Property Income Advisors, Inc.

Advisory Services for the Investor in U.S. Real Estate

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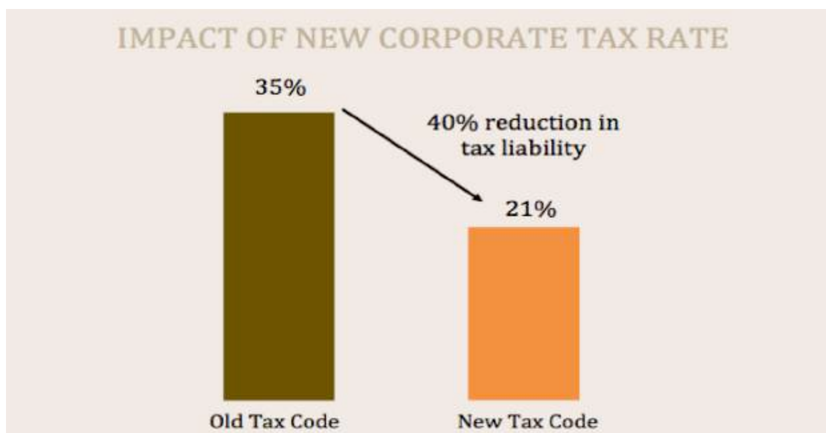
State of the Market

Non-U.S. Investors Gain Significant Benefits From the Recent U.S. Tax Overhaul

Real Estate Sector Benefits Most From Tax Overhaul

With the goal of growing the U.S. economy and creating jobs, the Tax Cuts and Jobs Act ("TCJA") was signed into law and became effective January 1, 2018. This is the most significant U.S. tax overhaul in more than 30 years with the real estate investment sector benefitting more than any other industry. TCJA simplifies the U.S. tax system, significantly lowers the corporate tax rate and provides for less restrictive offshore structuring allowing foreign investors to achieve much better tax efficiencies. Bottom line – The benefits generated from this tax overhaul make it even more appealing for non-U.S. investors to acquire and own U.S. investment real estate.



Permanent Reduction in U.S. Corporate Tax Rate

TCJA creates a permanent reduction in the U.S. corporate tax rate lowering it from 35% to 21%, which is significant for all real estate investors, including non-U.S. investors. This equates to a 40% tax savings due on the capital gain at the time a property is sold. The lower corporate tax rate will also aid overall business growth and increase user demand in all real estate sectors while helping to extend the current positively trending commercial real estate cycle.

Portfolio Interest Exemption Remains; Earnings Stripping Rules Eliminated

The portfolio interest exemption, which foreign investors use

Property Income Advisors, Inc. is a real estate advisory firm with professional expertise and a focused niche exclusively assisting Gulf-based clients in the investment and management of United States commercial real estate.

With offices in the United States and the Middle East, we provide a turnkey real estate investment management platform for acquisitions, financing and sales, as well as comprehensive asset management capabilities.

Our career experience includes the successful asset management of more than 13 million square feet of United States commercial real estate valued in excess of $2 billion. In addition, we have directed property acquisitions, dispositions, financings and lease transactions totaling more than $3 billion.

Property Income Advisors, Inc. has nationwide experience and maintains strong national relationships to insure success in all of the major markets in the United States. Our clients consist of Gulf-based high net-worth investors, family offices, private banks and institutions.

extensively in offshore structures, remains in-place allowing interest paid on shareholder loans to be a fully deductible expense. Prior to TCJA, this deduction was often limited because of the difficulty non-U.S. investors had setting up an optimal structure due to the need for multiple investor platforms which were required to overcome the "earnings stripping" rules. TCJA eliminates the "earnings stripping" rules that could limit interest deductions on shareholder loans. As a result, foreign investors will no longer need to resort to complicated and costly multiple investor platforms to maximize tax efficiency because only the requirements of the portfolio interest exemption now will need to be met. For non-U.S. investors, this is one of the largest benefits of the tax overhaul.

Real Estate Continues to Benefit from the "1031 Exchange"

While TCJA eliminates the tax benefits of like-kind ("1031 Exchange") exchanges for aircraft and other types of personal property, the 1031 Exchange for real estate investment remains in-place. This rule allows sellers of U.S. real estate, including foreign investors, to defer capital gains tax that would otherwise be payable by reinvesting their sales proceeds from the sale of a property into other like-kind real estate. The 1031 Exchange benefit is an excellent option for investors with a long-term investment horizon.

Interest Expense to Remain Fully Deductible to Real Estate Investors

The 30% of "adjusted taxable income" limit on interest deductions required by TCJA does not apply to real estate investors who can claim the "real estate exception" under TCJA, including non-U.S. investors, provided average annual gross receipts for the three-tax-year period ending with the prior tax period do not exceed $25 million, which then allows for full interest expense deductibility. Guidance is forthcoming on whether or not investment in U.S.-based joint ventures by foreign investors meets the "real estate exception" rule and therefore allows for full interest expense deductibility or if such an investment would not qualify and then be subject to the 30% withholding limitation.

Previously Capitalized Items can be Expensed; Depreciation Schedules Change Slightly

Under TCJA, the cost of improvements such as roofs, HVAC and security systems can now be expensed in the year they are installed providing for an immediate tax write-off. Previously, these costs had to be amortized over their useful life. Depreciation schedules under the tax overhaul have changed slightly. Commercial property is now depreciated over 40 years rather than 39 years and residential property is now depreciated over 30 years compared to 27.5 years. The slightly longer depreciation periods do have a small upward impact on the amount of taxes owed but the numerous benefits generated from TCJA far outweigh this.

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