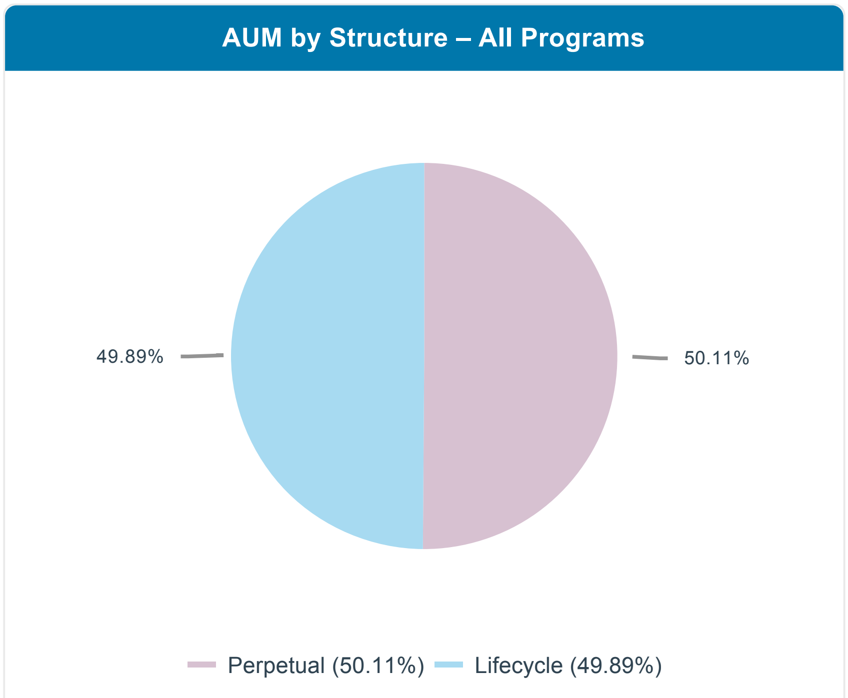
Despite slower fundraising and any impact to asset values through the pandemic, the non-traded REIT market continues to gain assets under management. The $119.2 billion in AUM as of March 31st is another record high and is roughly up 10% year-over-year.

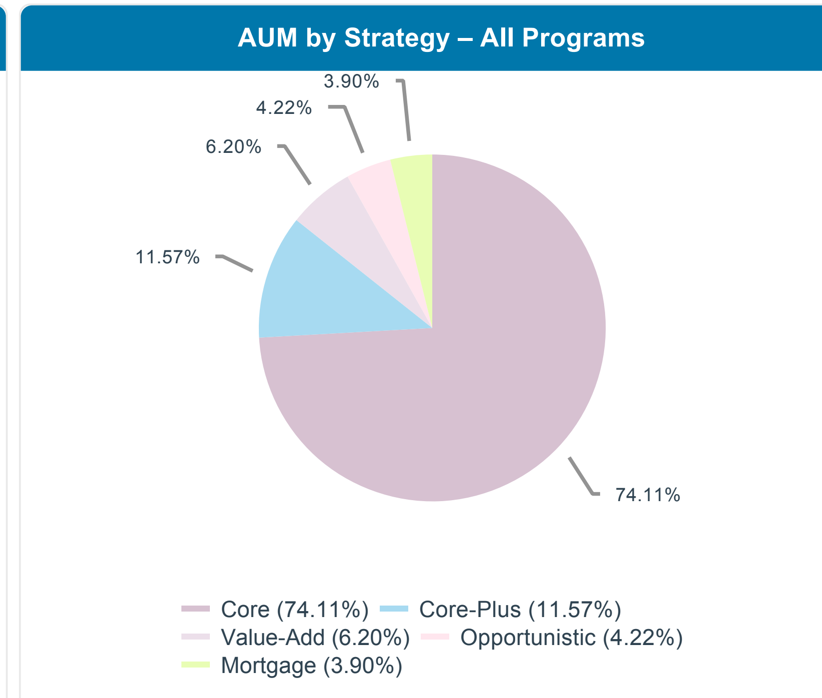
Open NTRs represent $62.3 billion or 52% of the total, although the industry is very much concentrated with Blackstone's $42.8 billion market cap representing 69% of open NTR AUM and 41% of total market AUM.

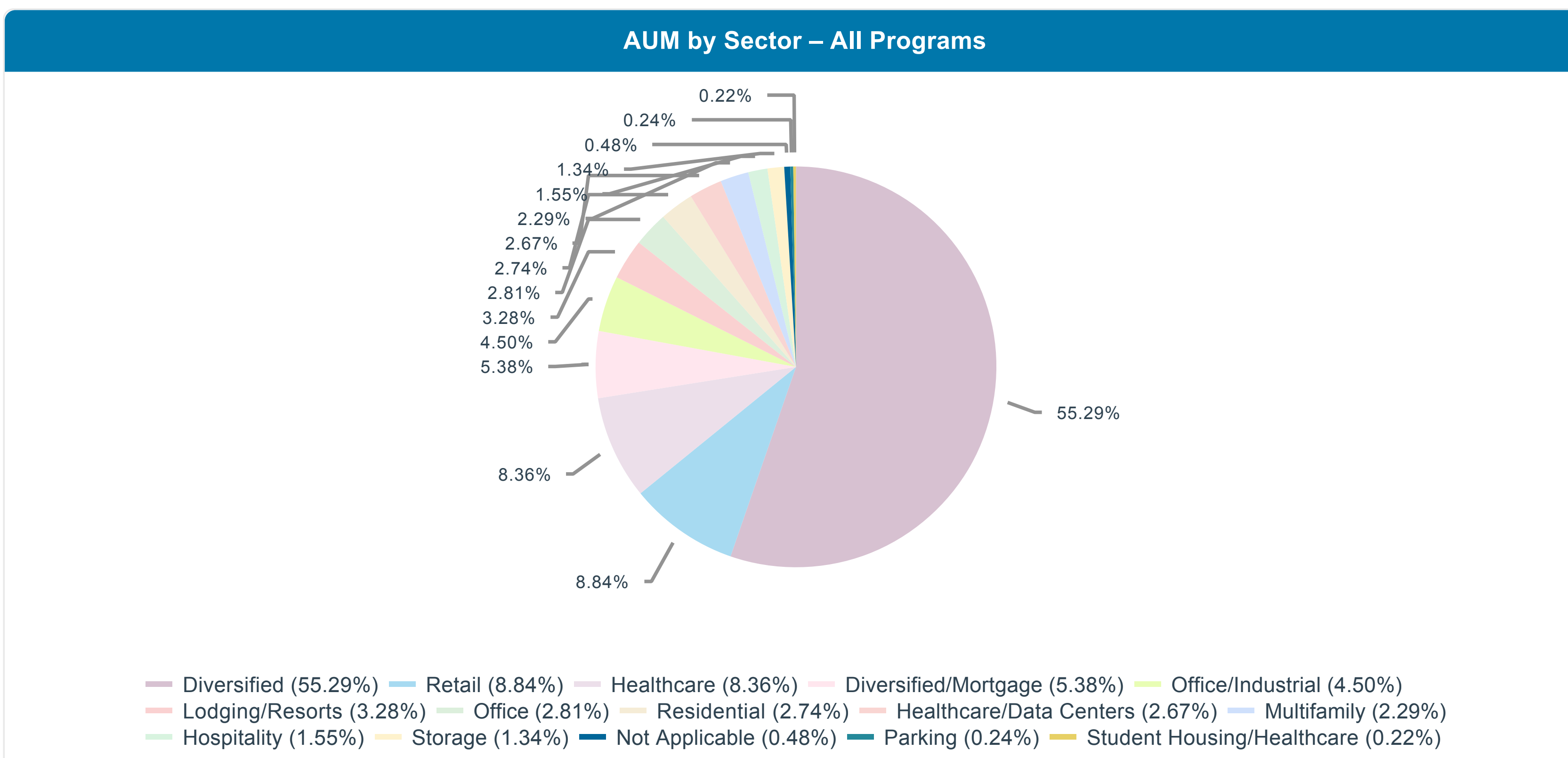
In terms of sector exposures, the industry still has the highest and increasing exposure to diversified programs at 55% of total AUM. Retail, healthcare, and diversified/mortgage are the closest competitors at 8.84%, 8.36%, and 5.38% of total AUM, respectively. Core focused strategies far outweigh any other strategies at just over 74% of AUM, and the industry including closed but not liquidated funds remains slightly overweight to Lifecycle REITs, which has shifted dramatically with the newer programs, especially in the last few months. Of those currently raising capital, NAV strategies tend to be much larger and currently represent approximately 96% of AUM.

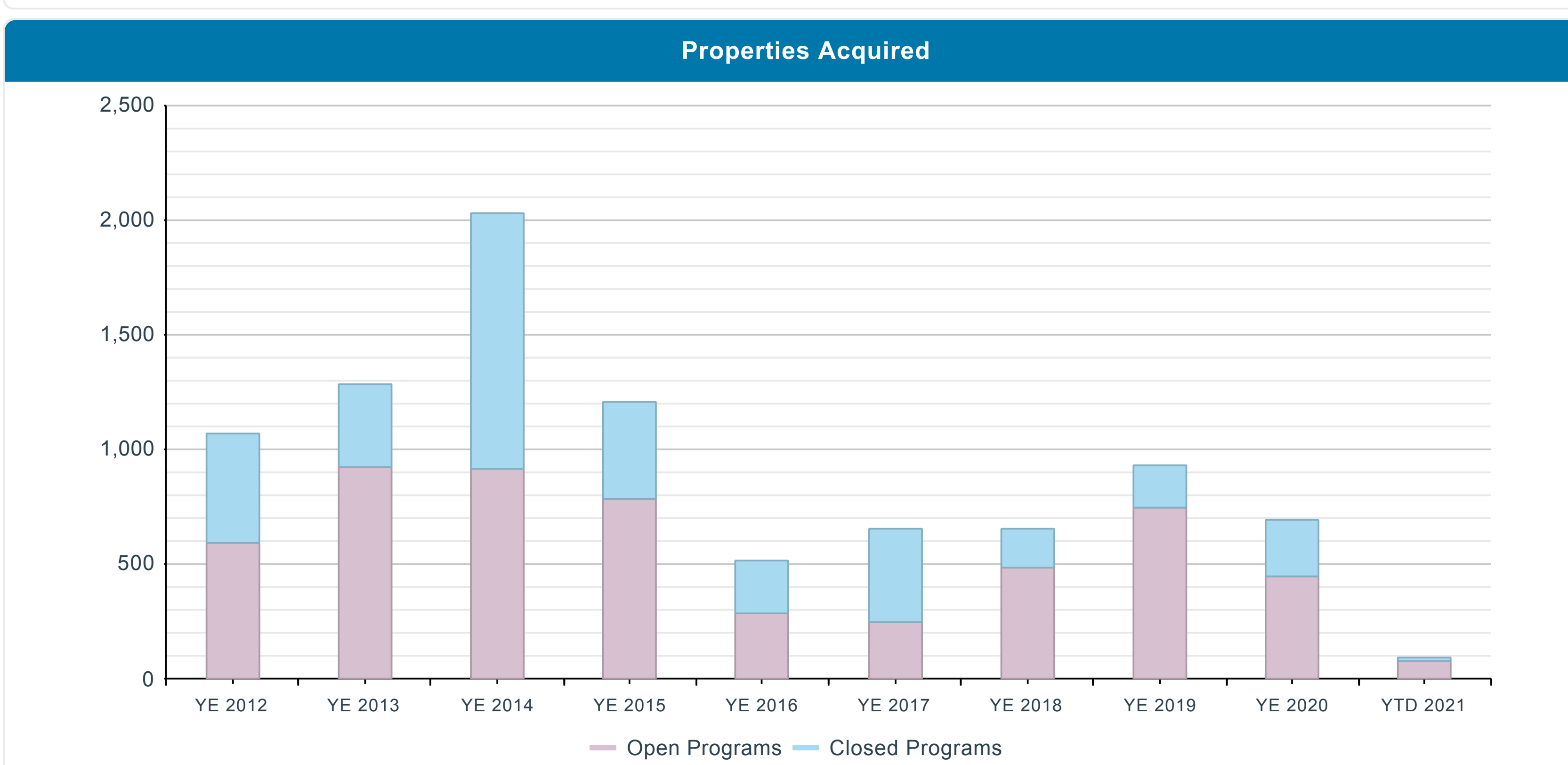
Total AUM



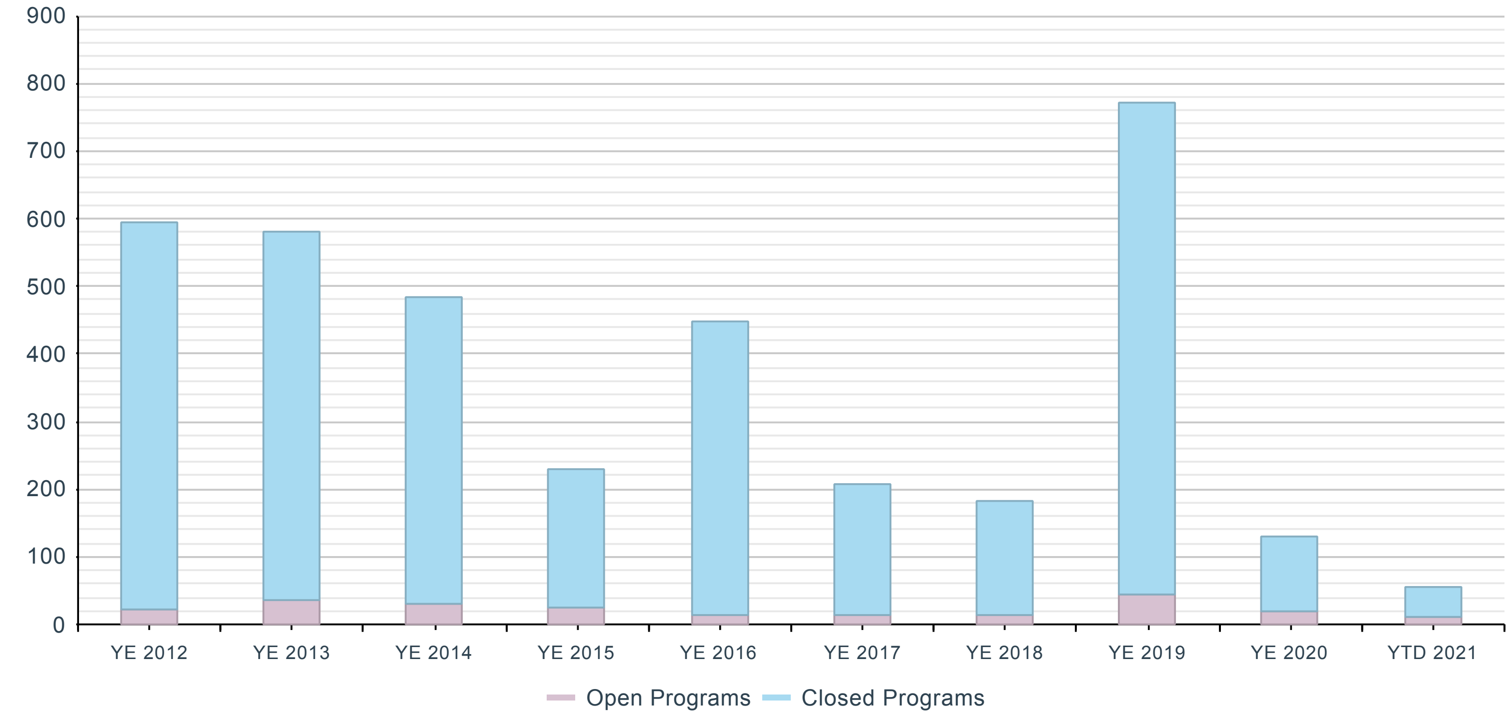

AUM by Structure – All Programs
49.89%
50.11%
Perpetual (50.11%) Lifecycle (49.89%)


AUM by Strategy – All Programs
3.90%
4.22%
6.20%
11.57%
74.11%
Core (74.11%) Core-Plus (11.57%)
Value-Add (6.20%) Opportunistic (4.22%)
Mortgage (3.90%)


AUM by Sector – All Programs
0.22%
0.24%
0.48%
1.34%
1.55%
2.29%
2.67%
2.74%
2.81%
3.28%
4.50%
5.38%
55.29%
8.36%
8.84%
Diversified (55.29%) Retail (8.84%) Healthcare (8.36%) Diversified/Mortgage (5.38%) Office/Industrial (4.50%)
Lodging/Resorts (3.28%) Office (2.81%) Residential (2.74%) Healthcare/Data Centers (2.67%) Multifamily (2.29%)
Hospitality (1.55%) Storage (1.34%) Not Applicable (0.48%) Parking (0.24%) Student Housing/Healthcare (0.22%)


Properties Acquired
2,500
2,000
1,500
1,000
500
0
YE 2012
YE 2013
YE 2014
YE 2015
YE 2016
YE 2017
YE 2018
YE 2019
YE 2020
YTD 2021
Open Programs Closed Programs

Properties Sold



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Past performance is not necessarily indicative of future results. In thousands, except sponsors, programs, properties, share and per share amounts.

The following were excluded from this report because the required data was unavailable at the time of publishing: MacKenzie Realty Capital, Inc., United Development Funding Income Fund V.