

Bullish Base Case and Bullish Case for REITs. Office & Industrial REIT Metrics Update
9/12/16

- While REITs share prices are proving to be volatile, we are focusing on a base case for the overall capital markets and then attempting to determine where REITs should fit.
- If one assumes consensus well into 2017 of 1) slower US and global growth, 2) despite a modest fed funds rate hike or two, no pressure on the long end of the curve, 3) TINA (There Is No Alternative) and FOMO (Fear Of Missing Out) driving the U.S. equity markets up via multiple expansion, 4) assuming \$125/sh for 2017 S&P earnings and a 20x multiple equates to the S&P reaching 2,500, and 5) continued risk-off and thirst for yield trades; it is relatively easy to project REITs outperforming a healthy U.S. equity market.
Pricing as of close 9/9/16.

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- We are also assuming that REIT managements are aware that, while Net Asset Value and other real estate valuation metrics are and will always be important, real estate is late in the cycle, the easy re-leasing spreads are gone, development is everywhere and the incremental investor is focused more on dividend yield and stock valuation metrics than anytime in the past decade. Accordingly, we expect strong dividend increases to be announced in 2H16.
 - Despite recent positive performance following 2Q16 earnings calls, we continue to favor Gateway City office REITs. However, we think most of these Gateway City office REITs need to increase their dividends substantially as sub 2.5% yields are a deterrent unless fundamentals are very strong and value creation (not just an NAV discount off an historically low private market cap rate assumption) is obvious.
 - These include Vornado (VNO, Buy, \$99.45), SL Green (SLG, Buy, \$111.00), Empire State Realty Trust (ESRT, Buy, \$21.28), Boston Properties (BXP, Buy, \$135.22) and Kilroy Realty (KRC, Buy, \$69.18) due to a combination of fundamentals, real value-add platforms and attractive valuations relative to suburban or low barrier office REITs. We view suburban office REITs as often (but not always) encumbered by weak fundamentals with a pension fund advisor type, generic platforms.
 - In the low barrier office world, our only Buy-rated office REIT is Mack-Cali (CLI, Buy \$27.73) due to its 1) substantial valuation discount relative to the other low barrier office REITs, 2) active asset recycling, 3) apartment development potential with low land basis and 4) leasing upside.
 - Despite excellent YTD 2016 performance, we continue to like Industrial REITs and have Buy ratings on six of the eight we cover. We expect industrial fundamentals to continue to modestly surprise to the upside and look attractive relative to other property sectors. We also note that the inevitable increase in supply about the time demand subsides continues to get kicked down the proverbial block.
 - So, will REITs overall be driven by: 1) the equity markets and a risk-on or risk-off mentality, 2) interest rates at either end of the yield curve, or 3) fundamentals?
 - While we think individual stocks and property sectors will be driven by fundamentals, value creation potential and dividends; we expect #1 and #2 and the corresponding funds flows to drive the REIT space overall. Which one? Likely, whichever is most volatile.

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Below are links to wires we have recently published:

- Our most recent Funds Flow Update Wire from 8/30/16: [Funds Flows Update. Japanese Flows Strong. Generalist Investors the Key. SLIDES ATTACHED.](#)
- Our most recent Net Asset Value Creation-Destruction Wire: [Conference Call 9/7/16 - Value Creation or Destruction and Lease Economics Analysis. SLIDES ATTACHED. Dial-in Info Below.](#)

Below, we have our 2Q16 Earnings wires for each company under coverage (in chronological order from most recent reporter to first reporter):

- Lexington Realty Trust (LXP, Hold, \$10.27) - Since the February 2016 bottom, LXP has performed nicely as a yield play rose amongst the thorns. [400 Meter Sprint. Maneuvering the Curves Easily. Maintain Hold.](#)
- Vornado - VNO continues to be a complicated story but there have been additional steps toward increased transparency [26.2 Mile Marathon or 10K Open Water Swim? Glory for Those Who Finish. Maintain Buy.](#) We also adjusted our Price Target shortly after earnings seasons came to a close: [Post Earnings Season Price Target Adjustment Up to \\$115/sh. Maintain Buy.](#)
- DCT Industrial (DCT, Buy, \$47.76) - Continued success for our friends out in Denver who continue to be the bell cow of pure play, domestic industrial REITs. [Continuing To Make it Look Easy; Adjusting Estimates; Increasing NAV; Buy and Rhythmic Gymnastics and Trampoline. Target Price up to \\$52/sh. Maintain Buy.](#)
- Mack-Cali - As CLI moves into their new Jersey City, NJ offices, they continue to execute on their two-year plan. [High Jump. Scissors, Eastern Cut-off, Western Roll, Straddle or Fosbury Flop. Target Price Up to \\$30; Maintain Buy.](#) Just last week Mack-Cali hosted a Gold Coast Property Tour: [Triple Jump. Hop, Skip, Jump Through Apartment and Office Gold Coast Portfolio. Maintain Buy.](#)
- Piedmont Office Realty Trust (PDM, Sell, \$21.19) - PDM continues to exit non-core markets slowly, but surely, and it seems the Street has taken kindly to this strategy. [Race Walking. 50 Kilometer Walk. Maintain Sell.](#)
- Rexford Industrial Realty (REXR, Buy, \$21.67) - As the only industrial REIT completely focused on the SoCal market, Rexford continues to succeed with their single-market focus. [Sailing - Keeping the Rexford Yacht North of the Equator. Maintain Buy. TP Up to \\$24.50.](#) Rexford also recently announced a preferred equity offering: [Rugby Returns to the Olympics. Preferred Shares Returning to the REIT Capital Stack. Buy.](#)
- Douglas Emmett (DEI, Sell, \$36.72) - Staying with the southern California theme, we think the West L.A. and SoCal office markets are solid, but we still have questions regarding DEI. [Beach Volleyball. What Else? Maintain Sell.](#)
- Highwoods Properties (HIW, Hold, \$51.09) - With one of the top management teams in REITland, HIW has been one of the top-performing office REITs of 2016 (up 18.6% vs. 9.0% for the RMS YTD in 2016). [Weightlifting; Heavy Lifting Looking Easy; Maintain Hold](#)
- Armada-Hoffler Properties (AHH, Buy, \$13.61) - The strategy is expanding, the portfolio is transitioning and the crew from Virginia Beach continue to be the Teflon dons in an environment that has gravitated towards yield plays. [Cycling in the Velodrome. Maintain Buy. TP Increased to \\$15.50/sh.](#)
- First Industrial Realty Trust (FR, Buy, \$27.79) - With new CEO Peter E. Baccile coming in, Mr. Duncan rides off into the sunset on a high note. [Cruising Through the Preliminary Heats. Increasing TP to \\$32/sh. Buy.](#)
- Duke Realty Trust (DRE, Buy, \$26.77) - DRE has risen up the ranks to become one of the top-performing industrial REITs YTD at 29.0% vs. 9.0% for the RMS. [Decathlon Continues. More Delevering. Target Price up to \\$30/Sh. Maintain Buy.](#)
- Equity Commonwealth (EQC, Hold, \$31.04) - Sooner rather than later EQC will have some serious decisions to make regarding the portfolio they want to own in the long term. [Javelin Throw? Javelin Catch? Hold.](#)
- Corporate Office Properties Trust (OFC, Hold, \$27.84) - OFC has recovered some of their early 2016 momentum in the dog days of summer. [Multiple Games at the Olympic Games. Maintain Hold.](#)
- First Potomac Realty Trust (FPO, Sell, \$9.44) - FPO still has many obstacles to hurdle, but the re-shaping of the portfolio and strategy has certainly begun. [Gymnastics. Perfect 10? Or Really A 9? Maintain Sell.](#)
- Terreno Realty Trust (TRNO, Buy, \$26.52) - Although TRNO has been the industrial laggard under coverage, we still believe no new supply and declining inventory is a good thing. [Open Water Swim. Finally Swimming with the Cost of](#)

[Capital Current. Maintain Buy.](#)

- Washington Real Estate Trust (WRE, Hold, \$31.01) - We recently hosted the WRE management team to some investor meetings, here are our take-aways: [Maryland Athletes Win Twenty Olympic Medals While WRE Happy to Exit Maryland Office Market. NDR Recap. Hold.](#) The strategy is being endorsed by investors and WRE is an excellent Washington, D.C. proxy, in our view. [Sweltering Summer. Coolly Rowing on the Potomac. Eight Man Boat. Maintain Hold.](#)
- Empire State Realty Trust - PSA: Please stop asking about the observatory. Take a look at some of the rental rates. [New Olympic Sport - ESB Stair Climb. Lease Economics Rival Stair Slope. TP Increase to \\$23/sh. Buy.](#)
- Parkway Properties (PKY, Hold, \$17.68) - Until additional information is provided in the coming weeks on the merger-spin with Cousins Properties (CUZ, Hold, \$10.84), there shouldn't be many catalysts. PKY: [Synchronized Swimming. Teammates Include Cousins Properties and Oil Market. Hold.](#) CUZ: [Synchronized Diving. Synchronized to Parkway and Oil Prices. Maintain Hold.](#) A look at our initial valuation on the merger spin-off from PKY's view: [Smart and Expensive? Expensive, but Smart? Isolate Houston Purgatory. Hold.](#)
- Boston Properties (BXP, Buy, \$135.22) - BXP sticks to what they are great at: 1) Strong development pipeline and 2) great submarket recognition. [Michael Phelps & the U.S. Swim Team. 2Q16 Earnings Analysis. Maintain Buy.](#)
- Franklin Street Properties (FSP, Hold, \$12.30) - FSP is very much a dividend-yield name with low cost debt helping maintain FFO. [Archery. Gradual Leveraging Up Keeps Valuation Metrics Static. Hold.](#) FSP also recently announced an equity offering in conjunction with their acquisition of Pershing Park Plaza in Atlanta, GA as well as to fund some of the redevelopment at 801 Marquette Avenue in Minneapolis, MN. [Long Jumping to Lower Leverage. Smart Equity Raise. Hold.](#)
- Kilroy Realty Trust - Even with "tech bubble" headline risk, KRC is doing too good a job to be on the sidelines. [10,000 Meter Run with Usain Bolt Leasing Expectations. Maintain Buy.](#)
- Liberty Property Trust (LPT, Hold, \$39.87) - A dividend cut at a time when the incremental generalist investor is snooping around for yield plays has slowed the 2016 run-up of LPT. [IOC Intervenes. Dividend Cut. More Involvement Needed. Maintain Hold.](#)
- SL Green Realty Corp. - Although SLG has underperformed the RMS (0.8% vs. 9.0%, respectively), it looks to have righted the ship and is poised for a strong finish to 2016. [Weightlifting. Positive Re-leasing Spreads vs. Heavy Lifting Related to Market Perceptions. Target Price Up to \\$121/sh. Buy.](#) We also increased our price target following their recent JV partnership with Prudential for Eleven Madison: [Hammer Throw. Full Block of Buildings Disappeared. As Did 40-49% of Eleven Madison. Price Target Up to \\$125/sh. Buy.](#)
- Brandywine Realty Trust (BDN, Hold, \$15.78) - Philadelphia-centric portfolio with a significant amount of dispositions in the rear-view mirror. [Mile Swim. Solid Core Portfolio. Development Projects Waiting for Anchors. Neutral Leasing Metrics -- New Analysis. Hold.](#)
- EastGroup Properties (EGP, Hold, \$70.62) - Soft leasing economics rear their not so ugly heads. [Steeplechase. Gather Speed; Then the Hurdles. Weak Lease Economics -- New Analysis. Downgrade to Hold.](#)
- Prologis (PLD, Buy, \$51.49) - Although there are many moving pieces here, and it may be confusing to the general investor, NAV creation has continued. [Decathlon. Excelling in Numerous Events. Value Creation Continues. Lease Economics Creating Value \(New Analysis\). Buy.](#)

Links to our most recent office and industrial REIT sector wires follow:

- Please see our Replacement Cost Update here: [Bonkers!! Replacement Cost - Office & Industrial - Conference Call - Thursday, July 7, 11AM \(Slides Attached Below\)](#)
- Our previous NAV creation/destruction call: [Conf. Call 3/1/16 - NAV Creation or Destruction and Office Lease CAPEX vs MTM Analysis SLIDES ATTACHED. Dial-in Below.](#)
- Our previous Funds Flows update call: [Funds Flows Update. Japanese Flows Strong. Generalist Investors the Key. SLIDES ATTACHED.](#)
- Our most recently updated, deep-dive Washington D.C. MSA wire: [Conference Call -- 11 AM. 8 April 2016. Washington D.C. Office and the Cap Ex Conundrum. SLIDES ATTACHED](#)

- 2Q16 Office Fundamentals - [Houston Free Fall. San Francisco and Boston Solid, Los Angeles Hype Not in Numbers. 2Q16 Office Fundamentals Update.](#)
- 2Q16 Industrial Fundamentals - [National Vacancy Down 30 bps to 5.8% Q/Q. Elevated Starts Where Economics Work. 2Q16 Industrial Fundamentals Still Strong.](#)
- On June 18, 2015, we published our annual office REIT portfolio review - [SLIDES ATTACHED - Amenity & Transportation - The Best Positioned Office REIT Portfolios - Conference Call 11 AM ET 6/19/15](#)

Dividend Yield, FFO and FAD Estimates and Growth

Key Stock Valuation Metrics

Stifel Office & Industrial REIT Universe

Share Price as of: 9/9/2016

John Guinee 443-224-1307

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Company	Ticker	9/9/2016 CLOSE	Inv Rating	9/9/2016	2017E	2017E	Div. Growth Y/N/C*	Avg Growth	Avg Growth	Normalized				SNL	Price/FFO				
				Dividend YIELD	FAD Yield	Div/FAD Payout		15-17 FFO	15-17 FAD	FFO/Share 2015A	FFO/Share 2016E	FFO/Share 2017E	FFO/Share 2017E	Price/FFO 2017E	FAD/Share 2015A	FAD/Share 2016E	FAD/Share 2017E	Price/FAD 2017E	
I. CORE OFFICE/INDUSTRIAL REITS																			
GATEWAY CITIES																			
VORNADO	VNO	\$99.45	B	2.5%	4.1%	61%	Y	1.2%	25.6%	\$5.48	\$4.96	\$5.61	\$5.41	17.7x	\$2.61	\$2.67	\$4.12	24.1x	
SL GREEN	SLG	\$111.00	B	2.6%	4.1%	64%	Y	1.8%	40.5%	\$6.38	\$8.24	\$6.61	\$6.81	16.8x	\$2.29	\$4.72	\$4.52	24.6x	
EMPIRE STATE	ESRT	\$21.28	B	2.0%	4.0%	49%	Y	5.0%	4.3%	\$0.98	\$0.98	\$1.08	\$1.03	19.7x	\$0.79	\$0.77	\$0.86	24.7x	
DOUGLAS EMMETT	DEI	\$36.72	S	2.4%	3.6%	66%	Y	7.6%	5.2%	\$1.64	\$1.80	\$1.90	\$1.91	19.3x	\$1.21	\$1.32	\$1.34	27.4x	
BOSTON PROP.	BXP	\$135.22	B	1.9%	3.4%	56%	Y	8.9%	21.4%	\$5.36	\$5.98	\$6.36	\$6.40	21.3x	\$3.15	\$4.09	\$4.64	29.1x	
KILROY REALTY	KRC	\$69.18	B	2.2%	3.3%	66%	Y	2.3%	7.9%	\$3.39	\$3.38	\$3.55	\$3.63	19.5x	\$1.94	\$2.19	\$2.26	30.6x	
SUBURBAN / LOW BARRIER																			
BRANDYWINE	BDN	\$15.78	H	3.8%	6.5%	59%	Y	-2.4%	16.6%	\$1.46	\$1.29	\$1.39	\$1.41	11.4x	\$0.75	\$0.86	\$1.02	15.5x	
FIRST POTOMAC	FPO	\$9.44	S	4.2%	6.3%	68%	N	-12.0%	-4.0%	\$1.02	\$0.98	\$0.79	\$0.84	11.9x	\$0.64	\$0.75	\$0.59	16.0x	
CORP. OFFICE	OFC	\$27.84	H	4.0%	5.9%	67%	Y	2.0%	7.1%	\$2.01	\$2.02	\$2.09	\$2.11	13.3x	\$1.43	\$1.55	\$1.64	17.0x	
FRANKLIN STREET	FSP	\$12.30	H	6.2%	5.9%	106%	N	-0.9%	-4.5%	\$1.07	\$1.05	\$1.05	\$1.06	11.7x	\$0.79	\$0.73	\$0.72	17.1x	
PIEDMONT	PDM	\$21.19	S	4.0%	5.0%	80%	Y	1.2%	-6.1%	\$1.60	\$1.63	\$1.64	\$1.70	12.9x	\$1.19	\$1.14	\$1.05	20.2x	
MACK-CALI	CLI	\$27.73	B	2.2%	3.2%	67%	Y	6.7%	-13.2%	\$1.87	\$2.09	\$2.13	\$2.21	13.0x	\$1.18	\$0.66	\$0.89	31.2x	
EQUITY COMMONWEALTH	EQC	\$31.04	H	0.0%	1.5%	0%	Y	-31.0%	-22.2%	\$1.70	\$1.22	\$0.81	\$0.98	38.3x	\$0.76	\$0.41	\$0.46	67.5x	
SUNBELT OFFICE																			
COUSINS PROP.	CUZ	\$10.84	H	3.0%	5.6%	52%	Y	1.7%	8.3%	\$0.89	\$0.87	\$0.92	\$0.93	11.8x	\$0.52	\$0.56	\$0.61	17.8x	
HIGHWOODS	HIW	\$51.09	H	3.3%	4.4%	76%	Y	5.2%	10.9%	\$3.08	\$3.25	\$3.41	\$3.44	15.0x	\$1.83	\$2.07	\$2.25	22.7x	
PARKWAY	PKY	\$17.68	H	4.2%	3.7%	115%	Y	-3.8%	-0.8%	\$1.34	\$1.17	\$1.24	\$1.35	14.3x	\$0.66	\$0.57	\$0.65	27.2x	
OFFICE/INDUSTRIAL																			
LIBERTY PROP.	LPT	\$39.87	H	4.8%	5.1%	94%	N	-4.9%	2.3%	\$2.70	\$2.36	\$2.44	\$2.48	16.3x	\$1.93	\$1.95	\$2.02	19.7x	
DOMESTIC INDUSTRIAL																			
EASTGROUP PROP.	EGP	\$70.62	H	3.5%	4.6%	77%	Y	7.1%	11.0%	\$3.67	\$3.99	\$4.21	\$4.20	16.8x	\$2.62	\$2.99	\$3.23	21.9x	
DUKE REALTY	DRE	\$26.77	B	2.7%	4.0%	67%	Y	4.2%	6.1%	\$1.17	\$1.19	\$1.27	\$1.26	21.1x	\$0.95	\$1.01	\$1.07	25.0x	
FIRST INDUSTRIAL	FR	\$27.79	B	2.7%	3.8%	72%	Y	9.0%	7.4%	\$1.27	\$1.45	\$1.51	\$1.52	18.4x	\$0.91	\$1.02	\$1.05	26.5x	
DCT INDUSTRIAL	DCT	\$47.46	B	2.4%	3.7%	66%	Y	9.4%	12.5%	\$1.99	\$2.21	\$2.38	\$2.33	19.9x	\$1.39	\$1.45	\$1.76	27.0x	
TERRENO REALTY	TRNO	\$26.52	B	3.0%	3.2%	94%	Y	19.5%	63.0%	\$0.84	\$0.98	\$1.20	\$1.15	22.1x	\$0.32	\$0.49	\$0.85	31.2x	
REXFORD INDUSTRIAL	REXR	\$21.67	B	2.5%	2.9%	86%	Y	6.5%	4.2%	\$0.82	\$0.86	\$0.93	\$0.95	23.3x	\$0.58	\$0.58	\$0.63	34.4x	
GLOBAL INDUSTRIAL - CORE FFO																			
PROLOGIS INC	PLD	\$51.49	B	3.3%	3.9%	84%	Y	8.0%	4.3%	\$2.23	\$2.56	\$2.60	\$2.63	19.8x	\$1.84	\$1.92	\$2.00	25.7x	
Weighted Average				2.8%	4.0%	68%								18.9x					26.4x
SPECIALTY																			
LEXINGTON	LXP	\$10.27	H	6.6%	8.1%	82%	N	-10.2%	1.2%	\$1.19	\$1.08	\$0.96	\$1.02	10.7x	\$0.81	\$0.90	\$0.83	12.4x	
ARMADA HOFFLER	AHH	\$13.61	B	5.3%	6.0%	88%	Y	7.8%	1.2%	\$0.86	\$0.88	\$1.00	\$1.04	13.6x	\$0.80	\$0.81	\$0.82	16.6x	
WASH REIT	WRE	\$31.01	H	3.9%	4.2%	92%	N	2.9%	2.8%	\$1.71	\$1.77	\$1.81	\$1.80	17.1x	\$1.23	\$1.28	\$1.30	23.9x	

* Y/N/C = Stifel assumption on next dividend action: increase Yes/No or Cut

Investment Rating: B -- Buy, H -- Hold, S -- Sell, NR -- Not Rated

Sources: Company data, Stifel Estimates and Factset

Replacement Cost, Net Asset Value and Implied Cap Rates

Key Real Estate Valuation Metrics
Stifel Office & Industrial REIT Universe
Share Price as of: 9/9/2016

John Guinee 443-224-1307

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Kyle E. McGrady 443-224-1517

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Company	9/9/2016 Share Price	Inv Rating	(Debt+Pref'd) TEV	Total PSF TEV	Per Square Foot Gross RC	Per Square Foot Adjusted RC	Prem/(Disc)	Implied NOI Cap Rate	Implied CF Cap Rate	Implied CF-G&A Cap Rate	Current Q End Occupancy	Mark to Mkt (2016-'17)	NAV \$ NAV Cap Rate	NAV \$ High Range	NAV \$ Per SF	NAV \$ NAV Cap Rate	NAV \$ Low Range	NAV \$ Per SF	Prem/(Disc) to High NAV	Prem/(Disc) to Low NAV	
I. CORE OFFICE/INDUSTRIAL REITS																					
GATEWAY CITIES																					
KILROY REALTY	KRC	\$69.18	B	29%	\$560	\$620	\$538	4%	5.5%	4.7%	4.0%	96%	8.5%	4.5%	\$87	\$685	5.0%	\$77	\$617	-20%	-10%
VORNADO	VNO	\$99.45	B	38%	NA	NA	NA	NA	5.1%	4.0%	3.3%	91%	13.0%	4.5%	\$116	NA	5.0%	\$101	NA	-14%	-2%
SL GREEN ¹	SLG	\$111.00	B	47%	\$809	\$1,473	\$990	-18%	4.8%	3.7%	3.2%	93%	10.0%	4.5%	\$121	\$861	5.0%	\$104	\$773	-8%	6%
EMPIRE STATE	ESRT	\$21.28	B	27%	\$773	\$1,452	\$776	0%	4.6%	4.0%	3.3%	87%	26.9%	4.5%	\$22	\$791	5.0%	\$20	\$713	-2%	9%
BOSTON PROP.	BXP	\$135.22	B	29%	\$819	\$815	\$658	24%	4.6%	3.7%	3.3%	91%	4.4%	4.5%	\$139	\$837	5.0%	\$121	\$753	-3%	12%
DOUGLAS EMMETT	DEI	\$36.72	S	39%	\$602	\$794	\$597	1%	4.5%	3.9%	3.5%	92%	10.0%	4.5%	\$37	\$602	5.0%	\$31	\$532	0%	19%
SUBURBAN / LOW BARRIER																					
MACK-CALI	CLI	\$27.73	B	45%	\$158	\$355	\$204	-23%	8.3%	4.7%	3.3%	88%	3.5%	7.5%	\$32	\$179	8.0%	\$29	\$166	-12%	-5%
FIRST POTOMAC	FPO	\$9.44	S	58%	\$191	\$275	\$224	-15%	8.2%	6.8%	5.4%	93%	-2.0%	7.0%	\$13	\$229	7.5%	\$11	\$212	-28%	-18%
EQUITY COMMONWEALTH	EQC	\$31.04	H	30%	\$211	\$375	\$225	-6%	7.6%	4.0%	2.6%	85%	3.0%	7.5%	\$32	\$198	8.0%	\$30	\$185	-1%	4%
CORP. OFFICE	OFC	\$27.84	H	46%	\$257	\$265	\$207	24%	7.2%	6.1%	5.1%	91%	2.0%	7.5%	\$26	\$247	8.0%	\$23	\$232	7%	20%
PIEDMONT	PDM	\$21.19	S	38%	\$267	\$432	\$323	-17%	6.8%	5.7%	5.0%	88%	0.0%	7.0%	\$20	\$260	7.5%	\$18	\$244	4%	16%
FRANKLIN STREET	FSP	\$12.30	H	43%	\$217	\$327	\$229	-5%	6.8%	5.3%	4.6%	88%	3.0%	7.0%	\$12	\$198	7.5%	\$10	\$186	5%	18%
BRANDYWINE	BDN	\$15.78	H	48%	\$238	\$353	\$243	-2%	6.7%	5.6%	4.8%	92%	4.0%	7.0%	\$15	\$228	7.5%	\$13	\$213	6%	18%
SUNBELT OFFICE																					
COUSINS PROP	CUZ	\$10.84	H	31%	\$226	\$344	\$251	-10%	7.2%	5.7%	4.9%	89%	6.0%	7.0%	\$11	\$233	7.5%	\$10	\$218	-4%	5%
PARKWAY	PKY	\$17.68	H	41%	\$272	\$352	\$264	3%	6.5%	5.3%	4.5%	89%	2.0%	6.5%	\$18	\$273	7.0%	\$16	\$254	-1%	12%
HIGHWOODS	HIW	\$51.09	H	37%	\$242	\$279	\$205	18%	5.9%	4.5%	3.9%	93%	7.0%	6.5%	\$45	\$221	7.0%	\$41	\$205	12%	24%
OFFICE / INDUSTRIAL																					
LIBERTY PROP.	LPT	\$39.87	H	35%	\$82	\$75	\$70	17%	6.3%	5.5%	4.7%	94%	3.6%	6.5%	\$38	\$78	7.0%	\$34	\$70	5%	18%
DOMESTIC INDUSTRIAL																					
FIRST INDUSTRIAL	FR	\$27.79	B	28%	\$73	\$88	\$70	5%	5.7%	4.7%	4.1%	96%	4.5%	6.0%	\$26	\$70	6.5%	\$23	\$64	7%	19%
EASTGROUP PROP.	EGP	\$70.62	H	29%	\$93	\$84	\$73	26%	5.5%	4.4%	4.0%	96%	5.0%	5.5%	\$70	\$101	6.0%	\$62	\$92	1%	14%
DUKE REALTY	DRE	\$26.77	B	26%	\$86	\$70	\$65	33%	5.1%	4.6%	4.1%	98%	4.8%	5.5%	\$24	\$77	6.0%	\$22	\$68	11%	24%
REXFORD INDUSTRIAL	REXR	\$21.67	B	25%	\$144	\$164	\$134	8%	4.9%	4.3%	3.4%	90%	7.0%	5.0%	\$21	\$157	5.5%	\$19	\$142	2%	16%
DCT INDUSTRIAL	DCT	\$47.46	B	26%	\$90	\$86	\$81	11%	4.8%	3.9%	3.4%	96%	7.0%	5.5%	\$40	\$78	6.0%	\$35	\$72	19%	34%
TERRENO REALTY	TRNO	\$26.52	B	26%	\$142	\$149	\$121	18%	4.6%	3.5%	2.6%	93%	12.8%	5.0%	\$24	\$132	5.5%	\$21	\$120	11%	26%
GLOBAL INDUSTRIAL																					
PROLOGIS INC	PLD	\$51.49	B	30%	\$97	\$106	\$85	14%	5.0%	4.3%	3.7%	96%	9.3%	5.0%	\$51	\$97	5.5%	\$45	\$85	0%	13%
Wtd. Average				34%				9%	5.4%	4.3%	3.7%	93%								-2%	11%
SPECIALTY																					
LEXINGTON	LXP	\$10.27	H	44%	NA	NA	NA	NA	7.4%	7.1%	6.4%	96%	0.0%	7.5%	\$10	NA	8.0%	\$9	NA	1%	13%
ARMADA HOFFLER	AHH	\$13.61	B	43%	NA	NA	NA	NA	6.4%	5.6%	4.6%	95%	0.0%	6.5%	\$13	NA	7.0%	\$12	NA	2%	14%
WASH REIT	WRE	\$31.01	H	36%	\$431	\$592	\$433	-1%	6.0%	4.9%	4.3%	89%	1.0%	5.5%	\$35	\$519	6.0%	\$31	\$437	-12%	-1%

Sort
↓

¹ (Manhattan only - RC)

² Forward NAV estimate used

Sources: Company data and Stifel estimates

Investment Rating: B -- Buy, H -- Hold, S -- Sell, NR -- Not Rated

Leverage & Debt ^{1,2}

Key Real Estate Metrics Stifel Office & Industrial REIT Universe

Share Price as of : 9/9/2016

Sort
↓

John Guinee 443-224-1307

Erin Aslakson 443-224-1350

Kyle E. McGrady 443-224-1517

Company	(\$'s in Millions)	Interest Cost Weighted Average	Potential Int. Savings / Cost ³	(Debt + Pref'd) / TEV	Unrest. Cash	Credit Revolver			Dry Powder	Need for Equity? ⁴	Debt O/S	Pref'd Equity	Equity Mkt Cap	Total Enterprise Value
						Size	Outstanding	Availability						
I. CORE OFFICE REITS														
GATEWAY CITIES														
BOSTON PROP.	BXP	4.8%	1.3%	29%	\$1,180	\$1,000	\$0	\$1,000	\$2,180	N	\$9,129	\$200	\$23,227	\$32,556
KILROY REALTY	KRC	4.4%	0.9%	29%	\$26	\$600	\$0	\$600	\$626	N	\$2,458	\$200	\$6,564	\$9,222
EMPIRE STATE ⁵	ESRT	4.1%	0.6%	27%	\$35	\$1,250	\$40	\$1,210	\$1,245	N	\$2,073	\$0	\$5,735	\$7,808
VORNADO	VNO	4.0%	0.5%	37%	\$96	\$2,500	\$116	\$2,384	\$2,480	N	\$10,365	\$1,322	\$20,065	\$31,752
SL GREEN ⁵	SLG	3.8%	0.3%	47%	\$276	\$1,600	\$285	\$1,315	\$1,591	N	\$9,671	\$532	\$11,618	\$21,822
DOUGLAS EMMETT	DEI	3.5%	0.0%	39%	\$77	\$400	\$0	\$400	\$477	N	\$4,154	\$0	\$6,550	\$10,704
SUBURBAN / LOW BARRIER														
EQUITY COMMONWEALTH	EQC	5.0%	1.5%	30%	\$1,806	\$750	\$0	\$750	\$2,556	N	\$1,571	\$123	\$3,897	\$5,590
MACK-CALI	CLI	4.8%	1.3%	45%	\$29	\$600	\$0	\$600	\$629	Y	\$2,257	\$0	\$2,777	\$5,034
BRANDYWINE	BDN	4.5%	1.0%	48%	\$266	\$600	\$0	\$600	\$866	Y	\$2,523	\$100	\$2,810	\$5,433
CORPORATE OFFICE	OFC	3.9%	0.4%	46%	\$13	\$800	\$58	\$742	\$755	N	\$2,094	\$208	\$2,750	\$5,052
PIEDMONT	PDM	3.5%	0.0%	38%	\$21	\$500	\$0	\$500	\$521	N	\$1,895	\$0	\$3,077	\$4,972
FIRST POTOMAC	FPO	3.4%	-0.1%	58%	\$14	\$300	\$147	\$153	\$167	Y	\$778	\$15	\$573	\$1,366
FRANKLIN STREET	FSP	2.5%	-1.0%	43%	\$8	\$500	\$310	\$190	\$198	N	\$928	\$0	\$1,232	\$2,160
SUNBELT OFFICE														
COUSINS PROPERTIES	CUZ	3.9%	0.4%	31%	\$1	\$500	\$155	\$345	\$346	N	\$1,000	\$0	\$2,278	\$3,278
HIGHWOODS	HIW	3.7%	0.2%	37%	\$2	\$475	\$283	\$192	\$194	N	\$2,133	\$29	\$3,683	\$5,845
PARKWAY	PKY	3.6%	0.1%	41%	\$72	\$460	\$0	\$460	\$532	N	\$1,424	\$0	\$2,061	\$3,485
OFFICE/INDUSTRIAL														
LIBERTY PROP.	LPT	4.3%	0.8%	35%	\$29	\$800	\$395	\$405	\$434	N	\$3,262	\$8	\$5,991	\$9,260
DOMESTIC INDUSTRIAL														
DUKE REALTY	DRE	4.8%	1.3%	26%	\$92	\$1,200	\$0	\$1,200	\$1,292	N	\$3,320	\$0	\$9,563	\$12,883
FIRST INDUSTRIAL	FR	4.5%	1.0%	28%	\$16	\$625	\$221	\$404	\$420	N	\$1,312	\$0	\$3,367	\$4,679
DCT INDUSTRIAL	DCT	4.3%	0.8%	26%	\$84	\$400	\$133	\$267	\$351	N	\$1,566	\$0	\$4,504	\$6,070
EASTGROUP PROP.	EGP	4.0%	0.5%	29%	\$0	\$335	\$36	\$299	\$299	N	\$970	\$0	\$2,323	\$3,292
REXFORD INDUSTRIAL	REXR	3.1%	-0.4%	25%	\$29	\$200	\$0	\$200	\$229	Y	\$501	\$0	\$1,467	\$1,967
TERRENO REALTY	TRNO	3.1%	-0.4%	26%	\$22	\$500	\$0	\$500	\$522	Y	\$376	\$46	\$1,221	\$1,643
GLOBAL INDUSTRIAL														
PROLOGIS INC	PLD	3.2%	-0.3%	30%	\$332	\$2,749	\$0	\$2,749	\$3,081	N	\$12,120	\$78	\$28,026	\$40,224
SPECIALTY														
LEXINGTON	LXP	4.1%	0.6%	44%	\$60	\$277	\$123	\$154	\$214	N	\$2,025	\$0	\$2,542	\$4,567
WASH REIT	WRE	3.9%	0.4%	36%	\$22	\$500	\$269	\$231	\$253	N	\$1,265	\$0	\$2,290	\$3,555
ARMADA HOFFLER	AHH	3.3%	-0.2%	43%	\$20	\$250	\$107	\$143	\$163	Y	\$513	\$0	\$686	\$1,199

¹ All asset, debt and maturity data as of 6/30/16 unless shown in bold lettering or otherwise footnoted.

² Please refer to 10-Qs or Financial Supplementals released by the individual companies for additional detail.

³ Wtd. Avg. Int. Cost minus Blended 7-yr. rate. SN Blended 7-yr. rate is wtd. avg. of 5 & 10-yr. rates plus 150 bps (Roughly 3.5%).

⁴ Potential need for equity with acquisitions equal to dispositions

⁵ Debt calculation includes Stifel adjustments for ground leased assets

Sources: Company data and Stifel estimates

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