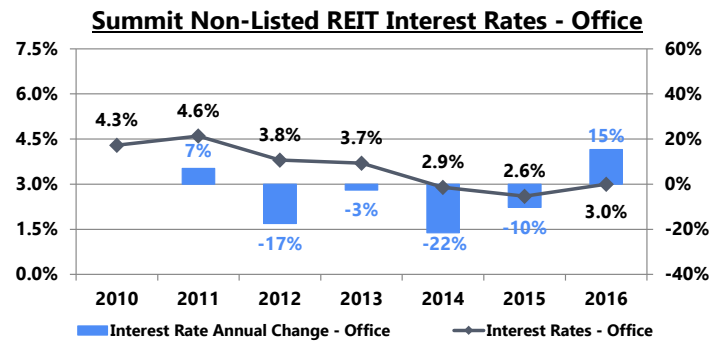
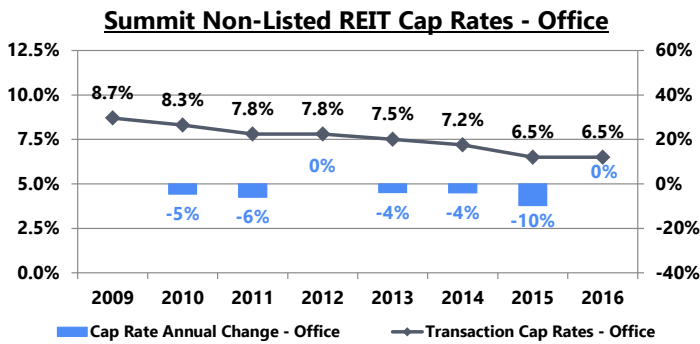


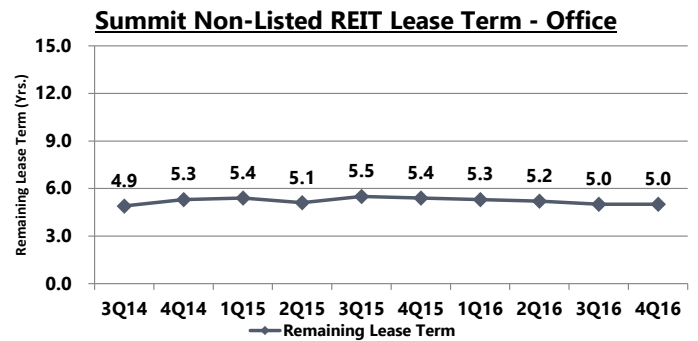
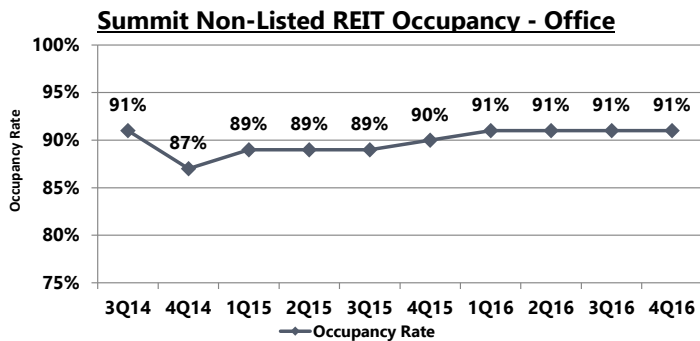
Office Transaction Metrics - Cap Rates & Interest Rates



After six years of cap rate compression through 2015, office non-listed REIT cap rates stabilized at 6.5% in 2016. Office market cap rates had declined due to rising demand fueled by inexpensive long-term financing and a growing U.S. economy. Stabilizing market demand and higher investment risks were key factors for stable office non-listed REIT cap rates in 2016.

Interest rates on offices non-listed REIT permanent loans increased from a record low 2.6% in 2015 to 3.0% in 2016. Declining interest rates had been a key factor for cap rate compression since 2009. In 2016, office non-listed REITs utilized a higher ratio of long-term permanent financing, which contributed to the higher interest rates on permanent debt in 2016.

Office Property Metrics - Occupancy & Lease Term



The office non-listed REIT occupancy rate remained at 91% in 4Q16. Office non-listed REITs have focused on net lease office and smaller multi-tenant office properties, which is a key factor for its higher occupancy rate. Office non-listed REIT occupancy exceeds the office market occupancy, which has a higher allocation to larger multi-tenant office properties.

Remaining lease terms for office non-listed REITs remained unchanged at 5.0 years in 4Q16. Several office non-listed REITs reported shorter lease terms in 4Q16 largely due to average remaining lease terms below 5.0 years on certain recent office acquisitions. Multi-tenant office properties typically have short remaining lease terms below 7.0 years.

Non-Listed REIT Office Transaction



Offices at Greenhouse - Houston, TX
KBS Growth & Income REIT
November 14, 2016

In November 2016, KBS Growth & Income REIT ("KBS G&I") acquired a 203,221 square foot multi-tenant office building, The Offices at Greenhouse, in Houston, TX for \$47 million. The Commonwealth Building currently has 6 tenants and a 95% occupancy rate. The average remaining lease term for current tenants is 7.7 years. **Market:** Houston, TX is ranked as a top 30 office market by Marcus & Millichap. Houston's office market ranking declined due to a higher vacancy rate and lower rent growth. Houston's office vacancy rate increased to 20% in 2016, and its office rent growth declined to only 1.8% in 2016. Marcus & Millichap forecasts higher office vacancy in 2016 with lower rent growth of 1.0%. The highest demand is forecast to be class B office.