
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-53964

HINES GLOBAL REIT, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland

(State or Other Jurisdiction of Incorporation or Organization)

2800 Post Oak Boulevard Suite 5000

Houston, Texas

(Address of principal executive offices)

26-3999995

(I.R.S. Employer Identification No.)

77056-6118

(Zip code)

Registrant's telephone number, including area code: (888) 220-6121

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value \$.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Aggregate market value of the common stock held by non-affiliates of the registrant: No established market exists for the registrant's common stock.

The registrant had 277.6 million shares of common stock outstanding as of March 17, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement in connection with its 2017 annual meeting of stockholders are incorporated by reference in Part III.

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PART I

Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K includes certain statements that may be deemed forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such forward-looking statements relate to, without limitation, potential future acquisitions, the completion of projects in development, economic conditions that may impact our operations, our future leverage and financial position, our future capital expenditures, future distributions, other developments and trends in the commercial real estate industry and our business strategy. Forward-looking statements are generally identifiable by the use of the words “may,” “will,” “should,” “expect,” “could,” “intend,” “plan,” “anticipate,” “estimate,” “believe,” “continue,” “predict,” “potential” or the negative of these words or other comparable terminology. These statements are not guarantees of future performance, and involve certain risks, uncertainties and assumptions that are difficult to predict.

The forward-looking statements in this Form 10-K are based on our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Any of the assumptions underlying forward-looking statements could prove to be inaccurate. To the extent that our assumptions differ from actual results, our ability to meet such forward-looking statements, including our ability to generate positive cash flow from operations, provide distributions to our stockholders and maintain the value of the real estate properties in which we hold an interest, may be significantly hindered.

Our stockholders are cautioned not to place undue reliance on any forward-looking statement in this Form 10-K. All forward-looking statements are made as of the date of this Form 10-K, and the risk that actual results will differ materially from the expectations expressed in this Form 10-K may increase with the passage of time. In light of the significant uncertainties inherent in the forward-looking statements in this Form 10-K, the inclusion of such forward-looking statements should not be regarded as a representation by us or any other person that the objectives and plans set forth in this Form 10-K will be achieved. Please see “Item 1A. Risk Factors” for a discussion of some of the risks and uncertainties that could cause actual results to differ materially from those presented in certain forward-looking statements.

Item 1. *Business*

General Description of Business and Operations

Hines Global REIT, Inc. (“Hines Global”) was incorporated under the Maryland General Corporation Laws on December 10, 2008, primarily for the purpose of investing in a diversified portfolio of quality commercial real estate properties and other real estate investments located throughout the United States and internationally. Hines Global raised the equity capital for its real estate investments through two public offerings from August 2009 through April 2014. Hines Global continues to offer up to \$500.0 million of shares of its common stock under its distribution reinvestment plan, pursuant to an offering which commenced on April 24, 2014 (the “DRP Offering”). Collectively, through its public offerings, including the DRP Offering, Hines Global raised approximately \$3.0 billion as of December 31, 2016. Hines Global engaged Hines Securities, Inc. (the “Dealer Manager”), an affiliate of Hines, to serve as the dealer manager for its two public offerings.

Hines Global conducts most of its activities through, and most of its real estate investments are held directly or indirectly by, Hines Global REIT Properties, LP (the “Operating Partnership”), which was formed on January 7, 2009. Hines Global contributes the proceeds it receives from the issuance of common shares to the Operating Partnership and the Operating Partnership in turn issues general partner interests to Hines Global. The general partner interests entitle Hines Global to receive its share of the Operating Partnership’s earnings or losses and distributions of cash flow.

We refer to Hines Global, the Operating Partnership and its wholly-owned subsidiaries as the “Company,” and the use of “we,” “our,” “us” or similar pronouns in this annual report refers to Hines Global or the Company as required by the context in which such pronoun is used.

We completed our investment phase during 2015 and have achieved one of our primary investment objectives of investing in a real estate portfolio that is diversified by asset type, geographic area, lease expirations and tenant industries. As of December 31, 2016, we owned interests in 41 real estate investments which contain, in the aggregate, 16.6 million square feet of leasable space, and we believe each investment is suitable for its intended purpose. These investments consisted of:

- Domestic office investments (11 investments)
- Domestic other investments (8 investments)
- International office investments (10 investments)
- International other investments (12 investments)

We have commenced the process of evaluating various strategic alternatives to execute a liquidity event (i.e., a sale of our assets, our sale or merger, a listing of our shares on a national securities exchange, a tender offer for our shares, or another similar transaction). That process is ongoing and we are continuing to evaluate strategic alternatives. There is no set timetable for the execution of such an event, and there is no assurance that any such event will occur.

We have no employees. Our business is managed by Hines Global REIT Advisors LP (the “Advisor”), an affiliate of our sponsor, Hines Interests Limited Partnership (“Hines”), under the terms and conditions of an advisory agreement between us, the Operating Partnership and the Advisor (the “Advisory Agreement”). As compensation for these services, we pay or have paid the Advisor asset management, acquisition, debt financing and disposition fees and we reimburse certain of the Advisor’s expenses incurred on our behalf in accordance with the advisory agreement. Hines or affiliates of Hines manage the leasing and operations of most of the properties in which we invest and, accordingly, we pay property management and leasing fees in connection with these services. Hines is owned and controlled by or for the benefit of Gerald D. Hines and his son Jeffrey C. Hines, the Chairman of our board of directors. Hines and its 3,750 employees have over 50 years of experience in the areas of investment selection, underwriting, due diligence, portfolio management, asset management, property management, leasing, disposition, finance, accounting and investor relations.

Our office is located at 2800 Post Oak Boulevard, Suite 5000, Houston, Texas 77056-6118. Our telephone number is 1-888-220-6121. Our web site is www.HinesSecurities.com. The information on our website is not incorporated by reference into this report.

Primary Investment Objectives

Our primary investment objectives are to:

- preserve invested capital;
- invest in a diversified portfolio of quality commercial real estate properties and other real estate investments;
- pay regular cash distributions;
- achieve attractive total returns upon the ultimate sale of our investments or occurrence of another liquidity event; and
- remain qualified as a real estate investment trust (“REIT”) for federal income tax purposes.

Acquisition and Investment Policies

We had invested all of the proceeds raised through our public offerings by the end of 2015. We may make additional investments in the future, from time to time. However, these investments will be funded with proceeds from the dispositions of other real estate investments, debt financings, or our distribution reinvestment plan. We have invested in a diversified portfolio of quality commercial real estate properties and other real estate investments throughout the United States and internationally. Our principal targeted assets have been investments in properties, and other real estate investments that relate to properties, that have quality construction and desirable locations which can attract quality tenants. These types of investments are generally located in central business districts or suburban markets of major metropolitan cities worldwide. We have invested in a geographically diverse portfolio in order to reduce the risk of reliance on a particular market, a particular property and/or a particular tenant. See “Item 2. Properties” for additional information regarding our real estate portfolio.

Financing Strategy and Policies

We have and may continue to use debt financing from time to time for acquisitions, property improvements, lease inducements, tenant improvements, redemptions and other working capital needs. As of December 31, 2016, our portfolio was 42% leveraged based on the values of our real estate investments.

Our existing indebtedness and any additional indebtedness we incur will likely be subject to continuing covenants, and we will likely be required to make continuing representations and warranties about the Company in connection with such debt. Moreover, some or all of our debt may be secured by some or all of our assets. If we default on the payment of interest or principal on any such debt, breach any representation or warranty in connection with any borrowing or violate any covenant in any loan document, our lender may accelerate the maturity of such debt, requiring us to immediately repay all outstanding principal.

Distribution Objectives

In order to qualify as a REIT for federal income tax purposes, we generally must distribute at least 90% of our taxable income (excluding capital gains) to our stockholders. We intend, although we are not legally obligated, to continue to make regular monthly distributions to holders of our common shares in excess of the level required to maintain our REIT status unless our results of operations, our general financial condition, general economic conditions or other factors inhibit us from doing so. Distributions are authorized at the discretion of our board of directors, which considers the requirements for our qualification as a REIT pursuant to the Internal Revenue Code of 1986, as amended (the “Code”).

We have declared distributions for the months of January 2014 through March 2017 at an amount equal to \$0.0017808 per share (approximately \$0.65 per share, per year on an annualized basis). Our cash flows from operations have been and may continue to be insufficient to fund distributions to stockholders. We funded 19% of total distributions for 2014, 37% of total distributions for 2015 and 15% of total distributions for 2016 with cash flows from financing activities, which include proceeds from our public offerings and proceeds from our debt financings.

During the years ended December 31, 2016, 2015 and 2014, respectively, we paid \$1.1 million, \$22.0 million and \$44.3 million in acquisition fees and expenses. Under accounting principles generally accepted in the United States (“GAAP”), acquisition fees and acquisition-related expenses are expensed and therefore reduced cash flows from operating activities. However, we funded these expenses with proceeds from our public offerings, debt or other equity capital. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition, Liquidity and Capital Resources” for additional information regarding our distributions.

Tax Status

We have elected to be treated as a REIT under the Code. Our management believes that we operate in such a manner as to qualify for treatment as a REIT and we intend to operate in the foreseeable future in such a manner so that we will remain qualified as a REIT for federal income tax purposes. Accordingly, no provision has been made for U.S. federal income taxes for the years ended December 31, 2016, 2015 and 2014 in the accompanying consolidated financial statements. In 2016, 2015 and 2014, income tax expense recorded by the Company was primarily comprised of foreign income taxes related to the operation of its international properties.

Competition

Numerous real estate companies, real estate investment trusts and U.S. institutional and foreign investors compete with us in acquiring properties or making other real estate investments and obtaining creditworthy tenants to occupy such properties, including, but not limited to, Hines Global REIT II, Inc. (“Hines Global II”), and other real estate investment vehicles sponsored by Hines. Many of these entities have significant financial and other resources, allowing them to compete effectively with us. Principal factors of competition in our primary business of acquiring properties or making other real estate investments include access to capital, the quality of properties, leasing terms (including rent and other charges and allowances for inducements and tenant improvements), the quality and breadth of tenant services provided, and reputation as an owner and operator of commercial real estate investments in the relevant market. Additionally, our ability to compete depends upon, among other factors, trends of the global, national and local economies, investment alternatives, financial condition and operating results of current and prospective tenants, availability and cost of capital, taxes, governmental regulations, legislation and demographic trends.

We believe Hines’ extensive real estate experience and depth and breadth of its organization of 3,750 employees located in over 100 cities across the United States and 19 foreign countries allows it to better identify investment opportunities for us. However, competition may increase our cost of acquisitions.

Customers

We are dependent upon the ability of current tenants to pay their contractual rent amounts as the rents become due. During the years ended December 31, 2016, 2015 and 2014, respectively, we did not earn more than 10% of total rental revenues from any individual tenant.

Available Information

Stockholders may obtain copies of our filings with the Securities and Exchange Commission (“SEC”), free of charge from the website maintained by the SEC at www.sec.gov or from our website at www.HinesSecurities.com. Further, a copy of this Annual Report on Form 10-K is located at the SEC’s Public Reference Room at 100 F Street NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. Our filings will be available on our website as soon as reasonably practicable after we electronically file such materials with the SEC. However, the information from our website is not incorporated by reference into this report.

Item 1A. Risk Factors

You should carefully read and consider the risks described below together with all other information in this report. If certain of the following risks actually occur, our results of operations and ability to pay distributions would likely suffer materially, or could be eliminated entirely. As a result, the value of our common shares may decline, and our stockholders could lose all or part of the money they paid to buy our common shares.

Risks Related to Our Business in General

A liquidity event is not guaranteed. If we do not successfully implement a liquidity event, investors may have to hold an investment for an indefinite period.

We have commenced the process of evaluating various strategic alternatives to provide stockholders with liquidity of their investment. A determination to pursue a liquidity event does not create an obligation to conclude the process within a set time. For example, if we adopt a plan of liquidation or enter into a contract to sell or merge the Company, the timing of such transactions may depend on real estate and financial markets, general or local economic conditions and federal income tax effects on our stockholders. We cannot guarantee that we will be able to liquidate all of our assets, sell or merge the Company or otherwise complete a liquidity event on favorable terms, if at all. If we were to adopt a plan of liquidation, we would likely remain in existence until all our investments are liquidated. Similarly, if we determined to list our common stock on a national securities exchange, the timing would depend in part on the general economic conditions and volatility of the financial markets. If there are delays in pursuing a liquidity event due to market conditions or otherwise, our common stock may continue to be illiquid and investors may, for an indefinite period of time, be unable to convert their shares to cash easily, if at all, and it could adversely affect their overall return. There is no set timetable for the execution of a liquidity event and there is no assurance that any such event will occur.

A prolonged national or world-wide economic downturn or volatile capital market conditions could adversely affect our results of operations and our ability to pay distributions to our stockholders.

If disruptions in the capital and credit markets were to occur, they could adversely affect our ability to obtain loans, credit facilities, debt financing and other financing, or, when available, to obtain such financing on reasonable terms, which could negatively impact our ability to implement our investment strategy.

If these disruptions in the capital and credit markets should occur as a result of, among other factors, uncertainty, changing regulation, changes in trade agreements reduced alternatives or additional failures of significant financial institutions, our access to liquidity could be significantly impacted. Prolonged disruptions could result in us taking measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs could be arranged. Such measures could include deferring investments, reducing or eliminating the number of shares redeemed under our share redemption program and reducing or eliminating distributions we make to our stockholders.

We believe the risks associated with our business are more severe during periods of economic downturn if these periods are accompanied by declining values in real estate. For example, a prolonged economic downturn could negatively impact our property investments as a result of increased customer delinquencies and/or defaults under our leases, generally lower demand for rentable space, potential oversupply of rentable space leading to increased concessions, and/or customer improvement expenditures, or reduced rental rates to maintain occupancies.

Our operations could be negatively affected to a greater extent if an economic downturn occurs, is prolonged or becomes more severe, which could significantly harm our revenues, results of operations, financial condition, liquidity, business prospects and our ability to make distributions to our stockholders and may result in a decrease in the value of our stockholders' investment.

Yields on and safety of deposits may be lower due to extensive declines in the financial markets.

We may hold funds in investments, including money market funds, bank money market accounts and CDs or other accounts at third-party depository institutions. Unusual declines in the financial markets similar to those experienced during the Great Recession, could result in a loss of some or all of these funds. In particular, money market funds may experience intense redemption pressure in such years and have difficulty satisfying redemption requests. As a result, we may not be able to access the cash in our money market investments. In addition, current yields from these investments are minimal.

The failure of any bank in which we deposit our funds could reduce the amount of cash we have available to pay distributions and make additional investments.

The Federal Deposit Insurance Corporation only insures amounts up to \$250,000 per depositor. It is likely that we will have cash and cash equivalents and restricted cash deposited in certain financial institutions in excess of federally insured levels. If any of the banking institutions in which we deposit funds ultimately fails, we may lose any amount of our deposits over federally insured levels. The loss of our deposits could reduce the amount of cash we have available to distribute or invest and could result in a decline in the value of our stockholders' investments.

We may need to incur borrowings that would otherwise not be incurred to meet REIT minimum distribution requirements.

In order to maintain our qualification as a REIT, we are required to distribute to our stockholders at least 90% of our annual ordinary taxable income. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions paid (or deemed paid) by us with respect to any calendar year are less than the sum of (i) 85% of our ordinary income for that year, (ii) 95% of our capital gain net income for that year and (iii) 100% of our undistributed taxable income from prior years.

We expect our income, if any, to consist principally of our share of the Operating Partnership's income, and the cash available for the payment of distributions by us to our stockholders will consist of our share of cash distributions made by the Operating Partnership and our other subsidiaries. As the general partner of the Operating Partnership, we will determine the amount of any distributions made by the Operating Partnership. However, we must consider a number of factors in making such distributions, including:

- the amount of the cash available for distribution;
- the impact of such distribution on other partners of the Operating Partnership;
- the Operating Partnership's financial condition;
- the Operating Partnership's capital expenditure requirements and reserves therefor; and
- the annual distribution requirements contained in the Code necessary to qualify and maintain our qualification as a REIT.

Differences in timing between the actual receipt of income and actual payment of deductible expenses and the inclusion of such income and deduction of such expenses when determining our taxable income, as well as the effect of nondeductible capital expenditures, the creation of reserves, the use of cash to purchase shares under our share redemption program or required debt amortization payments, could result in our having taxable income that exceeds cash available for distribution.

In view of the foregoing, we may be unable to meet the REIT minimum distribution requirements and/or avoid the 4% excise tax described above. In certain cases, we may decide to borrow funds in order to meet the REIT minimum distribution requirement and/or avoid the 4% excise tax even if our management believes that the then prevailing market conditions generally are not favorable for such borrowings or that such borrowings would not be advisable in the absence of such tax considerations.

Lenders may require us to enter into restrictive covenants that relate to or otherwise limit our operations, which could limit our ability to make distributions to our stockholders, to replace the Advisor or to otherwise achieve our investment objectives.

When providing financing, a lender may impose restrictions on us that affect our distribution and operating policies and our ability to incur additional debt. Loan agreements we enter into may contain covenants that limit our ability to further

mortgage property, discontinue insurance coverage, or make distributions under certain circumstances. In addition, provisions of our loan agreements may deter us from replacing the Advisor because of the consequences under such agreements and may limit our ability to replace the property manager or terminate certain operating or lease agreements related to the property. These or other limitations may adversely affect our flexibility and our ability to achieve our investment objectives.

Actions of our joint venture partners, including other Hines investment vehicles and third parties, could negatively impact our performance.

We are parties to several joint venture arrangements, including joint ventures in which Hines and its affiliates are parties. Joint ownership of properties or other investments, under certain circumstances, may involve risks not otherwise present with other methods of owning real estate or other real estate investments. Examples of these risks include:

- the possibility that our partners or co-investors might become insolvent or bankrupt;
- the possibility that such partners or co-investors might have economic or other business interests or goals that are inconsistent with our business interests or goals, including inconsistent goals relating to the sale of properties or other investments held in the joint venture or the timing of the termination and liquidation of the venture;
- the possibility that we may incur liabilities as the result of actions taken by our partners or co-investors; or
- the possibility that such partners or co-investors may be in controlling positions and/or be in a position to take actions contrary to our instructions or requests or contrary to our policies or objectives, including our policy with respect to qualifying and maintaining our qualification as a REIT.

Actions by a co-venturer, co-tenant or partner may result in subjecting the assets of the joint venture to unexpected liabilities. Under joint venture arrangements, neither co-venturer may have the power to control the venture, and under certain circumstances, an impasse could result and this impasse could have an adverse impact on the operations and profitability of the joint venture.

If we have a right of first refusal or buy/sell right to buy out a co-venturer or partner, we may be unable to finance such a buy-out if it becomes exercisable or we are required to purchase such interest at a time when it would not otherwise be in our best interest to do so. If our interest is subject to a buy/sell right, we may not have sufficient cash, available borrowing capacity or other capital resources to allow us to elect to purchase an interest of a co-venturer subject to the buy/sell right, in which case we may be forced to sell our interest as the result of the exercise of such right when we would otherwise prefer to keep our interest. Finally, we may not be able to sell our interest in a joint venture if we desire to exit the venture for any reason or if our interest is likewise subject to a right of first refusal of our co-venturer or partner, our ability to sell such interest may be adversely impacted by such right. Joint ownership arrangements with Hines affiliates may also entail conflicts of interest.

We have acquired, and may continue to acquire, various financial instruments for purposes of “hedging” or reducing our risks, which may be costly and ineffective and may reduce our cash available for distribution to our stockholders.

We may enter into currency rate swaps and caps or similar hedging or derivative transactions or arrangements, in order to manage or mitigate our risk of exposure to the effects of currency changes as a result of our international investments. Similarly, we have, and may continue to enter into interest rate swaps and caps, or similar hedging or derivative transactions or arrangements, in order to manage or mitigate our risk of exposure to the effects of interest rate changes due to variable interest rate debt that we may have.

We are different in some respects from other investment vehicles sponsored by Hines, and therefore the past performance of such investment vehicles may not be indicative of our future results.

We are one of three publicly-offered real estate investment vehicles that have been sponsored by Hines. We collectively refer to real estate joint ventures, funds and programs as investment vehicles. All but two of the other real estate investment vehicles of Hines and its affiliates were conducted through privately-held entities not subject to either the up-front commissions, fees and expenses associated with our public offerings or all the laws and regulations that govern us, including reporting requirements under the federal securities laws and tax and other regulations applicable to REITs.

The past performance of other real estate investment vehicles sponsored by Hines or its affiliates may not be indicative of our future results, and we may not be able to successfully operate our business and implement our investment strategy, which may be different in a number of respects from the operations previously conducted by Hines. In addition, a significant portion of Hines’ other programs and investments involve development projects. Although we have invested in development projects, they do not constitute a significant portion of our portfolio. As a result of all of these factors, our stockholders should not rely

on the past performance of other investment vehicles sponsored by Hines and its affiliates to predict, or as an indication of, our future performance.

Our success will be dependent on the performance of Hines as well as key employees of Hines. Certain other investment vehicles sponsored by Hines have experienced adverse developments in recent years and there is a risk that we may experience similar adverse developments.

Our ability to achieve our investment objectives and to pay distributions is dependent upon the performance of Hines and its affiliates as well as key employees of Hines in the identification and acquisition of investments, the selection of tenants, the determination of any financing arrangements, the management of our assets and operation of our day-to-day activities. Our board of directors and the Advisor have broad discretion when identifying, evaluating, making and managing our investments. Our stockholders will have no opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments. We will rely on the management ability of Hines and the oversight of our board of directors as well as the management of any entities or ventures in which we invest.

We may not be able to retain our key employees. To the extent we are unable to retain and/or find qualified successors for key employees that depart from the Company, our results of operations may be adversely impacted. Our officers and the management of the Advisor also serve in similar capacities for numerous other entities. If Hines or any of its key employees are distracted by these other activities or suffer from adverse financial or operational problems in connection with operations unrelated to us, the ability of Hines and its affiliates to allocate time and/or resources to our operations may be adversely affected. If Hines is unable to allocate sufficient resources to oversee and perform our operations for any reason, our results of operations would be adversely impacted. We will not provide key-man life insurance policies for any of Hines' key employees. Please see “— Risks Related to Potential Conflicts of Interest — Employees of the Advisor and Hines will face conflicts relating to time management and allocation of resources and investment opportunities.”

Certain other investment vehicles sponsored by Hines have experienced adverse developments in recent years. For example, in December 2009, Hines Real Estate Investment Trust, Inc. (“Hines REIT”) suspended its share redemption program, except with respect to redemptions in connection with the death or disability of a stockholder. Hines REIT re-opened its share redemption program with respect to ordinary redemption requests in April 2013. Hines REIT suspended the program again in May 2016. In May 2011, November 2012, April 2013, November 2013, December 2014, September 2015, and December 2016 Hines REIT's board of directors determined an estimated per share net asset value, or NAV, of \$7.78, \$7.61, \$6.75, \$6.40, \$6.50, \$6.65 and \$0.30, respectively, each of which was lower than the most recent primary offering price of \$10.08 (the offering closed in 2009). The reduction in the estimated NAV between November 2012 and April 2013 was due to Hines REIT's payment to its stockholders of special distributions in excess of \$0.80 per share (all of which represented a return of capital). In addition, Hines REIT decreased its distribution rate in July 2010 and further decreased the rate in April 2013. The reduction in the estimated NAV between September 2015 and December 2016 was due primarily to Hines REIT's payment to its stockholders of their initial liquidating distribution of \$6.20 per share.

In addition to Hines REIT, Hines Global II and HMS Income Fund, Inc. (“HMS”), Hines has sponsored more than 20 privately-offered programs in the past ten years. Several of Hines' privately-offered programs have experienced adverse economic developments due to the global financial crisis and deteriorating economic conditions in several European and South American countries, Mexico and several U.S. markets between 2007 and 2009. The adverse market conditions experienced by these programs may result in them altering their investment strategy, generating returns lower than originally expected, or ultimately may cause them to incur losses. There is a risk that we may experience similar adverse developments, as an investment vehicle sponsored by Hines.

Terrorist attacks and other acts of violence, civilian unrest or war may affect the markets in which we operate our operations and our profitability.

Terrorist attacks and other acts of violence, civilian unrest or war may negatively affect our operations and our stockholders' investments in our shares. Certain of our real estate investments are located in areas that may be susceptible to attack. In addition, any kind of terrorist activity or violent criminal acts, including terrorist acts against public institutions or buildings or modes of public transportation (including airlines, trains or buses) could have a negative effect on our business. These events may directly impact the value of our assets through damage, destruction, loss or increased security costs. We may not be able to obtain insurance against the risk of terrorism because it may not be available or may not be available on terms that are economically feasible. Further, even if we do obtain terrorism insurance, we may not be able to obtain sufficient coverage to fund any losses we may incur. Risks associated with potential acts of terrorism in the areas in which we acquire properties or other real estate investments could sharply increase the premiums we pay for coverage against property and casualty claims. Additionally, mortgage lenders in some cases have begun to insist that specific coverage against terrorism be purchased by commercial owners as a condition for providing loans.

The consequences of any armed conflict are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business or our stockholders' investments in our shares. More generally, any terrorist attack, other act of violence or war, including armed conflicts, could result in increased volatility in or damage to, the United States and worldwide financial markets and economy. They also could result in a continuation of the current economic uncertainty in the United States or abroad. Our revenues will be dependent upon the payment of rent and the return of our other investments which may be particularly vulnerable to uncertainty in the local economy. Increased economic volatility could adversely affect our tenants' ability to pay rent or the return on our other investments or our ability to borrow money or issue capital stock at acceptable prices and have a material adverse effect on our business, results of operations, cash flows and financial condition and our ability to make distributions to our stockholders and the value of their investment.

We may be subject to litigation which could have a material adverse effect on our business and financial condition.

We may be subject to litigation, including claims relating to our operations, offerings, unrecognized pre-acquisition contingencies and otherwise in the ordinary course of business. Some of these claims may result in potentially significant judgments against us, some of which are not, or cannot be, insured against. We generally intend to vigorously defend ourselves; however, we cannot be certain of the ultimate outcomes of claims that may arise in the future. Resolution of these types of matters against us may result in our payment of significant fines or settlements, which, if not insured against, or if these fines and settlements exceed insured levels, would adversely impact our earnings and cash flows. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage which could adversely impact our results of operations and cash flows, expose us to increased risks that would be uninsured and/or adversely impact our ability to attract officers and directors.

Our business could suffer in the event the Advisor, our transfer agent or any other party that provides us with services essential to our operations experiences system failures or cyberincidents or a deficiency in cybersecurity.

The Advisor, our transfer agent and other parties that provide us with services essential to our operations are vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that may include, but is not limited to, gaining unauthorized access to systems to disrupt operations, corrupt data, steal assets or misappropriate confidential information, such as confidential stockholder records. As reliance on technology in our industry has increased, so have the risks posed to our systems, both internal and those we have outsourced. In addition, the risk of a cyber incident, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and instructions from around the world have increased. The remediation costs and lost revenues experienced by a victim of a cyber incident may be significant and significant resources may be required to repair system damage, protect against the threat of future security breaches or to alleviate problems, including reputational harm, loss of revenues and litigation, caused by any breaches. There also may be liability for any stolen assets or misappropriated confidential information. Any material adverse effect experienced by the Advisor, our transfer agent and other parties that provide us with services essential to our operations could, in turn, have an adverse impact on us.

Risks Related to Investments in Real Estate

Geographic concentration of our portfolio may make us particularly susceptible to adverse economic developments in the real estate markets of those areas.

In the event that we have a concentration of properties in, or real estate investments that invest in properties located in, a particular geographic area, our operating results and ability to make distributions are likely to be impacted by economic changes affecting the real estate markets in that area. Therefore, stockholders' investment in our common stock will be subject to greater risk to the extent that we lack a geographically diversified portfolio. For example, based on our pro-rata share of the estimated market value of the real estate investments in which we owned interests as of December 31, 2016, approximately 11% of our portfolio consists of three properties located in Minneapolis, Minnesota and 9% of our portfolio consists of properties located in London, England. Consequently, our financial condition and ability to make distributions could be materially and adversely affected by any significant adverse developments in those markets. Please see "Item 2. Properties — Market Concentration."

Industry concentration of our tenants may make us particularly susceptible to adverse economic developments in these industries.

In the event we have a concentration of tenants in a particular industry, our operating results and ability to make distributions may be adversely affected by adverse developments in these industries and we will be subject to a greater risk to the extent that our tenants are not diversified by industry. For example, based on our pro-rata share of space leased to tenants as of December 31, 2016, 30% of our space is leased to tenants in the transportation and warehousing industry, 20% is leased to tenants in the retail industry and 11% is leased to tenants in the finance and insurance industry. Please see "Item 2. Properties — Industry Concentration."

We depend on tenants for our revenue, and therefore our revenue is dependent on the success and economic viability of our tenants. Our reliance on single or significant tenants in certain buildings may decrease our ability to lease vacated space.

Rental income from real property constitutes a significant portion of our income. Delays in collecting accounts receivable from tenants could adversely affect our cash flows and financial condition. In addition, the inability of a single major tenant or a number of smaller tenants to meet their rental obligations would adversely affect our income. Therefore, our financial success is indirectly dependent on the success of the businesses operated by the tenants in our properties or in the properties securing loans we may own. Tenants may have the right to terminate their leases upon the occurrence of certain customary events of default and, in other circumstances, may not renew their leases or, because of market conditions, may be able to renew their leases on terms that are less favorable to us than the terms of the current leases. The weakening of the financial condition or the bankruptcy or insolvency of a significant tenant or a number of smaller tenants and vacancies caused by defaults of tenants or the expiration of leases, may adversely affect our operations and our ability to pay distributions.

Generally, under U.S. bankruptcy law, a debtor tenant has 120 days to exercise the option of assuming or rejecting the obligations under any unexpired lease for nonresidential real property, which period may be extended once by the bankruptcy court. If the tenant assumes its lease, the tenant must cure all defaults under the lease and may be required to provide adequate assurance of its future performance under the lease. If the tenant rejects the lease, we will have a claim against the tenant's bankruptcy estate. Although rent owing for the period between filing for bankruptcy and rejection of the lease may be afforded administrative expense priority and paid in full, pre-bankruptcy arrears and amounts owing under the remaining term of the lease will be afforded general unsecured claim status (absent collateral securing the claim). Moreover, amounts owing under the remaining term of the lease will be capped. Other than equity and subordinated claims, general unsecured claims are the last claims paid in a bankruptcy and therefore funds may not be available to pay such claims in full. In addition, while the specifics of the bankruptcy laws of international jurisdictions may differ from the U.S. bankruptcy laws described herein, the bankruptcy or insolvency of a significant tenant or a number of smaller tenants at any of the international properties we may acquire, may similarly adversely impact our operations and our ability to pay distributions.

Some of our properties may be leased to a single or significant tenant and, accordingly, may be suited to the particular or unique needs of such tenant. We may have difficulty replacing such a tenant if the floor plan of the vacant space limits the types of businesses that can use the space without major renovation. In addition, the resale value of the property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

A change in U.S. accounting standards regarding operating leases may make the leasing of our properties less attractive to our potential tenants, which could reduce overall demand for our leasing services.

Under current authoritative accounting guidance for leases, a lease is classified by a tenant as a capital lease if the significant risks and rewards of ownership are considered to reside with the tenant. Under capital lease accounting, both the leased asset and liability are reflected on the tenant's balance sheet. If the terms of the lease do not meet the criteria for a capital lease, the lease is considered an operating lease and no leased asset or contractual lease obligation is recorded on the tenant's balance sheet. Accordingly, under the current accounting standards for leases, the entry into an operating lease with respect to real property can appear to enhance a tenant's reported financial condition or results of operations in comparison to the tenant's direct ownership of the property.

In order to address concerns raised by the SEC regarding the transparency of contractual lease obligations under the existing accounting standards for operating leases, the FASB issued ASU 2016-02 on February 25, 2016, which substantially changes the current lease accounting standards, primarily by significantly changing the concept of operating lease accounting. As a result, a lease asset and obligation will be recorded on the tenant's balance sheet for all lease arrangements. In addition, ASU 2016-02 will impact the method in which contractual lease payments will be recorded. In order to mitigate the effect of the new lease accounting standards, tenants may seek to negotiate certain terms within new lease arrangements or modify terms in existing lease arrangements, such as shorter lease terms, which would generally have less impact on their balance sheets. Also, tenants may reassess their lease-versus-buy strategies. This could result in a greater renewal risk or shorter lease terms, which may negatively impact our operations and our ability to pay distributions to our stockholders. The new leasing standard is effective on January 1, 2019, with early adoption permitted.

We may suffer adverse consequences if our revenues decline since our operating costs do not necessarily decline in proportion to our revenue.

We earn a significant portion of our income from renting our properties. Our operating costs, however, do not necessarily fluctuate in proportion to changes in our rental revenue. As a result, our costs will not necessarily decline even if our revenues do. Similarly, our operating costs could increase while our revenues stay flat or decline. In either such event, we may be forced to borrow funds to cover our costs, we may incur losses or we may not have cash available to service our debt and to pay distributions to our stockholders.

Due to the risks involved in the ownership of real estate investments and real estate acquisitions, a return on an investment in Hines Global is not guaranteed, and our stockholders may lose some or all of their investment.

By owning our shares, stockholders will be subjected to significant risks associated with owning and operating real estate investments. The performance of their investment in Hines Global will be subject to such risks, including:

- changes in the general economic climate;
- changes in local conditions such as an oversupply of space or reduction in demand for real estate;
- changes in interest rates and the availability of financing;
- changes in property level operating expenses due to inflation or otherwise;
- changes in laws and governmental regulations, including those governing real estate usage, zoning and taxes; and
- changes due to factors that are generally outside of our control, such as terrorist attacks and international instability, natural disasters and acts of God, over-building, adverse national, state or local changes in applicable tax, environmental or zoning laws and a taking of any of the properties which we own or in which we otherwise have interests by eminent domain.

In addition, we expect to acquire additional properties in the future, which may subject us to additional risks associated with real estate property acquisitions, including the risks that:

- the investments will fail to perform in accordance with our expectations because of conditions or liabilities we did not know about at the time of acquisition; and
- our projections or estimates with respect to the performance of the investments, the costs of operating or improving the properties or the effect of the economy or capital markets on the investments will prove inaccurate.

Any of these factors could have a material adverse effect on our business, results of operations, cash flows and financial condition and our ability to make distributions to our stockholders and the value of their investment.

We may be adversely affected by trends in the office real estate industry.

Some businesses are rapidly evolving to make employee telecommuting, flexible work schedules, open workplaces and teleconferencing increasingly common. These practices enable businesses to reduce their space requirements. A continuation of the movement towards these practices could over time erode the overall demand for office space and, in turn, place downward pressure on occupancy, rental rates and property valuations, each of which could have an adverse effect on our financial position, results of operations, cash flows and ability to make distributions to our stockholders.

An economic slowdown or rise in interest rates or other unfavorable changes in economic conditions in the markets in which we operate could adversely impact our business, results of operations, cash flows and financial condition and our ability to make distributions to our stockholders and the value of their investment.

The development of negative economic conditions in the markets in which we operate may significantly affect occupancy, rental rates and our ability to collect rent from our tenants, as well as our property values, which could have a material adverse impact on our cash flows, operating results and carrying value of investment property. For example, an economic recession or rise in interest rates could make it more difficult for us to lease real properties, may require us to lease the real properties we acquire at lower rental rates and may lead to an increase in tenant defaults. In addition, these conditions may also lead to a decline in the value of our properties and make it more difficult for us to dispose of these properties at an attractive price. Other risks that may affect conditions in the markets in which we operate include:

- local conditions, such as an oversupply of the types of properties we invest in or a reduction in demand for such properties in the area; and
- increased operating costs, if these costs cannot be passed through to tenants.

International, national, regional and local economic climates have been adversely affected by the slow job growth of recent years. To the extent any of the adverse conditions described above occurs in the specific markets in which we operate, market rents, occupancy rates and our ability to collect rents from our tenants will likely be affected and the value of our properties may decline. We could also face challenges related to adequately managing and maintaining our properties, should we experience increased operating cost and as a result, we may experience a loss of rental revenues. Any of these factors may adversely affect our business, results of operations, cash flows and financial condition, our ability to make distributions to our stockholders and the value of their investment.

Our use of borrowings to partially fund acquisitions and improvements on properties could result in foreclosures and unexpected debt service expenses upon refinancing, both of which could have an adverse impact on our operations and cash flow.

We are relying and intend to continue to rely in part on borrowings under our credit facilities and other external sources of financing to fund the costs of any new investments, capital expenditures and other items. Accordingly, we are subject to the risks that our cash flow will not be sufficient to cover required debt service payments and that we will be unable to meet other covenants or requirements in the credit agreements.

If we cannot meet our required debt obligations, the property or properties securing such indebtedness could be foreclosed upon by, or otherwise transferred to, our lender, with a consequent loss of income and asset value to us. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but we may not receive any cash proceeds. Additionally, we may be required to refinance our debt subject to “lump sum” or “balloon” payment maturities on terms less favorable than the original loan or at a time we would otherwise prefer to not refinance such debt. A refinancing on such terms or at such times could increase our debt service payments, which would decrease the amount of cash we would have available for operations, new investments and distribution payments and may cause us to determine to sell one or more properties at a time when we would not otherwise do so.

Uninsured losses relating to real property may adversely impact the value of our portfolio.

We attempt to ensure that all of our properties are adequately insured to cover casualty losses. However, there are types of losses, generally catastrophic in nature, which are uninsurable, are not economically insurable or are only insurable subject to limitations. Examples of such catastrophic events include acts of war or terrorism, earthquakes, floods, hurricanes and pollution or environmental matters. We may not have adequate coverage in the event we or our buildings suffer casualty losses. If we do not have adequate insurance coverage, the value of our assets will be reduced as the result of, and to the extent of, any such

uninsured losses. Additionally, we may not have access to capital resources to repair or reconstruct any uninsured damage to a property.

We may be unable to obtain desirable types of insurance coverage at a reasonable cost, if at all, and we may be unable to comply with insurance requirements contained in mortgage or other agreements due to high insurance costs.

We may not be able either to obtain certain desirable types of insurance coverage, such as terrorism, earthquake, flood, hurricane and pollution or environmental matter insurance, or to obtain such coverage at a reasonable cost in the future, and this risk may limit our ability to finance or refinance debt secured by our properties. Additionally, we could default under debt or other agreements if the cost and/or availability of certain types of insurance make it impractical or impossible to comply with covenants relating to the insurance we are required to maintain under such agreements. In such instances, we may be required to self-insure against certain losses or seek other forms of financial assurance.

The real estate industry is subject to extensive regulation, which may result in higher expenses or other negative consequences that could adversely affect us.

Our activities are subject to federal, state and municipal laws, and to regulations, authorizations and license requirements with respect to, among other things, zoning, environmental protection and historical heritage, all of which may affect our business. We may be required to obtain licenses and permits with different governmental authorities in order to acquire and manage our assets.

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which generally took effect in 2011, contains a sweeping overhaul of the regulation of U.S. financial institutions and financial markets. Key provisions of the Dodd-Frank Act require extensive rulemaking by the SEC and the U.S. Commodity Futures Trading Commission, some of which remains ongoing. Thus, the full impact of the Dodd-Frank Act on our business cannot be fully assessed until all final implementing rules and regulations are promulgated.

Various rules currently in effect under the Dodd-Frank Act may have a significant impact on our business, including, without limitation, provisions of the legislation that increase regulation of and disclosure requirements related to investment advisors, swap transactions and hedging policies, corporate governance and executive compensation, investor protection and enforcement provisions, and asset-backed securities. In February 2017, the U.S. President ordered the Secretary of the U.S. Treasury to review certain existing rules and regulations, such as those promulgated under the Dodd-Frank Act; however, the implications of that review are not yet known and none of the rules and regulations promulgated under the Dodd-Frank Act have been modified or rescinded as of the date of this report.

For example, but not by way of limitation, the Dodd-Frank Act and the rules and regulations promulgated thereunder provides for significantly increased regulation of the derivatives markets and transactions that affect our interest rate hedging activities, including: (i) regulatory reporting, (ii) subject to limited exemptions, mandated clearing through central counterparties and execution on regulated exchanges or execution facilities, and (iii) margin and collateral requirements. While the full impact of the Dodd-Frank Act on our interest rate hedging activities cannot be fully assessed until all final implementing rules and regulations are promulgated, the foregoing requirements may affect our ability to enter into hedging or other risk management transactions, may increase our costs in entering into such transactions, and/or may result in us entering into such transactions on less favorable terms than prior to the Dodd-Frank Act. For example, subject to an exception for “end-users” of swaps upon which we may seek to rely, we may be required to clear certain interest rate hedging transactions by submitting them to a derivatives clearing organization. To the extent we are required to clear any such transactions, we will be required to, among other things, post margin in connection with such transactions. The occurrence of any of the foregoing events may have an adverse effect on our business and our stockholders’ return.

In addition, public authorities may enact new and more stringent standards, or interpret existing laws and regulations in a more restrictive manner, which may force companies in the real estate industry, including us, to spend funds to comply with these new rules. Any such action on the part of public authorities may adversely affect our results from operations.

In the event of noncompliance with such laws, regulations, licenses and authorizations, we may face the payment of fines, project shutdowns, cancellation of licenses, and revocation of authorizations, in addition to other civil and criminal penalties.

We operate in a competitive business, and many of our competitors have significant resources and operating flexibility, allowing them to compete effectively with us.

Numerous real estate companies that operate in the markets in which we may operate will compete with us in acquiring real estate investments and obtaining creditworthy tenants to occupy such properties or the properties owned by such investments. One such company with whom we may compete for tenants is Hines Global REIT II. Such competition could adversely affect our business. There are numerous real estate companies, real estate investment trusts and U.S. institutional and foreign investors that will compete with us in seeking investments and tenants for properties. Many of these entities have significant financial and other resources, including operating experience, allowing them to compete effectively with us. In addition, our ability to charge premium rental rates to tenants may be negatively impacted. This increased competition may increase our costs of acquisitions or investments or lower our occupancy rates and the rent we may charge tenants. In addition, the arrival of new competitors in the immediate areas where we have assets could require unplanned investments in our assets, which may adversely affect us. We may also have difficulty in renewing leases or in leasing to new tenants, which may lead to a reduction in our cash flow and operating income, since the proximity of new competitors could divert existing or new tenants to such competitors, resulting in vacancies.

We may have difficulty selling real estate investments, and our ability to distribute all or a portion of the net proceeds from such sales to our stockholders may be limited.

Real estate investments are relatively illiquid. We will have a limited ability to vary our portfolio in response to changes in economic or other conditions. We will also have a limited ability to sell assets in order to fund working capital and similar capital needs such as share redemptions. We expect to generally hold a real estate investment for the long term. When we sell any of our real estate investments, we may not realize a gain on such sale or the amount of our taxable gain could exceed the cash proceeds we receive from such sale. We may not distribute any proceeds from the sale of real estate investments to our stockholders. Rather, we may use such proceeds to:

- purchase additional real estate investments;
- repay debt;
- buy out interests of any co-venturers or other partners in any joint venture in which we are a party;
- purchase shares under our share redemption program;
- create working capital reserves; or
- make repairs, maintenance, tenant improvements or other capital improvements or expenditures to our other properties.

The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any property for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. Real estate generally cannot be sold quickly. Therefore, we may not be able to dispose of properties promptly, or on favorable terms, in response to economic or other market conditions, and this may adversely impact our ability to make distributions to stockholders. In addition, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure stockholders that we will have funds available to correct such defects or to make such improvements.

Our ability to sell our properties may also be limited by our desire to avoid a 100% penalty tax that is imposed on gain recognized by a REIT from the sale of property characterized as dealer property. In order to avoid such characterization and to take advantage of certain safe harbors under the Code, we may determine to hold our properties for a minimum period of at least two years, in addition to satisfying certain other requirements.

The sale of properties may cause us to incur penalty taxes, fail to maintain our REIT status, or own and sell properties through Taxable REIT Subsidiaries ("TRSs"), each of which would diminish the return to our stockholders.

The sale of one or more of our properties may be considered a prohibited transaction under the Code. Any "inventory-like" sales could be considered such a prohibited transaction. If we are deemed to have engaged in a "prohibited transaction" (i.e., we sell a property held by us primarily for sale in the ordinary course of our trade or business), all net gain that we derive from such sale would be subject to a 100% penalty tax. The Code sets forth a safe harbor for REITs that wish to sell property without risking the imposition of the 100% penalty tax. The principal requirements of the safe harbor are that: (i) the REIT must hold the applicable property for not less than two years for the production of rental income prior to its sale; (ii) the aggregate expenditures made by the REIT, or any partner of the REIT, during the two-year period preceding the date of sale which are includible in the basis of the property do not exceed 30% of the net selling price of the property; and (iii) property sales by the

REIT do not exceed at least one of the following thresholds: (a) seven sales in the current year; (b) sales in the current year that do not exceed 10% of the REIT's assets as of the beginning of the year (as measured by either fair market value or tax basis); or (c) sales in the current year that do not exceed 20% of the REIT's assets as of the beginning of the year, and sales over a three-year period do not exceed, on average, 10% per annum of the REIT's assets, in each case as measured by either fair market value or tax basis. Given our investment and operating strategy, the sale of one or more of our properties may not satisfy the above prohibited transaction safe harbor.

If we desire to sell a property pursuant to a transaction that does not satisfy the safe harbor, we may be able to avoid the prohibited transaction tax if we hold and sell the property through a TRS. In that case, any gain would be taxable to the TRS at regular corporate income tax rates. We may decide to forego the use of a TRS in a transaction that does not meet the safe harbor based on our own internal analysis, the opinion of counsel or the opinion of other tax advisors that the disposition will not be subject to the prohibited transaction tax. In cases where a property disposition is not effected through a TRS, the Internal Revenue Service could assert that the disposition constitutes a prohibited transaction. If such an assertion were successful, all of the net gain from the sale of the property will be payable as a tax which will have a negative impact on cash flow and the ability to make cash distributions.

As a REIT, the value of our ownership interests held in our TRSs may not exceed 25% of the value of all of our assets at the end of any calendar quarter (20% commencing in 2018). If the IRS were to determine that the value of our interests in all of our TRSs exceeded 25% of the value of our total assets at the end of any calendar quarter (or 20% after 2017), then we could fail to qualify as a REIT. If we determine it to be in our best interest to own a substantial number of our properties through one or more TRSs, then it is possible that the IRS may conclude that the value of our interests in our TRSs exceeds 25% (or 20%) of the value of our total assets at the end of any calendar quarter and therefore cause us to fail to qualify as a REIT. Additionally, as a REIT, generally no more than 25% of our gross income with respect to any year may be from sources other than real estate. Distributions paid to us from a TRS are considered to be non-real estate income. Therefore, we may fail to qualify as a REIT if distributions from all of the Company's TRSs, when aggregated with all other non-real estate income with respect to any one year, are more than 25% of the Company's gross income with respect to such year.

Potential liability as the result of, and the cost of compliance with, environmental matters could adversely affect our operations.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the cost of removal or remediation of hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances.

We have invested in properties historically used for industrial, manufacturing and commercial purposes. These properties are more likely to contain, or may have contained, underground storage tanks for the storage of petroleum products and other hazardous or toxic substances. All of these operations create a potential for the release of petroleum products or other hazardous or toxic substances. Leasing properties to tenants that engage in industrial, manufacturing, and commercial activities will cause us to be subject to increased risk of liabilities under environmental laws and regulations. The presence of hazardous or toxic substances, or the failure to properly remediate these substances, may adversely affect our ability to sell, rent or pledge such property as collateral for future borrowings.

Environmental laws also may impose restrictions on the manner in which properties may be used or businesses may be operated, and these restrictions may require expenditures. Such laws may be amended so as to require compliance with stringent standards which could require us to make unexpected, substantial expenditures. Environmental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. We may be potentially liable for such costs in connection with the acquisition and ownership of our properties in the United States. In addition, we may invest in properties located in countries that have adopted laws or observe environmental management standards that are less stringent than those generally followed in the United States, which may pose a greater risk that releases of hazardous or toxic substances have occurred to the environment. The cost of defending against claims of liability, compliance with environmental regulatory requirements or remediating any contaminated property could be substantial and require a material portion of our cash flow.

We face possible risks associated with the physical effects of climate change.

We cannot predict with certainty whether climate change is occurring and, if so, at what rate. However, the physical effects of climate change could have a material adverse effect on our properties, operations and business. To the extent climate change causes changes in weather patterns, our markets could experience increases in storm intensity, such as those experienced in Super

Storm Sandy in October 2012, and rising sea-levels. Over time, these conditions could result in declining demand for office space in our buildings or the inability of us to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy and increasing the cost of snow removal at our properties. There can be no assurance that climate change will not have a material adverse effect on our properties, operations or business.

Our properties are subject to property taxes that may increase in the future, which could adversely affect our cash flow.

Our properties are subject to real and personal property taxes that may increase as property tax rates change and as the properties are assessed or reassessed by taxing authorities. We anticipate that most of our leases will generally provide that the property taxes or increases therein, are charged to the lessees as an expense related to the properties that they occupy. As the owner of the properties, however, we are ultimately responsible for payment of the taxes to the government. If property taxes increase, our tenants may be unable to make the required tax payments, ultimately requiring us to pay the taxes. In addition, we will generally be responsible for property taxes related to any vacant space. If we purchase residential properties, the leases for such properties typically will not allow us to pass through real estate taxes and other taxes to residents of such properties. Consequently, any tax increases may adversely affect our results of operations at such properties.

Our costs associated with complying with the Americans with Disabilities Act of 1990, or the ADA, may affect cash available for distributions.

Any domestic properties we acquire will generally be subject to the ADA. Under the ADA, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. The ADA has separate compliance requirements for “public accommodations” and “commercial facilities” that generally require that buildings and services be made accessible and available to people with disabilities. The ADA’s requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties or, in some cases, an award of damages. We may not acquire properties that comply with the ADA or we may not be able to allocate the burden on the seller or other third-party, such as a tenant, to ensure compliance with the ADA in all cases. Foreign jurisdictions may have similar requirements and any funds we use for ADA or similar compliance may affect cash available for distributions and the amount of distributions to you.

Our properties may contain or develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem.

If any of our properties has or develops mold we may be required to undertake a costly program to remediate, contain or remove the mold. Mold growth may occur when moisture accumulates in buildings or on building materials. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing because exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. We may become liable to our tenants, their employees and others if property damage or health concerns arise, all of which could have a material adverse effect on our business, results of operations, cash flows and financial condition and our ability to make distributions to our stockholders and the value of their investment.

If we set aside insufficient working capital reserves, we may be required to defer necessary or desirable property improvements.

If we do not establish sufficient reserves for working capital to supply necessary funds for capital improvements or similar expenses, we may be required to defer necessary or desirable improvements to our properties. If we defer such improvements, the applicable properties may decline in value, it may be more difficult for us to attract or retain tenants to such properties or the amount of rent we can charge at such properties may decrease.

Changes in supply of or demand for similar properties in a particular area may increase the price of real estate assets we may seek to purchase or adversely affect the value of the properties we own.

The real estate industry is subject to market forces and we are unable to predict certain market changes including changes in supply of or demand for similar properties in a particular area. For example, if demand for the types of real estate assets in which we seek to invest were to sharply increase or supply of those assets were to sharply decrease, the prices of those assets could rise significantly. Any potential purchase of an overpriced asset could decrease our rate of return on these investments and result in lower operating results and overall returns to you. Likewise, a sharp increase in supply could adversely affect lease rates and occupancy, which could result in lower operating results and overall returns to you.

Retail properties depend on anchor tenants to attract shoppers and could be adversely affected by the loss of a key anchor tenant.

We have acquired properties that include retail space. Retail properties, like other properties, are subject to the risk that tenants may be unable to make their lease payments or may decline to extend a lease upon its expiration. A lease termination by a tenant that occupies a large area of a retail center (commonly referred to as an anchor tenant) could impact leases of other tenants. Other tenants may be entitled to modify the terms of their existing leases in the event of a lease termination by an anchor tenant, or the closure of the business of an anchor tenant that leaves its space vacant even if the anchor tenant continues to pay rent. Any such modifications or conditions could be unfavorable to us as the property owner and could decrease rents or expense recoveries. Additionally, major tenant closures may result in decreased customer traffic, which could lead to decreased sales at other stores. In the event of default by a tenant or anchor store, we may experience delays and costs in enforcing our rights as landlord to recover amounts due to us under the terms of our agreements with those parties.

Leases with retail properties' tenants may restrict us from re-leasing space.

Most leases with retail tenants contain provisions giving the particular tenant the exclusive right to sell particular types of merchandise or provide specific types of services within the particular retail center. These provisions may limit the number and types of prospective tenants interested in leasing space in a particular retail property.

We purchased assets at a time when the commercial real estate market was experiencing substantial influxes of capital investment and competition for properties, and the real estate we purchased may not appreciate or may decrease in value.

Real estate investment transaction volume has increased since 2010, and estimated going-in capitalization rates, or cap rates (ratio of the net projected operating income of a property in its initial fiscal year divided by the net purchase price), have fallen relative to their post-recession peaks in late 2009. There continues to be a significant amount of investment capital pursuing high-quality, well-located assets that generate stable cash flows, causing aggressive competition and pricing for assets which match our investment strategy. This may continue to drive prices higher, resulting in lower cap rates and returns. We have purchased real estate in this environment and we are subject to the risks that the value of our assets may not appreciate or may decrease significantly below the amount we paid for such assets if the real estate market ceases to attract the same level of capital investment in the future as it attracted when we purchased such assets, or if the number of companies seeking to acquire such assets decreases. If any of these circumstances occur or the values of our investments are otherwise negatively affected, the value of our stockholders' investment may be lower.

Risks Related to International Investments

We are subject to additional risks from our international investments.

Many of the properties in our portfolio are located outside the United States. We may purchase others and may make or purchase loans or participations in loans secured by property located outside the United States. These investments may be affected by factors particular to the laws and business practices of the jurisdictions in which the properties are located.

These laws and business practices may expose us to risks that are different from and in addition to those commonly found in the United States. Foreign investments pose the following risks:

- the burden of complying with a wide variety of foreign laws;
- changing governmental rules and policies, including changes in land use and zoning laws, more stringent environmental laws or changes in such environmental laws;
- existing or new laws relating to the foreign ownership of real property or loans and laws restricting the ability of foreign persons or companies to remove profits earned from activities within the country to the person's or company's country of origin;
- the potential for expropriation;
- possible currency transfer restrictions;
- imposition of adverse or confiscatory taxes;
- changes in real estate and other tax rates and changes in other operating expenses in particular countries;
- possible challenges to the anticipated tax treatment of the structures that allow us to acquire and hold investments;
- adverse market conditions caused by terrorism, civil unrest and changes in national or local governmental or economic conditions;
- the willingness of domestic or foreign lenders to make loans in certain countries and changes in the availability, cost and terms of loan funds resulting from varying national economic policies;
- general political and economic instability in certain regions;
- the potential difficulty of enforcing obligations in other countries; and
- Hines' limited experience and expertise in foreign countries relative to its experience and expertise in the United States.

For example, the events of recent years in Russia and Ukraine could adversely affect our real estate investments in Russia. We currently have two real estate investments in Moscow, representing \$166.9 million of equity or approximately 4% of our total invested equity. We believe the primary risk to our real estate investments resulting from unfolding events in Ukraine is the potential for the crisis to escalate to the point of significant and prolonged destabilization of the Russian economy, as well as the impact of potential long-term sanctions imposed on Russia by other nations. These risks could adversely impact ongoing valuations and operating performance of our Russian real estate investments, as well as their ultimate liquidity.

Investments in properties or other real estate investments outside the United States subject us to foreign currency risks, which may adversely affect distributions and our REIT status.

Revenues generated from any properties or other real estate investments or ventures we enter into relating to transactions involving assets located in markets outside the United States likely will be denominated in the local currency. Therefore, any investments we make outside the United States may subject us to foreign currency risk due to potential fluctuations in exchange rates between foreign currencies and the U.S. dollar. As a result, changes in exchange rates of any such foreign currency to the U.S. dollar may affect our revenues, operating margins and distributions and may also affect the book value of our assets and the amount of stockholders' equity.

Changes in foreign currency exchange rates used to value a REIT's foreign assets may be considered changes in the value of the REIT's assets. These changes may adversely affect our status as a REIT. Further, bank accounts in foreign currency which are not considered cash or cash equivalents may adversely affect our status as a REIT.

The United Kingdom's non-binding referendum of June 23, 2016 to exit the European Union could adversely affect market rental rates and commercial real estate values in the United Kingdom and Europe.

On June 23, 2016, the United Kingdom held a non-binding referendum in which a majority of voters voted in favor of the United Kingdom's exit from the European Union. Negotiations to determine the terms of the United Kingdom's relationship with the European Union after the exit, including, among other things, the terms of trade between the United Kingdom and the European Union are expected to commence. The effects of the exit will depend on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. The Brexit vote may:

- adversely affect European and worldwide economic and market conditions;
- adversely affect commercial property market rental rates in the United Kingdom and continental Europe;
- adversely affect commercial property market values in the United Kingdom and continental Europe;
- adversely affect the availability of financing for commercial properties in the United Kingdom and continental Europe, which could reduce the price for which we are able to sell properties we have acquired in such geographic locations; and
- create further instability in global financial and foreign exchange markets, including volatility in the value of the sterling and euro.

Each of these effects may occur regardless of whether the United Kingdom departs from the European Union because the capital and credit markets are subject to volatility and disruption. As of December 31, 2016, 9% of our real estate investment portfolio was located in London, England. A decline in economic conditions could negatively impact commercial real estate fundamentals and result in lower occupancy, lower rental rates and declining values in our portfolio, which could, among other things, adversely affect our business and financial condition.

Inflation in foreign countries, along with government measures to curb inflation, may have an adverse effect on our investments.

Certain countries have in the past experienced extremely high rates of inflation. Inflation, along with governmental measures to curb inflation, coupled with public speculation about possible future governmental measures to be adopted, has had significant negative effects on these international economies in the past and this could occur again in the future. The introduction of governmental policies to curb inflation can have an adverse effect on our business. High inflation in the countries in which we purchase real estate or make other investments could increase our expenses and we may not be able to pass these increased costs on to our tenants.

Lack of compliance with the United States Foreign Corrupt Practices Act ("FCPA") could subject us to penalties and other adverse consequences.

We are subject to the FCPA, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Foreign companies, including potential competitors, are not subject to these prohibitions. Fraudulent practices, including corruption, extortion, bribery, pay-offs, theft and others, occur from time-to-time in countries in which we may do business. If people acting on our behalf or at our request are found to have engaged in such practices, severe penalties and other consequences could be imposed on us that may have a material adverse effect on our business, results of operations, cash flows and financial condition and our ability to make distributions to our stockholders and the value of their investment.

Risks Related to Organizational Structure

Any interest in Hines Global will be diluted by the Special OP Units and any other OP Units in the Operating Partnership, and any interest in Hines Global may be diluted if we issue additional shares.

Hines Global owned a 99.99% general partner interest in the Operating Partnership as of December 31, 2016. Affiliates of Hines owned the remaining 0.01% interest in the Operating Partnership. Hines Global REIT Associates Limited Partnership owns the special units of the Operating Partnership (the "Special OP Units"), which were issued as consideration for an obligation by Hines and its affiliates to perform services in connection with our real estate operations. Payments with respect to these interests will reduce the amount of distributions that would otherwise be payable to our stockholders in the future.

Stockholders do not have preemptive rights to acquire any shares issued by us in the future. Therefore, investors may experience dilution of their equity investment if we:

- sell additional shares in the future, including those issued pursuant to our distribution reinvestment plan;

- sell securities that are convertible into shares, such as units of the Operating Partnership (“OP Units”);
- at the option of the Advisor, issue OP Units to pay for certain fees;
- issue OP Units or common shares to the Advisor or affiliates in exchange for advances or deferrals of fees;
- issue shares in a private offering; or
- issue shares to sellers of properties acquired by us in connection with an exchange of partnership units from the Operating Partnership.

The repurchase of interests in the Operating Partnership held by Hines and its affiliates (including the Special OP Units and other OP Units) as required in our Advisory Agreement may discourage a takeover attempt.

Under certain circumstances, including a merger, consolidation or sale of substantially all of our assets or any similar transaction, a transaction pursuant to which a majority of our board of directors then in office are replaced or removed, or the termination or non-renewal of our Advisory Agreement under various circumstances, the Operating Partnership is, at the election of Hines or its affiliates, required to purchase the Special OP Units and any OP Units that Hines or its affiliates own for cash (or, in certain cases, a promissory note) or our shares, at the election of the holder. These rights may deter these types of transactions which may limit the opportunity for stockholders to receive a premium for their common shares that might otherwise exist if an investor attempted to acquire us.

Hines’ ability to cause the Operating Partnership to purchase the Special OP Units and any other OP Units that it or its affiliates hold in connection with the termination of our Advisory Agreement may deter us from terminating our Advisory Agreement.

Under certain circumstances, if we are not advised by an entity affiliated with Hines, Hines or its affiliates may cause the Operating Partnership to purchase some or all of the Special OP Units or any other OP Units then held by such entities. Under these circumstances if the amount necessary to purchase Hines’ and its affiliates’ interests in the Operating Partnership is substantial, these rights could discourage or deter us from terminating our Advisory Agreement under circumstances in which we would otherwise do so.

We may issue preferred shares or separate classes or series of common shares, which issuance could adversely affect the holders of our common shares.

We may issue, without stockholder approval, preferred shares or a class or series of common shares with rights that could adversely affect the holders of our common shares. Upon the affirmative vote of a majority of our directors (including, in the case of preferred shares, a majority of our independent directors), our articles authorize our board of directors (without any further action by our stockholders) to issue preferred shares or common shares in one or more classes or series, and to fix the voting rights (subject to certain limitations), liquidation preferences, distribution rates, conversion rights, redemption rights and terms, including sinking fund provisions, and certain other rights and preferences with respect to such classes or series of shares. If we ever create and issue preferred shares with a distribution preference over common shares, payment of any distribution preferences of outstanding preferred shares would reduce the amount of funds available for the payment of distributions on the common shares. Further, holders of preferred shares are normally entitled to receive a preference payment in the event we liquidate, dissolve or wind up before any payment is made to the common stockholders, likely reducing the amount common stockholders would otherwise receive upon such an occurrence. We could also designate and issue shares in a class or series of common shares with similar rights. In addition, under certain circumstances, the issuance of preferred shares or a separate class or series of common shares may render more difficult or tend to discourage:

- a merger, tender offer or proxy contest;
- the assumption of control by a holder of a large block of our securities; and/or
- the removal of incumbent management.

Our board of directors determines our major policies and operations which increases the uncertainties faced by our stockholders.

Our board of directors determines our major policies, including our policies regarding acquisitions, dispositions, financing, growth, debt capitalization, REIT qualification, redemptions and distributions. Our board of directors may amend or revise these and other policies without a vote of the stockholders. Under the Maryland General Corporation Law and our articles, our stockholders have a right to vote only on limited matters. Our board of directors’ broad discretion in setting policies and the inability of our stockholders to exert control over those policies increases the uncertainty and risks they face, especially if our board of directors and our stockholders disagree as to what course of action is in the best interests of our stockholders.

The ownership limit in our articles may discourage a takeover attempt.

Our articles provide that no holder of shares, other than any person to whom our board of directors grants an exemption, may directly or indirectly own more than 9.9% of the number or value, whichever is more restrictive, of the aggregate of our outstanding shares or more than 9.9% of the number or value, whichever is more restrictive, of the outstanding shares of any class or series of our outstanding securities. This ownership limit may deter tender offers for our common shares, which offers may be attractive to our stockholders, and thus may limit the opportunity for stockholders to receive a premium for their common shares that might otherwise exist if an investor attempted to assemble a block of common shares in excess of 9.9% of the number or value, whichever is more restrictive, of the aggregate of our outstanding shares, or 9.9% in number or value, whichever is more restrictive, of the outstanding common shares or otherwise to effect a change of control in us.

We will not be afforded the protection of the Maryland General Corporation Law relating to business combinations.

Provisions of the Maryland General Corporation Law prohibit business combinations, unless prior approval of the board of directors is obtained before the person seeking the combination became an interested stockholder, with:

- any person who beneficially owns 10% or more of the voting power of our outstanding voting shares (an “interested stockholder”);
- any of our affiliates or associates who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then outstanding shares (also an “interested stockholder”); or
- an affiliate of an interested stockholder.

These prohibitions are intended to prevent a change of control by interested stockholders who do not have the support of our board of directors. Because our articles contain limitations on ownership of more than 9.9% of our common shares, our board of directors has adopted a resolution presently opting out of the business combinations statute. Therefore, we will not be afforded the protections of this statute and, accordingly, there is no guarantee that the ownership limitations in our articles will provide the same measure of protection as the business combinations statute and prevent an undesired change of control by an interested stockholder.

We are not registered as an investment company under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and therefore we will not be subject to the requirements imposed on an investment company by the Investment Company Act which may limit or otherwise affect our investment choices.

Hines Global, our Operating Partnership, and our subsidiaries will conduct our businesses so that none of such entities are required to register as “investment companies” under the Investment Company Act. Although we could modify our business methods at any time, at the present time we expect that the focus of our activities will involve investments in real estate, buildings, and other assets that can be referred to as “sticks and bricks” and in other real estate investments and will otherwise be considered to be in the real estate business.

Companies subject to the Investment Company Act are required to comply with a variety of substantive requirements such as requirements relating to:

- limitations on the capital structure of the entity;
- restrictions on certain investments;
- prohibitions on transactions with affiliated entities; and
- public reporting disclosures, record keeping, voting procedures, proxy disclosure and similar corporate governance rules and regulations.

These and other requirements are intended to provide benefits and/or protections to security holders of investment companies. Because we and our subsidiaries do not expect to be subject to these requirements, our stockholders will not be entitled to these benefits or protections. It is our policy to operate in a manner that will not require us to register as an investment company, and we do not expect or intend to register as an “investment company” under the Investment Company Act.

Whether a company is an investment company can involve analysis of complex laws, regulations and SEC staff interpretations. Hines Global and the Operating Partnership intend to continue to conduct operations so as not to become subject to regulation as an investment company under the Investment Company Act. So long as Hines Global conducts its businesses directly and through its Operating Partnership and its wholly-owned or majority-owned subsidiaries that are not

investment companies and none of Hines Global, the Operating Partnership and the wholly-owned or majority-owned subsidiaries hold themselves out as being engaged primarily in the business of investing in securities, Hines Global will not have to register. The securities issued by any subsidiary that is excepted from the definition of investment company under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, together with any other “investment securities” (as used in the Investment Company Act) its parent may own, may not meet the standards of the 40% test. In other words, even if some interests in other entities were deemed to be investment securities, so long as such investment securities do not comprise more than 40% of an entity’s assets, the entity will not be required to register as an investment company. If an entity held investment securities and the value of these securities exceeded 40% of the value of its total assets, and no other exemption from registration was available, then that entity might be required to register as an investment company.

We do not expect that we, the Operating Partnership, or other subsidiaries will be an investment company because we will seek to assure that holdings of investment securities in any such entity will not exceed 40% of the total assets of that entity as calculated under the Investment Company Act. In order to operate in compliance with that standard, each entity may be required to conduct its business in a manner that takes account of these provisions. We, our Operating Partnership, or a subsidiary could be unable to sell assets we would otherwise want to sell or we may need to sell assets we would otherwise wish to retain, if we deem it necessary to remain in compliance with the 40% test. In addition, we may also have to forgo opportunities to acquire certain investments or interests in companies or entities that we would otherwise want to acquire, or acquire assets we might otherwise not select for purchase, if we deem it necessary to remain in compliance with the 40% test. For example, these restrictions will limit the ability of our subsidiaries to invest directly in mortgage-backed securities that represent less than the entire ownership in a pool of mortgage loans, debt and equity tranches of securitizations and certain asset backed securities and real estate companies or in assets not related to real estate.

If Hines Global, the Operating Partnership or any subsidiary owns assets that qualify as “investment securities” as such term is defined under the Investment Company Act and the value of such assets exceeds 40% of the value of its total assets, the entity could be deemed to be an investment company. In that case the entity would have to qualify for an exemption from registration as an investment company in order to operate without registering as an investment company. Certain of the subsidiaries that we may form in the future could seek to rely upon the exemption from registration as an investment company under the Investment Company Act pursuant to Section 3(c)(5)(C) of that Act, which is available for, among other things, entities “primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.” This exemption generally requires that at least 55% of an entity’s portfolio must be comprised of qualifying assets and at least another 25% of such entity’s portfolio must be comprised of real estate-related assets (as such terms are used under the Investment Company Act) and no more than 20% of such entity’s portfolio may be comprised of miscellaneous assets. Qualifying assets for this purpose include certain mortgage loans and other assets, such as whole pool agency residential mortgage backed securities (“RMBS”) that the SEC staff, in various no-action letters, has determined are the functional equivalent of mortgage loans for the purposes of the Investment Company Act. We intend to treat as real estate-related assets non-agency RMBS, commercial mortgage backed securities, debt and equity securities of companies primarily engaged in real estate businesses, agency partial pool certificates and securities issued by pass-through entities of which substantially all of the assets consist of qualifying assets and/or real estate-related assets.

We may in the future organize one or more subsidiaries that seek to rely on the Investment Company Act exemption provided to certain structured financing vehicles by Rule 3a-7. To the extent that we organize subsidiaries that rely on Rule 3a-7 under the Investment Company Act for an exemption from the Investment Company Act, these subsidiaries will need to comply with the restrictions contained in this Rule. In general, Rule 3a-7 exempts from the Investment Company Act issuers that limit their activities as follows:

- the issuer issues securities the payment of which depends primarily on the cash flow from “eligible assets”;
- the securities sold are fixed income securities rated investment grade by at least one rating agency (fixed income securities which are unrated or rated below investment grade may be sold to institutional accredited investors and any securities may be sold to “qualified institutional buyers” and to persons involved in the organization or operation of the issuer);
- the issuer acquires and disposes of eligible assets (1) only in accordance with the agreements pursuant to which the securities are issued, (2) so that the acquisition or disposition does not result in a downgrading of the issuer’s fixed income securities and (3) the eligible assets are not acquired or disposed of for the primary purpose of recognizing gains or decreasing losses resulting from market value changes; and
- unless the issuer is issuing only commercial paper, the issuer appoints an independent trustee, takes reasonable steps to transfer to the trustee an ownership or perfected security interest in the eligible assets, and meets rating agency requirements for commingling of cash flows.

In addition, in certain circumstances, compliance with Rule 3a-7 may also require, among other things, that the indenture governing the subsidiary include additional limitations on the types of assets the subsidiary may sell or acquire out of the proceeds of assets that mature, are refinanced or otherwise sold, on the period of time during which such transactions may occur, and on the level of transactions that may occur. In light of the requirements of Rule 3a-7, our ability to manage assets held in a special purpose subsidiary that complies with Rule 3a-7 will be limited and we may not be able to purchase or sell assets owned by that subsidiary when we would otherwise desire to do so, which could lead to losses.

In addition to the exceptions and exemptions discussed above, we, the Operating Partnership and/or our subsidiaries may rely upon other exceptions and exemptions, including the exemptions provided by Section 3(c)(6) of the Investment Company Act (which exempts, among other things, parent entities whose primary business is conducted through majority-owned subsidiaries relying upon the exemption provided by Section 3(c)(5)(C) discussed above) from the definition of an investment company and the registration requirements under the Investment Company Act.

There can be no assurance that the laws and regulations governing the Investment Company Act status of REITs, including actions by the Division of Investment Management of the SEC providing more specific or different guidance regarding these exemptions, will not change in a manner that adversely affects our operations. To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon the exceptions discussed above or other exemptions from the definition of an investment company under the Investment Company Act upon which we may rely, we may be required to adjust our strategy accordingly.

If Hines Global or the Operating Partnership is required to register as an investment company under the Investment Company Act, the additional expenses and operational limitations associated with such registration may reduce our stockholders' investment return or impair our ability to conduct our business as planned.

If we were required to register as an investment company, but failed to do so, we would be prohibited from engaging in our business, criminal and civil actions could be brought against us, some of our contracts might be unenforceable, unless a court were to direct enforcement, and a court could appoint a receiver to take control of us and liquidate our business.

If we internalize our management functions, we could incur adverse effects on our business and financial condition, including significant costs associated with becoming and being self-managed and the percentage of our outstanding common stock owned by our stockholders could be reduced.

If we seek to list our shares on an exchange as a way of providing our stockholders with a liquidity event, we may consider internalizing the functions performed for us by the Advisor. An internalization could take many forms, for example, we may hire our own group of executives and other employees or we may acquire the Advisor or its respective assets including its existing workforce. Any internalization could result in significant payments, including in the form of our stock, to the owners of the Advisor as compensation, which could reduce the percentage ownership of our then existing stockholders and concentrate ownership in Hines. In addition, there is no assurance that internalizing our management functions will be beneficial to us and our stockholders. For example, we may not realize the perceived benefits because of: (i) the costs of being self-managed; (ii) our inability to effectively integrate a new staff of managers and employees; or (iii) our inability to properly replicate the services provided previously by the Advisor or its affiliates. Additionally, internalization transactions have also, in some cases, been the subject of litigation and even if these claims are without merit, we could be forced to spend significant amounts of money defending claims which would reduce the amount of funds available for us to invest in real estate investments or to pay distributions. In connection with any such internalization transaction, a special committee consisting of our independent directors will be appointed to evaluate the transaction and to determine whether a fairness opinion should be obtained.

Risks Related to Potential Conflicts of Interest

We compete with affiliates of Hines for real estate investment opportunities and some of these affiliates have preferential rights to accept or reject certain investment opportunities in advance of our right to accept or reject such opportunities.

Hines has existing real estate joint ventures, funds and programs, which we collectively refer to as investment vehicles, with investment objectives and strategies similar to ours including Hines Global II. Because we compete with these investment vehicles for investment opportunities, Hines faces conflicts of interest in allocating investment opportunities between us and these other investment vehicles. We have limited rights to specific investment opportunities located by Hines. Some of these entities have a priority right over other Hines investment vehicles, including us, to accept investment opportunities that meet certain defined investment criteria. Because we and other Hines investment vehicles rely on Hines to present us with investment opportunities, these rights will reduce our investment opportunities. Therefore, we may not be able to invest in, or we may only invest indirectly with or through another Hines-affiliated investment vehicles in, certain investments we otherwise would make directly. To the extent we invest in opportunities with another investment vehicles affiliated with Hines, we may not have the control over such investment we would otherwise have if we owned all of or otherwise controlled such assets.

We do not have priority rights to specific investment opportunities identified by Hines. Our right to participate in Hines' investment allocation process terminated when we fully invested the proceeds of our public offerings. Accordingly, Hines will decide, in its discretion, subject to any priority rights it grants or has granted to other Hines-managed or otherwise affiliated investment vehicles, how to allocate such opportunities among us, Hines and other Hines real estate investment vehicles. Because we do not have a right to accept or reject any investment opportunities before Hines or one or more Hines real estate investment vehicles have the right to accept such opportunities, and are otherwise subject to Hines' discretion as to the investment opportunities we will receive, we may not be able to review and/or invest in opportunities which we would otherwise pursue if we were the only real estate investment vehicle sponsored by Hines or had a priority right in regard to such investments. We are subject to the risk that, as a result of the conflicts of interest between Hines, us and other investment vehicles sponsored or managed by or affiliated with Hines, and the priority rights Hines has granted or may in the future grant to any such other real estate investment vehicles, we may not be offered favorable investment opportunities identified by Hines when it would otherwise be in our best interest to accept such investment opportunities, and our business, results of operations, cash flows and financial condition and our ability to make distributions to our stockholders and the value of their investment may be adversely impacted thereby.

We may compete with other investment vehicles affiliated with Hines for tenants.

Hines and its affiliates are not prohibited from engaging, directly or indirectly, in any other business or from possessing interests in any other business venture or ventures, including businesses and ventures involved in the acquisition, development, ownership, management, leasing or sale of real estate projects. Hines or its affiliates own and/or manage properties in most, if not all, geographical areas in which we expect to acquire interests in real estate assets. Therefore, our properties compete for tenants with other properties owned and/or managed by Hines and its affiliates. Hines may face conflicts of interest when evaluating tenant opportunities for our properties and other properties owned and/or managed by Hines and its affiliates and these conflicts of interest may have a negative impact on our ability to attract and retain tenants.

Employees of the Advisor and Hines will face conflicts of interest relating to time management and allocation of resources and investment opportunities.

We do not have employees. Pursuant to a contract with Hines, we rely on employees of Hines and its affiliates to manage and operate our business and they are contractually bound to devote the time and attention reasonably necessary to conduct our business in an appropriate manner. Our officers and the officers and employees of the Advisor, Hines and its affiliates hold similar positions in numerous entities and they may from time to time allocate more of their time to service the needs of such entities than they allocate to servicing our needs. Hines is not restricted from acquiring, developing, operating, managing, leasing or selling real estate through entities other than us and Hines will continue to be actively involved in real estate operations and activities other than our operations and activities. Hines currently controls and/or operates other entities that own properties in many of the markets in which we will seek to invest. Hines spends a material amount of time managing these properties and other assets unrelated to our business. We lack the ability to manage it without the time and attention of Hines' employees.

Hines and its affiliates are general partners and sponsors of other investment vehicles having investment objectives and legal and financial obligations similar to ours. Because Hines and its affiliates have interests in other investment vehicles and also engage in other business activities, they may have conflicts of interest in allocating their time and resources among our business and these other activities. Our officers and directors, as well as those of the Advisor, own equity interests in entities

affiliated with Hines from which we may buy properties. These individuals may make substantial profits in connection with such transactions, which could result in conflicts of interest. Likewise, such individuals could make substantial profits as the result of investment opportunities allocated to entities affiliated with Hines other than us. As a result of these interests, they could pursue transactions that may not be in our best interest.

Hines may face conflicts of interest if we sell properties to Hines.

We may in the future sell properties to Hines and affiliates of Hines. Hines, its affiliates and its employees (including our officers and directors) may make substantial profits in connection with such transactions. We must follow certain procedures when selling assets to Hines and its affiliates. Hines may owe fiduciary and/or other duties to the purchaser in these transactions and conflicts of interest between us and the purchaser could exist in such transactions. Because we are relying on Hines, these conflicts could result in transactions based on terms that are less favorable to us than we would receive from a third party.

Hines and its affiliates may face conflicts of interest caused by compensation arrangements with us, which could result in actions that are not in our stockholders' best interest.

Hines, the Advisor and their affiliates receive substantial fees from us in return for their services and these fees could influence the Advisor's advice to us. Among other matters, the compensation arrangements could affect their judgment with respect to:

- Property dispositions in circumstances where Hines or an affiliate of Hines manages the property and earns significant fees for managing the property;
- Property acquisitions, which may allow the Advisor or its affiliates to earn additional acquisition, asset management and other fees; and
- Various liquidity events and whether to pursue a liquidity event at all.

Further, the Advisor may recommend that we invest in a particular asset or pay a higher purchase price for the asset than it would otherwise recommend if it did not receive an acquisition fee. Similarly, the Advisor has incentives to recommend that we purchase properties using debt financing since the acquisition fees that we pay to the Advisor could increase if we raise the level of debt financing in connection with the acquisition of certain properties. Certain potential acquisition fees and asset management fees paid to the Advisor and property management and leasing fees paid to Hines and its affiliates would be paid irrespective of the quality of the underlying real estate or property management services during the term of the related agreement. The Advisor is also entitled to a fee equal to a percentage of the total consideration paid in connection with a disposition. This fee may incentivize the Advisor to recommend the disposition of a property or properties through a sale, merger, or other transaction that may not be in our best interests at the time. In addition, the premature disposition of an asset may add concentration risk to the portfolio or may be at a price lower than if we held the property. Moreover, the Advisor has considerable discretion with respect to the terms and timing of acquisition, disposition and leasing transactions. In evaluating investments and other management strategies, the opportunity to earn these fees may lead the Advisor to place undue emphasis on criteria relating to its and its affiliates' compensation at the expense of other criteria, such as preservation of capital, in order to achieve higher short-term compensation. Considerations relating to compensation from us to the Advisor and its affiliates could result in decisions that are not in the best interests of our stockholders, which could hurt our ability to pay our stockholders distributions or result in a decline in the value of our stockholders' investment.

Hines may face conflicts of interest in connection with the management of our day-to-day operations and in the enforcement of agreements between Hines and its affiliates.

Hines and the Advisor manage our day-to-day operations and properties pursuant to an advisory agreement. This agreement was not negotiated at arm's-length and certain fees payable by us under such agreement are paid regardless of our performance.

Hines and its affiliates may encounter conflicts of interest with respect to position as to matters relating to this agreement. Areas of potential conflict include the computation of fees and reimbursements under such agreements, the enforcement, renewal and/or termination of the agreements and the priority of payments to third parties as opposed to amounts paid to affiliates of Hines. These fees may be higher than fees charged by third parties in an arm's-length transaction as a result of these conflicts.

Certain of our officers and directors face conflicts of interest relating to the positions they hold with other entities.

All of our officers and non-independent directors are also officers and directors of the Advisor and/or other entities controlled by Hines, such as the advisor to Hines REIT, the advisor to Hines Global II and the advisor to HMS Income Fund, Inc. Some of these entities may compete with us for investment and leasing opportunities. These personnel owe fiduciary duties to these other entities and their security holders and these duties may from time to time conflict with the fiduciary duties such individuals owe to us and our stockholders. For example, conflicts of interest adversely affecting our investment decisions could arise in decisions or activities related to:

- the allocation of new investments among us and other entities operated by Hines;
- the allocation of time and resources among us and other entities operated by Hines;
- the timing and terms of the investment in or sale of an asset;
- investments with Hines and affiliates of Hines;
- the compensation paid to the Advisor; and
- our relationship with Hines in the management of our properties.

These conflicts of interest may also be impacted by the fact that such individuals may have compensation structures tied to the performance of such other entities controlled by Hines and these compensation structures may potentially provide for greater remuneration in the event an investment opportunity is presented to a Hines affiliate rather than us.

Our officers and directors have limited liability.

Generally, we are obligated under our articles to indemnify our officers and directors against certain liabilities incurred in connection with their services. We have entered into indemnification agreements with each of our officers and directors. Pursuant to these indemnification agreements, we have generally agreed to indemnify our officers and directors for any such liabilities that they incur. These indemnification agreements, as well as the indemnification provisions in our articles, could limit our ability and the ability of our stockholders to effectively take action against our officers and directors arising from their service to us. In addition, there could be a potential reduction in distributions resulting from our payment of premiums associated with insurance or payments of a defense, settlement or claim.

Our Umbrella Partnership Real Estate Investment Trust (“UPREIT”) structure may result in potential conflicts of interest.

Persons holding OP Units have the right to vote on certain amendments to the Agreement of Limited Partnership of the Operating Partnership, as well as on certain other matters. Persons holding such voting rights may exercise them in a manner that conflicts with the interests of our stockholders. As general partner of the Operating Partnership, we will be obligated to act in a manner that is in the best interest of all partners of the Operating Partnership. Circumstances may arise in the future when the interests of limited partners in the Operating Partnership may conflict with the interests of our stockholders.

Risks Related to Taxes

If we fail to qualify as a REIT, our operations and our ability to pay distributions to our stockholders would be adversely impacted.

We believe that we qualify as a REIT under the Code. A REIT generally is not taxed at the corporate level on income that it currently distributes to its stockholders. Qualification as a REIT involves the application of highly technical and complex rules for which there are only limited judicial or administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to continue to qualify as a REIT. In addition, new legislation, regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification.

If we were to fail to qualify as a REIT in any taxable year:

- we would not be allowed to deduct our distributions to our stockholders when computing our taxable income;
- we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates;
- we would be disqualified from being taxed as a REIT for the four taxable years following the year during which qualification was lost, unless entitled to relief under certain statutory provisions;
- our cash available for distribution would be reduced and we would have less cash to distribute to our stockholders; and
- we might be required to borrow additional funds or sell some of our assets in order to pay corporate tax obligations that we may incur as a result of our disqualification.

We may be required to defer repatriation of cash from foreign jurisdictions in order to qualify as a REIT.

Investments in foreign real property may give rise to foreign currency gains and losses. Certain foreign currency gains may be excluded from income for purposes of determining our satisfaction of one or both of the REIT gross revenue tests; however, under certain circumstances (for example, if we regularly trade in foreign securities) such gains will be treated as non-qualifying income. To reduce the risk of foreign currency gains adversely affecting our REIT qualification, we may be required to defer the repatriation of cash from foreign jurisdictions or to employ other structures that could affect the timing, character or amount of income we receive from our foreign investments. No assurance can be given that we will be able to manage our foreign currency gains in a manner that enables us to qualify as a REIT or to avoid U.S. federal income or other taxes on our income as a result of foreign currency gains.

If the Operating Partnership is classified as a “publicly traded partnership” under the Code, our operations and our ability to pay distributions to our stockholders could be adversely affected.

We believe that the Operating Partnership will be treated as a partnership, and not as an association or a publicly traded partnership for federal income tax purposes. In this regard, the Code generally classifies “publicly traded partnerships” (as defined in Section 7704 of the Code) as associations taxable as corporations (rather than as partnerships), unless substantially all of their taxable income consists of specified types of passive income. In order to minimize the risk that the Code would classify the Operating Partnership as a “publicly traded partnership” for tax purposes, we placed certain restrictions on the transfer and/or repurchase of partnership units in the Operating Partnership. However, if the Internal Revenue Service, or IRS, successfully determined that the Operating Partnership should be taxed as a corporation, the Operating Partnership would be required to pay U.S. federal income tax at corporate rates on its net income, its partners would be treated as stockholders of the Operating Partnership and distributions to partners would constitute non-deductible distributions in computing the Operating Partnership’s taxable income. In addition, we could fail to qualify as a REIT, and the imposition of a corporate tax on the Operating Partnership would reduce the amount of cash available for distribution to our stockholders.

Distributions to tax-exempt investors may be classified as unrelated business taxable income.

Neither ordinary nor capital gain distributions with respect to our common shares, or gain from the sale of common shares, should generally constitute unrelated business taxable income to a tax-exempt investor. However, there are certain exceptions to this rule. In particular:

- part of the income and gain recognized by certain qualified employee pension trusts with respect to our common shares may be treated as unrelated business taxable income if our stock is predominately held by qualified employee pension trusts, we are required to rely on a special look through rule for purposes of meeting the REIT stock ownership tests, and we are not operated in such a manner as to otherwise avoid treatment of such income or gain as unrelated business taxable income;
- part of the income and gain recognized by a tax exempt investor with respect to our common shares would constitute unrelated business taxable income if such investor incurs debt in order to acquire the common shares; and
- part or all of the income or gain recognized with respect to our common shares by social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans which are exempt from federal income taxation under Sections 501(c)(7), (9), (17), or (20) of the Code may be treated as unrelated business taxable income.

Stockholders who participate in our distribution reinvestment plan may realize taxable income without receiving cash distributions.

If our stockholders participate in the distribution reinvestment plan, they will be required to take into account, in computing their taxable income, ordinary and capital gain distributions allocable to shares that they own, even though they receive no cash because such distributions are reinvested.

Foreign investors may be subject to the Foreign Investment in Real Property Tax Act (“FIRPTA”) on sale of common shares if we are unable to qualify as a “domestically controlled” REIT.

A foreign person disposing of a U.S. real property interest, including shares of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to tax under FIRPTA on the gain recognized on the disposition. FIRPTA does not apply, however, to the disposition of stock in a REIT if the REIT is “domestically controlled.” A REIT is “domestically controlled” if less than 50% of the REIT’s capital stock, by value, has been owned, directly and indirectly, by persons who are not U.S. persons during a continuous five-year period ending on the date of disposition or, if shorter, during the entire period of the REIT’s existence.

We cannot assure our stockholders that we will qualify as a “domestically controlled” REIT. If we were to fail to so qualify, gains realized by foreign investors other than “qualified foreign pension plans” on a sale of our common shares would be subject to tax under FIRPTA (unless our common shares were traded on an established securities market and the foreign investor did not at any time during a specified testing period directly or indirectly own more than 5% (10% after December 18, 2015) of the value of our outstanding common shares). Our common shares are not currently traded on an established securities market.

In certain circumstances, we may be subject to federal, state, local or foreign income or other taxes, which would reduce our cash available to pay distributions to our stockholders.

Even if we qualify and maintain our status as a REIT, we may be subject to certain federal, state, local or foreign income or other taxes. For example, if we have net income from a “prohibited transaction,” such income will be subject to a 100% tax. We may not be able to make sufficient distributions to avoid paying federal income tax and/or the 4% excise tax that applies to certain income retained by a REIT. We may also decide to retain income that we earn from the sale or other disposition of our properties and pay income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. However, stockholders that are tax-exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability. We may also be subject to state and local taxes on our income or property, either directly or at the level of the Operating Partnership or of other entities through which we indirectly own our assets. Any taxes that we pay will reduce our cash available for distribution to our stockholders.

We have entered, and may continue to enter into, certain hedging transactions which may have a potential impact on our REIT status.

We have entered into hedging transactions with respect to certain of our activities and may continue to enter into similar transactions in the future. Our hedging activities may include entering into interest rate and/or foreign currency swaps, caps and floors, options to purchase these items, and futures and forward contracts.

The gross income tests applicable to REITs generally exclude any income or gain from a hedging or similar transaction entered into by the REIT primarily to manage the risk of interest rate, price changes or currency fluctuations with respect to borrowings made or to be made to acquire or carry real estate assets or to manage the risk of currency fluctuations with respect to an item of income or gain that would be qualifying income under the 75% or 95% gross income test (or any property which generates such income or gain), provided that we properly identify such hedges and other transactions in the manner required by the Code and regulations. To the extent that we do not properly identify such transactions as hedges or we hedge with other types of financial instruments, or hedge asset values or other types of indebtedness, the income from those transactions is likely to be treated as non-qualifying income for purposes of the gross income tests and may affect our ability to qualify as a REIT. In addition, to the extent that our position in a hedging transaction has positive value, the instrument may be treated as a non-qualifying asset for purposes of the gross asset tests to which REITs are subject.

Entities through which we hold foreign real estate investments may be subject to foreign taxes, notwithstanding our status as a REIT.

Even if we maintain our status as a REIT, entities through which we hold investments in assets located outside the United States may be subject to income taxation by jurisdictions in which such assets are located. Our cash available for distribution to our stockholders will be reduced by any such foreign income taxes.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to income from “qualified dividends” payable to U.S. stockholders that are individuals, trusts or estates is currently 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates. The more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts or estates to perceive investments in our common shares to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of our common shares.

Recharacterization of sale-leaseback transactions may cause us to lose our REIT status.

We may hold real property which is leased back to the person from whom we acquired it. We will use commercially reasonable efforts to structure any such sale-leaseback transaction such that the lease will be characterized as a “true lease,” thereby allowing us to be treated as the owner of the property for federal income tax purposes, but cannot assure our stockholders that the IRS will not challenge such characterization. In the event that any such sale-leaseback transaction is challenged and recharacterized as a financing transaction or loan for U.S. federal income tax purposes, deductions for depreciation relating to such property would be disallowed. We might fail to satisfy the REIT qualification “asset tests” or the “income tests” and, consequently, lose our REIT status effective with the year of recharacterization if a sale-leaseback transaction were so recharacterized. Alternatively, the amount of our REIT taxable income could be recalculated which might also cause us to fail to meet the distribution requirement for a taxable year.

Complying with the REIT requirements may cause us to forego otherwise attractive opportunities.

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of shares of our common stock. We may be required to forego otherwise attractive investments or make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Complying with the REIT requirements may force us to liquidate otherwise attractive investments.

We must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets in order to ensure our qualification as a REIT. The remainder of our investments (other than governmental securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 25% (the limit will decrease to 20% after December 31, 2017) of the value of our total assets can be represented by securities of one or more taxable REIT subsidiaries. If we fail to comply with these requirements at the end of any calendar quarter, we must correct such failure within 30 days after the end of the calendar quarter in order to avoid losing our REIT status and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments.

Legislative or regulatory action could adversely affect us and/or our investors.

In recent years, numerous legislative, judicial and administrative changes have been made to the U.S. federal income tax laws applicable to the qualification and taxation of REITs and to investments in REITs and similar entities. Given the tax reform priorities announced by the current presidential administration, additional changes to tax laws are likely to continue to occur in the future and may be given retroactive or prospective effect, and we cannot assure our stockholders that any such changes will not adversely affect how we are taxed or the taxation of our stockholders. There is substantial lack of clarity around the likelihood, timing and details of any such tax reform. Any such changes could have an adverse effect on us and on an investment in shares of our common stock. We urge our stockholders to consult with their own tax advisors with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in shares of our common stock.

Potential changes to the U.S. tax laws could have a significant negative impact on our business operations, financial condition and earnings.

The current presidential administration has included as part of its agenda a potential reform of U.S. tax laws. The details of the potential reform have not yet emerged but during the campaign, the President outlined several possible changes to business taxes. In addition, House Republicans and Congress have drafted an initial tax reform (“Tax Reform Blueprint”) to significantly amend the Code. The convergence of the administration’s reform agenda and the Tax Reform Blueprint’s potential reforms has not yet taken place, however, key changes within the proposals include:

- Elective replacement of current depreciation deductions with a cost recovery system for capital asset investments (excluding land investments);
- Elimination of the deductibility of corporate interest expense, if a cost recovery system is elected;
- Restriction or elimination of benefits of like-kind exchanges that defer capital gains for tax purposes;
- Reduction of the maximum business tax rate from 35% to 15-20%;
- Elimination of the corporate alternative minimum tax;
- Implementation of a one-time deemed repatriation tax rate of 10% on corporate profits held offshore; and
- Elimination of most corporate tax expenditures except for the Research and Development credit.

The specific details regarding potential tax reforms have not yet emerged. In addition, it is not yet known if the potential reform of the U.S. tax laws will include changes that may impact existing REIT rules under the Code. If the tax reform is enacted with some or all of the changes outlined above, our taxable income and the amount of distributions to our stockholders required in order to maintain our REIT status may significantly increase. As a REIT, we are required to distribute at least 90% of our taxable income to our shareholders annually.

We cannot predict whether, when or to what extent new U.S. federal tax laws, regulations, interpretations or rulings will be issued, nor is the long-term impact of proposed tax reforms (including future reforms that may be part of any enacted tax reform) on the real estate industry or REITs clear. Furthermore, the proposed tax reform may negatively impact our customers’ operating results, financial condition and future business plans. Prospective investors are urged to consult their tax advisors regarding the effect of potential changes to the U.S. federal tax laws on an investment in our shares. A reform of the U.S. tax laws by the administration may be enacted in a manner that negatively impacts our operating results, financial condition and business operations and could adversely affect our ability to pay distributions to our stockholders.

Risks Related to ERISA

If our assets are deemed to be plan assets under the Employee Retirement Income Security Act of 1974, as amended, (“ERISA”), the Advisor and the fiduciaries of investing ERISA plans may be exposed to liabilities under Title I of ERISA and the Internal Revenue Code.

In some circumstances where an ERISA plan holds an interest in an entity, an undivided interest in the assets of the entity attributable to that interest are deemed to be ERISA plan assets unless an exception applies. This is known as the “look-through rule.” Under those circumstances, the obligations and other responsibilities of plan sponsors, plan fiduciaries and plan administrators, and of parties in interest and disqualified persons, under Title I of ERISA and Section 4975 of the Code, as applicable, may be applicable, and there may be liability under these and other provisions of ERISA and the Code. We believe that our assets should not be treated as plan assets because the shares should qualify as “publicly-offered securities” that are exempt from the look-through rule under applicable regulations of the U.S. Department of the Treasury. We note, however, that because certain limitations are imposed upon the transferability of shares so that we may qualify as a REIT, and perhaps for other reasons, it is possible that this exemption may not apply. If that is the case, and if the Advisor or we are exposed to liability under ERISA or the Code, our performance and results of operations could be adversely affected. In addition, if that were the case, an investment in our common shares might constitute an ineffective delegation of fiduciary responsibility to the Advisor, and expose the fiduciary of the benefit plan to co-fiduciary liability under ERISA for any breach by the Advisor of the fiduciary duties mandated under ERISA. Prior to making an investment in us, potential investors should consult with their legal and other advisors concerning the impact of ERISA and the Code on such investors’ investment and our performance.

There are special considerations that apply to pension or profit sharing trusts or individual retirement accounts (“IRAs”) investing in our common stock.

If stockholders have invested the assets of an IRA, pension, profit sharing, 401(k), Keogh or other qualified retirement plan, or plan to further invest through our distribution reinvestment plan, they should satisfy themselves that:

- their investment is consistent with their fiduciary obligations under ERISA and the Code;
- their investment is made in accordance with the documents and instruments governing their plan or IRA, including their plan’s investment policy;
- their investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA;
- their investment will not impair the liquidity of the plan or IRA;
- their investment will not produce “unrelated business taxable income” for the plan or IRA;
- they will be able to value the assets of the plan annually in accordance with ERISA requirements; and
- their investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Investment Risks

There is no public market for our common shares; therefore, it will be difficult for our stockholders to sell their shares and, if they are able to sell their shares, they will likely sell them at a substantial discount. The most recently determined estimated per share net asset value of our common shares is an amount that is less than the price some stockholders paid for their shares in our prior public offerings and may be further adjusted in the future.

There is no public market for our common shares, and we do not expect one to develop. Additionally, our charter contains restrictions on the ownership and transfer of our shares, and these restrictions may limit the ability of our stockholders to sell their shares. If they are able to sell their shares, they may only be able to sell them at a substantial discount from the price they paid. This may be the result, in part, of the fact that the amount of funds available for investment are reduced by funds used to pay certain up-front fees and expenses, including organization and offering costs, such as issuer costs, selling commissions, and the dealer manager fee and acquisition fees and expenses in connection with our public offerings. Unless our aggregate investments increase in value to compensate for these up-front fees and expenses, which may not occur, it is unlikely that our stockholders will be able to sell their shares, without incurring a substantial loss. Stockholders may also experience substantial losses if we dispose of our assets or in connection with a liquidation event. We cannot assure stockholders that their shares will ever appreciate in value to equal the price they paid for their shares. Thus, stockholders should consider our common shares as an illiquid and long-term investment, and they must be prepared to hold their shares for an indefinite length of time. On February 27, 2017, our board of directors established an estimated per share NAV of our common stock of \$10.03, which is higher than the \$10.00 per share primary offering price paid in our first public offering, but lower than the \$10.28 and \$10.40 per share primary offering prices in our second public offering. For a discussion of how the estimated per share NAV was determined, see “Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Market Information.”

The offering price of our shares under our distribution reinvestment plan may not accurately represent the current value of our assets at any particular time and the actual value of your investment may be substantially less than what you pay.

The offering price for shares of our common stock under our distribution reinvestment plan is equal to the estimated per share NAV most recently determined by our board of directors, as described in “Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities — Market Information.” The estimated per share NAV was calculated as of a moment in time, and the value of our shares will fluctuate over time as a result of, among other things, developments related to individual assets and changes in the real estate and capital markets. Therefore, the actual value of your investment may be substantially less than what you pay for shares of our common stock under our distribution reinvestment plan. The offering price is not indicative of either the price at which our shares would trade if they were listed on an exchange or actively traded by brokers or of the proceeds that you would receive if we were liquidated or dissolved.

Because we are conducting an ongoing offering pursuant to our distribution reinvestment plan, we are providing information about our net tangible book value per share. As of December 31, 2016, our net tangible book value per share was \$5.28, which is less than the offering price for shares of our common stock pursuant to our distribution plan. Net tangible book value is a rough approximation of value calculated simply as total book value of assets minus total liabilities (all of which are adjusted for noncontrolling interests). It assumes that the value of real estate assets diminishes predictably over time as shown through the depreciation and amortization of real estate investments. Real estate values have historically risen or fallen with

market conditions. Net tangible book value is used generally as a conservative measure of net worth that we do not believe reflects our estimated value per share. It is not intended to reflect the value of our assets upon an orderly liquidation of the Company in accordance with our investment objectives. However, net tangible book value does reflect certain dilution in value of our common stock from the issue price as a result of (i) accumulated depreciation and amortization of real estate investments, (ii) the funding of distributions from sources other than our cash flow from operations, (iii) the substantial fees paid in connection with our two prior public offerings, such as selling commissions and marketing fees, all or a portion of which were re-allowed by our dealer manager to participating broker dealers and (iv) the fees and expenses paid to the Advisor and its affiliates in connection with the selection, acquisition, management and sale of our investments.

Our distributions have been paid using cash flows from financing activities, including proceeds from our public offerings and proceeds from debt financings and some or all of the distributions we pay in the future may be paid from debt financings or sources such as cash advances by the Advisor, cash resulting from a waiver or deferral of fees and/or proceeds from the sale of assets. We have not placed a cap on the amount of our distributions that may be paid from any of these sources. The use of sources other than our cash flow from operations to fund distributions could adversely impact our ability to pay distributions in future periods, decrease the amount of cash we have available for operations and new investments and/or potentially impact the value or result in dilution of our stockholders' investment.

Our cash flows from operations have been and may continue to be insufficient to fund distributions to stockholders. Our organizational documents permit us to make distributions from any source when we do not have sufficient cash flow from operations to fund such distributions. We may choose to use advances, deferrals or waivers of fees, if available, from the Advisor or affiliates, borrowings, and/or proceeds from the sale of assets or other sources to fund distributions to our stockholders. We have not placed a cap on the amount of our distributions that may be paid from any of these sources. The Advisor agreed to waive the asset management fee otherwise payable to it pursuant to our Advisory Agreement for the years ended December 31, 2014 and 2015, to the extent that our MFFO for those years, as disclosed in our Annual Report on Form 10-K for those years, amounted to less than 100% of the aggregate distributions declared to our stockholders for such year. However, because MFFO exceeded distributions declared to our stockholders during those years, the Advisor did not waive any asset management fees for such periods.

Although the Advisor agreed to these waivers in prior years, the Advisor and affiliates are under no obligation to advance funds to us or to defer or waive fees in order to support our distributions. Our distributions have been funded from sources other than cash flows from operations. For example, 19% of total distributions for 2014, 37% of total distributions for 2015 and 15% of total distributions for 2016 were funded with cash flows from financing activities, which include proceeds from our public offerings and proceeds from debt financings. We have not placed a cap on the amount of our distributions that may be paid from sources other than cash flows from operations, including proceeds from our debt financings, proceeds from our public offerings, cash advances by the Advisor and cash resulting from a waiver or deferral of fees. When we pay distributions in excess of earnings and we use cash flows from financing activities, including offering proceeds and borrowings, to fund distributions, then we will have less funds available for operations and for acquiring properties and other investments, which could adversely impact our ability to pay distributions in future periods, our stockholders overall return may be reduced and it may result in the dilution of our stockholders' investment. In addition, the Advisor or its affiliates could choose to receive shares of our common stock or interests in the Operating Partnership in lieu of cash or deferred fees or the repayment of advances to which they are entitled, and the issuance of such securities may dilute our stockholders' interest in us. Furthermore, to the extent distributions exceed cash flows from operations, a stockholder's basis in our stock will be reduced and, to the extent distributions exceed a stockholder's basis, the stockholder may recognize capital gain.

We have reduced our distribution rate in the past and cannot guarantee that distributions will continue to be paid at the current rate or at all.

Commencing with distributions for the month of January 2012, as a result of market conditions and our goal of increasing our distribution coverage, our board of directors declared distributions in an amount equal to \$0.0017808 per share, per day. This amount, which our board of directors has continued to declare through March 2017, was a decrease from the distribution amount of \$0.00191781 per share, per day, which had been declared by our board of directors in each prior quarter since October of 2009. There can be no assurance that the current distribution rate will be maintained.

Payments to the holder of the Special OP Units or holders of any other OP Units will reduce cash available for distribution to our stockholders.

An affiliate of Hines has received OP Units in return for its \$190,000 contribution to the Operating Partnership. The Advisor or its affiliates may also choose to receive OP Units in lieu of certain fees. The holders of all OP Units will be entitled to receive cash from operations pro rata with the distributions being paid to us and such distributions to the holder of the

OP Units will reduce the cash available for distribution to our stockholders. In addition, Hines Global REIT Associates Limited Partnership, the holder of the Special OP Units, will be entitled to cash distributions, under certain circumstances, including from sales of our real estate investments, refinancings and other sources, which may reduce cash available for distribution to our stockholders and may negatively affect the value of our shares of common stock. Furthermore, under certain circumstances the Special OP Units and any other OP Units held by Hines or its affiliates are required to be repurchased, in cash at the holder's election and there may not be sufficient cash to make such a repurchase payment; therefore, we may need to use cash from operations, borrowings, or other sources to make the payment, which will reduce cash available for distribution to our stockholders.

Our stockholders' ability to have their shares redeemed is limited under our share redemption program, and if they are able to have their shares redeemed, it may be at a price that is less than the price they paid for the shares and the then-current market value of the shares.

Our share redemption program contains significant restrictions and limitations. For example, only stockholders who purchase their shares directly from us or who received their shares through a non-cash transaction, not in the secondary market, are eligible to participate, and stockholders must generally hold their shares for a minimum of one year before they can participate in our share redemption program. In addition, our share redemption program generally provides that only funds received from the prior month's distribution reinvestment plan may be used in the subsequent month to redeem shares. Our board of directors may terminate, suspend or amend the share redemption program upon 30 days' written notice without stockholder approval. The redemption price our stockholders may receive upon any such redemption may not be indicative of the price our stockholders would receive if our shares were actively traded or if we were liquidated, and our stockholders should not assume that they will be able to sell all or any portion of their shares back to us pursuant to our share redemption program or to third parties at a price that reflects the then current market value of the shares or at all.

The actual value of shares that we redeem under our share redemption program may be substantially less than what we pay.

Under our share redemption program, shares currently may be repurchased at varying prices depending on the number of years the shares have been held and whether the redemptions are sought upon a stockholder's death or disability. The estimated per share NAV may not accurately represent the current value of our assets per share of our common stock at any particular time and may be higher or lower than the actual value of our assets per share at such time. Accordingly, stockholders should not assume that they will be able to sell all or any portion of their shares back to us pursuant to our share redemption program at a price that reflects the then-current market value of the shares. In addition, as we consider strategic alternatives for a potential liquidity event, our stockholders should be aware of the possibility that the amount they may receive if their shares of our common stock are redeemed may be higher or lower than the amount they may receive if we execute a liquidity event. However, there is no set timetable for the execution of such an event and there is no assurance that any such event will occur. If, at the time of redemption, the actual value of the shares is less than the redemption price, then it would cause the redemption to be dilutive to our remaining stockholders. Alternatively, if the actual value of the shares that we redeem is equal to or more than the most recently announced estimated per share NAV, then a redeeming stockholder will not benefit from any increase in the value of the underlying assets.

There is no separate counsel for us and our affiliates, which could result in conflicts of interest.

Greenberg Traurig, LLP acts as legal counsel to us and also represents the Advisor and some of its affiliates. There is a possibility in the future that the interests of the various parties may become adverse and, under the code of professional responsibility of the legal profession, Greenberg Traurig, LLP may be precluded from representing any one or all of such parties. If any situation arises in which our interests appear to be in conflict with those of the Advisor or its affiliates, additional counsel may be retained by one or more of the parties to assure that their interests are adequately protected, which may result in us incurring additional fees and expenses. Moreover, should a conflict of interest not be readily apparent, Greenberg Traurig, LLP may inadvertently act in derogation of the interest of the parties which could affect our ability to meet our investment objectives.

The fees we pay and the agreements entered into with Hines and its affiliates were not determined on an arm's-length basis and therefore may not be on the same terms we could achieve from a third party.

The compensation paid to the Advisor, Hines and other affiliates for services they provide us was not determined on an arm's-length basis. All service agreements, contracts or arrangements between or among Hines and its affiliates, including the Advisor and us, were not negotiated at arm's-length. Such agreements include our Advisory Agreement, and property

management and leasing agreements. A third party unaffiliated with Hines may be willing and able to provide certain services to us at a lower price.

We pay substantial compensation to Hines, the Advisor and their affiliates, which may be increased by our independent directors.

Subject to limitations in our articles, the fees, compensation, income, expense reimbursements, interests and other payments payable to Hines, the Advisor and their affiliates may increase if such increase is approved by a majority of our independent directors.

We do not, and do not expect to, have research analysts reviewing our performance.

We do not, and do not expect to, have research analysts reviewing our performance or our securities on an ongoing basis. Therefore, our stockholders will not have an independent review of our performance and the value of our common stock relative to publicly traded companies.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We make real estate investments directly and through entities wholly-owned by the Operating Partnership, or indirectly through other entities. As of December 31, 2016, we owned interests in 41 real estate investments which contain, in the aggregate, 16.6 million square feet of leasable space that was 93% leased.

The following table provides additional information regarding each of the properties we owned an interest in as of December 31, 2016:

Property ⁽¹⁾	Location	Investment Type	Date Acquired/ Net Purchase Price (in millions) ⁽²⁾	Estimated Going-in Capitalization Rate ⁽³⁾	Leasable Square Feet	Percent Leased
Domestic Office Investments						
Hock Plaza	Durham, North Carolina	Office	9/2010; \$97.9	7.2%	327,160	99%
Fifty South Sixth	Minneapolis, Minnesota	Office	11/2010; \$185.0	7.4%	698,606	95%
250 Royall	Canton, Massachusetts	Office	9/2011; \$57.0	9.1%	185,171	100%
Campus at Marlborough	Marlborough, Massachusetts	Office	10/2011; \$103.0	8.0%	532,246	83%
9320 Excelsior	Hopkins, Minnesota	Office	12/2011; \$69.5	6.2%	254,915	100%
550 Terry Francois	San Francisco, California	Office	8/2012; \$180.0	8.2%	289,408	100%
Riverside Center	Boston, Massachusetts	Office	3/2013; \$197.1	5.7%	509,702	97%
The Campus at Playa Vista	Los Angeles, California	Office	5/2013; \$216.6	5.7%	324,955	99%
2300 Main	Irvine, California	Office	8/2013; \$39.5	6.4%	132,064	100%
55 M Street	Washington, D.C.	Office	12/2013; \$140.9	4.8%	267,915	98%
The Summit	Bellevue, Washington	Office	3/2015; \$316.5	5.6%	524,130	98%
Total for Domestic Office Investments					4,046,272	96%
Domestic Other Investments ⁽⁴⁾						
Southpark	Austin, Texas	Industrial	10/2010; \$31.2	8.5%	372,125	100%
Minneapolis Retail Center	Minneapolis, Minnesota	Retail	8/2012 & 12/2012; \$130.6	6.5%	383,312	95%
The Markets at Town Center	Jacksonville, Florida	Retail	7/2013; \$135.0	5.9%	317,477	100%
The Avenue at Murfreesboro	Nashville, Tennessee	Retail	8/2013; \$163.0	6.4%	763,383	91%
The Rim	San Antonio, Texas	Retail	2/2014, 4/2015, 12/2015, & 12/2016; \$285.9	5.9%	1,065,513	92%
WaterWall Place	Houston, Texas	Multi-family	7/2014; \$64.5	7.8% ⁽⁵⁾	316,299	94%
Aviva Coral Gables	Miami, Florida	Multi-family	4/2015; \$62.0	7.4% ⁽⁵⁾	248,504	94%
Total for Domestic Other Investments					3,466,613	94%
International Office Investments						
Gogolevsky 11	Moscow, Russia	Office	8/2011; \$96.1	8.9%	94,240	91%
100 Brookes St.	Brisbane, Australia	Office	7/2012; \$67.6	10.5%	105,637	100%
Mercedes Benz Bank	Stuttgart, Germany	Office	2/2013; \$70.2	8.8%	255,927	100%
465 Victoria	Sydney, Australia	Office	2/2013; \$90.8	8.0%	171,657	100%
One Westferry Circus	London, England	Office	2/2013; \$124.6	7.4%	221,019	100%
New City	Warsaw, Poland	Office	3/2013; \$163.5	7.1%	484,182	84%
825 Ann	Brisbane, Australia	Office	4/2013; \$128.2	8.0%	206,505	97%
Perspective Defense	Paris, France	Office	6/2013; \$165.8	8.5%	289,663	47%
25 Cabot Square	London, England	Office	3/2014; \$371.7	6.7%	455,687	100%
818 Bourke	Melbourne, Australia	Office	10/2014; \$135.6	7.1%	259,588	96%
Total for International Office Properties					2,544,105	90%
International Other Investments						
Brindleyplace Project ⁽⁶⁾	Birmingham, England	Mixed-Use	7/2010; \$282.5	7.0%	567,478	89%
FM Logistic	Moscow, Russia	Industrial	4/2011 \$70.8	11.2%	748,578	100%
Poland Logistics Portfolio	Poland ⁽⁷⁾	Industrial	3/2012 & 10/2012; \$157.2	8.1%	2,364,264	85%
Fiege Mega Centre	Erfurt, Germany	Industrial	10/2013; \$53.6	7.7%	952,540	100%
Simon Hegele Logistics	Forchheim, Germany	Industrial	6/2014 & 1/2015; \$78.9	7.5%	608,006	100%
Harder Logistics Portfolio	Germany ⁽⁸⁾	Industrial	4/2015 & 12/2015; \$126.5	7.3%	1,287,065	96%
Total for International Other Investments					6,527,931	93%
Total for All Investments					16,584,921	93% ⁽⁹⁾

- (1) On December 31, 2016, the Company effectively owned a 99.99% interest in the properties listed, with the exception of the Brindleyplace Project, WaterWall Place, and Aviva Coral Gables, through the ownership interest in the Operating Partnership as its sole general partner. Affiliates of Hines owned the remaining 0.01% interest in the Operating Partnership. We own a 60% interest in the Brindleyplace Project through our investment in the Brindleyplace JV, a 93% interest in WaterWall Place through our investment in the WaterWall Place JV, and a 83% interest in Aviva Coral Gables through our investment in the Aviva Coral Gables JV.
- (2) For acquisitions denominated in a foreign currency, amounts have been translated at a rate based on the rate in effect on the acquisition date.
- (3) The estimated going-in capitalization rate is determined as of the date of acquisition by dividing the projected property revenues in excess of expenses for the first fiscal year following the date of acquisition by the net purchase price (excluding closing costs and taxes). Property revenues in excess of expenses includes all projected operating revenues (rental income, tenant reimbursements, parking and any other property-related income) less all projected operating expenses (property operating and maintenance expenses, property taxes, insurance and property management fees).

The projected property revenues in excess of expenses includes assumptions which may not be indicative of the actual future performance of the property, and the actual economic performance of each property for our period of ownership may differ materially from the amounts used in calculating the estimated going-in capitalization rate. These include assumptions, with respect to each property, that in-place tenants will continue to perform under their lease agreements during the 12 months following our acquisition of the property. In addition, with respect to the Brindleyplace Project, Hock Plaza, Southpark, Fifty South Sixth, the Poland Logistics Portfolio, the Minneapolis Retail Center, 465 Victoria, One Westferry Circus, Riverside Center, 825 Ann, the Campus at Playa Vista, the Markets at Town Center, the Avenue at Murfreesboro, 55 M Street, 818 Bourke, and The Summit, the projected property revenues in excess of expenses include assumptions concerning estimates of timing and rental rates related to re-leasing vacant space.

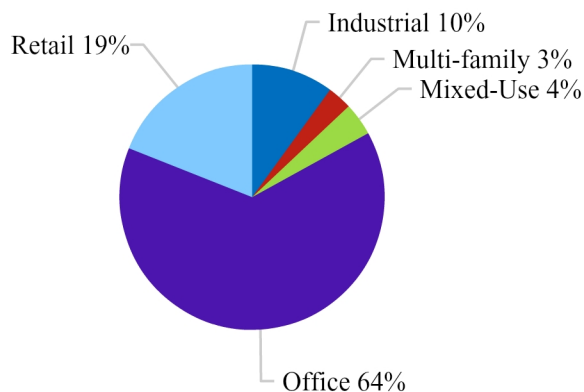
- (4) The Domestic Other Investments presented in the table excludes the Flagship Capital JV. This investment is described in more detail below under “Other Real Estate Investments.”
- (5) Construction has been completed for these multi-family development properties. The estimated going-in capitalization rates are based on the projected revenues in excess of expenses once the property’s operations have stabilized divided by the construction cost of the property. The projected property revenues in excess of expenses includes assumptions which may not be indicative of the actual future performance of the properties, and the actual economic performance of the properties for our period of ownership may differ materially from the amounts used in calculating the estimated going-in capitalization rates. These include assumptions concerning estimates of timing and rental rates related to leasing vacant space and assumptions that in-place tenants will continue to perform under their lease agreements during the 12 months following stabilization of the properties.
- (6) In February 2017, the Brindleyplace JV sold the Brindleyplace Project for a contract sales price of £260.0 million (approximately \$325.1 million based on an exchange rate of \$1.25 per GBP as of the transaction date).
- (7) The Poland Logistics Portfolio is comprised of five industrial parks located in Warsaw, Wroclaw and Upper Silesia, Poland.
- (8) The Harder Logistics Portfolio is comprised of three logistic buildings located in Nuremberg, Karlsdorf, and Duisburg, Germany.
- (9) This amount represents the percentage leased assuming we own a 100% interest in each of these properties. The percentage leased based on our effective ownership interest in each property is 93%.

Other Real Estate Investments

- Flagship Capital JV — 97% interest in a joint venture with Flagship Capital GP, which was formed to initially provide real estate loans. The joint venture has two loans receivable, totaling \$15.2 million, outstanding as of December 31, 2016. Flagship Capital GP owns the remaining 3% interest in the joint venture. We are not affiliated with Flagship Capital GP.

Investment Type

Our portfolio is comprised of investments in a variety of real estate asset classes, including office, mixed-use, retail, industrial and multi-family properties as well as real estate-related debt investments. The following chart depicts the percentage of our portfolio's investment types based on our pro-rata share of the estimated value of each of our investments as of December 31, 2016. The estimated values of our real estate property investments were based on their appraised values as of December 31, 2016 except for values of our real estate-related debt investments, which were based on the amounts outstanding under each loan as of December 31, 2016.



Lease Expirations

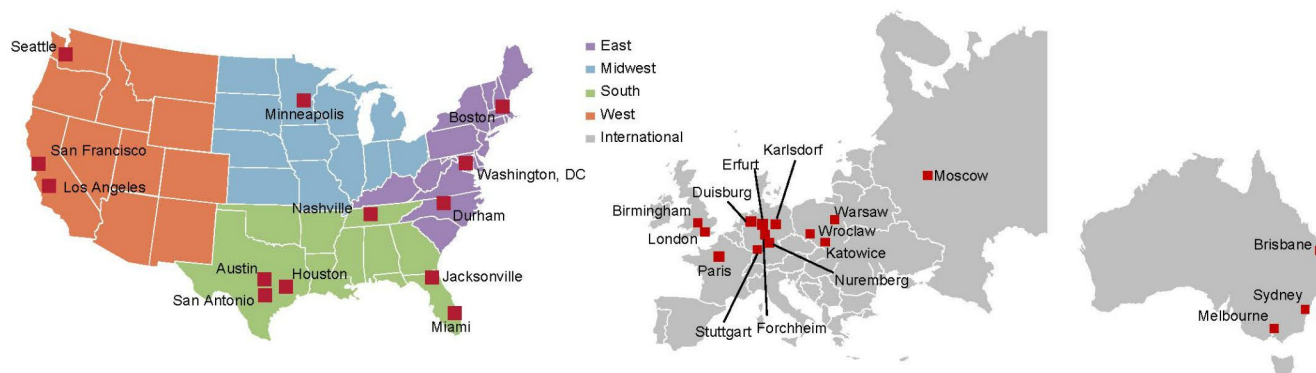
The following table lists our pro-rata share of the scheduled lease expirations and related expiring base rents for each of the years ending December 31, 2017 through December 31, 2026 and thereafter for all of the properties in which we owned an interest as of December 31, 2016. The table also shows the approximate leasable square feet represented by the applicable lease expirations ⁽¹⁾:

Year	Number of Leases	Leasable Area		Annual Base Rental Income of Expiring Leases	Percent of Total Annual Base Rental Income
		Approximate Square Feet	Percent of Total Leasable Area		
Vacant	—	1,053,323	6.6%	\$ —	—%
2017	56	2,180,002	13.6%	\$ 47,047,490	14.3%
2018	67	1,507,497	9.4%	\$ 36,636,670	11.1%
2019	44	1,453,659	9.1%	\$ 32,313,674	9.8%
2020	47	1,194,761	7.5%	\$ 37,345,073	11.4%
2021	40	1,075,248	6.7%	\$ 32,247,576	9.8%
2022	34	1,263,247	7.9%	\$ 36,316,257	11.1%
2023	37	831,488	5.2%	\$ 20,432,568	6.2%
2024	21	1,528,212	9.5%	\$ 14,356,975	4.4%
2025	17	353,487	2.2%	\$ 7,688,266	2.3%
2026	6	174,411	1.1%	\$ 5,149,824	1.6%
Thereafter	52	3,404,781	21.2%	\$ 59,240,433	18.0%

(1) The table excludes amounts related to multi-family projects and investments in real estate-related debt.

Market Concentration

The map below depicts the location of our real estate investments. Approximately 63% of our portfolio is located throughout the United States and approximately 37% is located internationally (based on our pro rata share of the estimated value of each of the investments). The estimated values of our real estate property investments were based on their appraised values as of December 31, 2016 except for values of our real estate-related debt investments, which were based on the amounts outstanding under each loan as of December 31, 2016.



The following table provides a summary of the market concentration of our portfolio based on our pro-rata share of the estimated value of each of the investments in which we owned interests as of December 31, 2016.

Market	Market Concentration ^{(1) (2)}
Minneapolis, Minnesota	11%
London, United Kingdom	9%
Seattle, Washington	8%
Boston, Massachusetts	7%
Los Angeles, California	7%
San Antonio, Texas	7%
San Francisco, California	6%
Warsaw, Poland	4%
Nashville, Tennessee	4%
Birmingham, United Kingdom	4%
Brisbane, Australia	3%
Jacksonville, Florida	3%
Paris, France	3%
Washington, DC	3%

(1) Includes investments in real estate-related debt.

(2) Excluded from the table is approximately 21% of our portfolio, which is made up of markets which are individually less than 3% of our portfolio and includes: Durham, North Carolina; Houston, Texas; Sydney, Australia; Stuttgart, Germany; Katowice, Poland; Erfurt, Germany; Miami, Florida; Austin, Texas; Duisburg, Germany; Karlsruhe, Germany; Wroclaw, Poland; Melbourne, Australia; Nuremberg, Germany; and Moscow, Russia.

Industry Concentration

The following table provides a summary of the industry concentration of the tenants of the properties in which we owned interests based on our pro-rata share of their leased square footage as of December 31, 2016:

Industry	Industry Concentration ^{(1) (2)}
Transportation and Warehousing	30%
Retail	20%
Finance and Insurance	11%
Manufacturing	5%
Information	4%
Health Care	4%
Educational Services	3%
Other Professional Services	3%
Utilities	3%

- (1) Industry concentration does not include multi-family properties or investments in real estate-related debt.
- (2) Excluded from the table is approximately 17% of our portfolio, which is made up of industries which are individually less than 3% of our portfolio and includes: administrative and support services, agriculture, arts, entertainment and recreation, construction, hospitality, government, other services, real estate, wholesale trade, oil and gas, accounting, and legal services.

Item 3. Legal Proceedings

From time to time in the ordinary course of business, the Company or its subsidiaries may become subject to legal proceedings, claims or disputes. As of March 28, 2017, neither the Company nor any of its subsidiaries was a party to any material pending legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

As of December 31, 2016, we had 277.3 million common shares outstanding, held by a total of approximately 63,000 stockholders. The number of stockholders is based on the records of our registrar and transfer agent. There is no established public trading market for our common stock. Therefore, there is a risk that a stockholder may not be able to sell our stock at a time or price acceptable to the stockholder.

To assist the Financial Industry Regulatory Authority ("FINRA") members and their associated persons that participate in our public offerings in their effort to comply with National Association of Securities Dealers ("NASD") Rule 2340, we disclose in each annual report distributed to investors a per share estimated value of the shares, the method by which it was developed and the date of the data used to develop the estimated value. In addition, we plan to prepare annual statements of estimated share values to assist fiduciaries of retirement plans subject to the annual reporting requirements of ERISA in the preparation of their reports relating to an investment in our shares and such statements should not be used for any other purpose. On February 27, 2017, our board of directors determined a new estimated per share net asset value, or NAV, of \$10.03 as of December 31, 2016. This new estimated per share NAV represents a 2.0% decrease from the previously determined estimated per share NAV of \$10.24 as of December 31, 2015. Our estimated per share NAV was determined utilizing the guidelines established by the Investment Program Association Practice Guideline 2013-01 – "Valuation of Publicly Registered, Non-Listed REITs" issued on April 29, 2013 except that it includes the estimate of closing costs that we would expect to incur related to a potential future liquidity event, as described further below. Our deemed estimated per share NAV is provided to assist plan fiduciaries in fulfilling their annual valuation and reporting responsibilities, and should not be used for any other purpose. We cannot assure you that this deemed estimated value, or the method used to establish such value, complies with the ERISA or IRS requirements. It is currently anticipated that the estimated per share NAV will next be determined in 2018.

Methodology

We engaged Cushman & Wakefield, Inc. ("Cushman") a division of which is an independent third party real estate advisory and consulting firm, to provide, or cause its subsidiaries to provide, appraised values of our domestic real estate property investments as of December 31, 2016. These appraisals were performed in accordance with Uniform Standards of Professional Appraisal Practice. Cushman has extensive experience in conducting appraisals and valuations on real properties and each of our appraisals was prepared by personnel who are members of the Appraisal Institute and have the Member of Appraisal Institute ("MAI") designation.

Additionally, we engaged Knight Frank, LLP ("Knight Frank") an independent third party real estate advisory and consulting services firm, to provide appraised values of our international real estate investments as of December 31, 2016. These appraisals were performed in accordance with the professional standards as published by the Royal Institution of Chartered Surveyors, with the exception of our Australian real estate property investments, in which case the appraisals were performed in accordance with the Australian Property Institute and the International Valuation Standards. One of the Company's assets, Brindleyplace, located in Birmingham, England, was valued at its net sales price, as the asset was sold in February 2017, prior to the determination of the NAV.

We also engaged Jones Lang LaSalle Incorporated ("JLL"), an independent third party real estate advisory and consulting services firm, to perform valuations of our debt obligations as of December 31, 2016.

In establishing the estimated per share NAV of \$10.03, in addition to using the values of our real estate property investments and values of the our debt obligations, our board of directors also included in its determination the values of other assets and liabilities such as cash, tenant and loan receivables, accounts payable and accrued expenses, distributions payable and other assets and liabilities, all of which were valued at cost and an estimate of closing costs that we would expect to incur in relation to a future potential liquidity event. No liquidity discounts or discounts relating to the fact that we are externally managed were applied to the estimated per share NAV and no attempt was made to value Hines Global as an enterprise. Additionally, the estimated per share NAV was reduced by the value of noncontrolling interests owned by other parties in real estate investments that are not wholly-owned by the Company, including the Brindleyplace Project, WaterWall Place, Aviva Coral Gables, and the Flagship Capital Joint Venture.

Additionally, we engaged Altus Group U.S. Inc., ("Altus") to review the appraisals provided by Cushman and Knight Frank and to assess the reasonableness of our new estimated per share NAV. The appraisal reviews were conducted under the

supervisions of a member of the MAI. In assessing the reasonableness of our new estimated per share NAV, Altus utilized the appraised values provided by Cushman and Knight Frank, the valuations of our debt obligations provided by JLL and information provided by management regarding balances of cash, tenant and loan receivables, accounts payable and accrued expenses, distributions payable and other assets and liabilities and an estimate of closing costs that we would expect to incur in relation to a future potential liquidity event. Altus concluded that the new estimated per share NAV determined by our board of directors was reasonable.

The aggregate value of our real estate property investments as of December 31, 2016 was \$5.1 billion, including amounts attributable to noncontrolling interests, which represents a 1.1% net decrease when compared to the previously determined value of our assets as of December 31, 2015 (including adjustments for properties acquired during 2016 and the effect of properties disposed of during 2016). This 1.1% net decrease resulted from 2.5% appreciation in the aggregate values of our real estate property investments offset by 3.6% dilution resulting from the devaluation of foreign currencies against the U.S. dollar.

The aggregate value of our real estate property investments also represented a 9.4% increase compared to the net purchase price of the real estate property investments of \$4.7 billion, excluding closing costs, transaction fees and additional capital investments since acquisition. The table below sets forth the calculation of our estimated per share NAV as of December 31, 2016 and our previous estimated per share NAV as of December 31, 2015 and 2014:

	December 31, 2016		December 31, 2015		December 31, 2014	
	Gross Amount (in millions)	Per Share	Gross Amount (in millions)	Per Share	Gross Amount (in millions)	Per Share
Real estate property investments	\$ 5,095	\$ 18.37	\$ 5,468	\$ 19.92	\$ 4,650	\$ 17.18
Other assets	213	0.77	251	0.91	288	1.07
Debt obligations and other liabilities	(2,330)	(8.40)	(2,678)	(9.75)	(2,290)	(8.46)
Noncontrolling interests	(89)	(0.32)	(124)	(0.45)	(94)	(0.35)
Net Asset Value before closing costs	\$ 2,889	\$ 10.42	\$ 2,917	\$ 10.63	\$ 2,554	\$ 9.44
Estimated closing costs	(107)	(0.39)	(107)	(0.39)	—	—
Estimated NAV	\$ 2,782	\$ 10.03	\$ 2,810	\$ 10.24	\$ 2,554	\$ 9.44
Shares outstanding	277		274		271	

Our board of directors determined the estimated per share NAV by (i) utilizing the values of our real estate property investments of approximately \$5.1 billion and adding our other assets comprised of our cash, tenant and other receivables, loans receivable and other assets of \$213 million, (ii) subtracting the values of our debt obligations and other liabilities comprised of our accounts payable and accrued expenses, due to affiliates, distributions payable and other liabilities of \$2.3 billion, as well as amounts related to noncontrolling interests of \$89 million, (iii) subtracting an estimate of closing costs that we would expect to incur in relation to a potential future liquidity event of \$107 million, and (iv) dividing the total by our common shares outstanding as of December 31, 2016 of 277 million, resulting in an estimated per share NAV of \$10.03.

The primary drivers of the change in the estimated per share NAV value from \$10.24 in December 2015 to \$10.03 in December 2016 are as follows:

- \$0.33 per share net increase in the aggregate value of the Company's real estate investments including properties sold during the year, which represents a 2.5% net increase in value;
- \$0.30 per share reduction resulting from the effect of devaluation of the Euro, Australian dollar and British pound against the U.S. dollar. This reduction was primarily due to the British pound weakening against the U.S. dollar by 17% during the year; and
- \$0.19 per share reduction resulting from capital expenditures primarily related to leasing capital at the Company's properties.

Other than with respect to the values of our real estate property investments and values of our debt obligations, the values of the assets and liabilities described above were determined based on their cost as of December 31, 2016 and included certain pro forma adjustments primarily related to estimated closing costs that we would expect to incur in relation to a potential future liquidity event. As we consider strategic alternatives for a potential liquidity event, management and our board of directors thought it appropriate to include an estimate of the closing costs, including fees, that we would expect to incur related to a potential liquidity event. However, there can be no assurances of the time frame in which we would execute any potential liquidity event or that the closing costs related to a potential liquidity event would be incurred in the amount estimated by our company. No other adjustments were made related to the period from January 1, 2017 through February 27, 2017 because we did not believe they would have a material effect on our estimated per share NAV. Additionally, the calculation of the estimated per share NAV excluded certain items on our unaudited consolidated balance sheet that were determined to have no future value or economic impact on the valuation. Examples include receivables related to straight-line rental revenue and costs incurred to put debt in place. Other items were excluded because they were already considered elsewhere in the valuation. Examples include intangible lease assets and liabilities related to our real estate property investments and costs incurred for capital expenditures that were included in the appraised values of our real estate property investments and the fair values of interest rate swaps and caps, as they were included in the valuation of our debt.

The appraised values provided by Cushman and Knight Frank described above were determined primarily by using methodologies that are commonly used in the commercial real estate industry. For our domestic real estate property investments, these methodologies included discounted cash flow analyses and reviews of current, historical and projected capitalization rates for properties comparable to those owned by us and assume a 10-12 year holding period. Additionally, the multifamily development project appraisals included assumptions regarding projected stabilization. For our international real estate investments, these methodologies included cash flow analyses and going-in capitalization rates for properties comparable to those owned by us. The tables below summarize the key assumptions that were used in the valuations of our real estate property investments as of December 31, 2016.

	Range	Weighted Average
Domestic Real Estate Property Investments		
<i>Office/Industrial/Mixed-use/Retail</i>		
Exit capitalization rate	5.00% - 7.50%	6.01%
Discount rate/internal rate of return	6.00% - 9.00%	6.78%
<i>Multi-Family</i>		
Exit capitalization rate	5.00% - 5.25%	5.12%
Discount rate/internal rate of return	6.00% - 6.75%	6.35%
International Real Estate Property Investments		
<i>Office/Industrial/Mixed-use</i>		
Going-in capitalization rate	2.92% - 19.56%	5.61%

As with any valuation methodology, the methodology used to determine the estimated per share NAV was based upon a number of assumptions, estimates and judgments that may not be accurate or complete. Further, different parties using different property-specific and general real estate and capital market assumptions, estimates, judgments and standards could derive an estimated per share NAV that could be significantly different from the estimated per share NAV determined by our board of directors. While our board of directors believes that the assumptions used in determining the appraised values of our real estate property investments are reasonable, a change in these assumptions would impact the calculation of such values. For example, assuming all other factors remained unchanged, an increase in the average discount rate of 25 basis points would yield a decrease in the appraised values of our domestic real estate property investments of 1.9%, while a decrease in the average discount rate of 25 basis points would yield an increase in the appraised values of our domestic real estate property investments of 2.0%. Likewise, an increase in the average exit capitalization rate of 25 basis points would yield a decrease in the appraised values of our domestic real estate property investments of 2.8%, while a decrease in the average exit capitalization rate of 25 basis points would yield an increase in the appraised values of our domestic real estate property investments of 2.9%. Additionally, an increase in the average going-in capitalization rate of 25 basis points would yield a decrease in the appraised values of our international real estate property investments of 5.5%, while a decrease in the average going-in capitalization rate of 25 basis points would yield an increase in the appraised values of our international real estate property investments of 4.7%.

The estimated per share NAV determined by our board of directors does not represent the fair value of our assets less liabilities in accordance with U.S. generally accepted accounting principles, and such estimated per share NAV is not a

representation, warranty or guarantee that (i) a stockholder would be able to realize an amount equal to the estimated per share NAV if such stockholder attempts to sell the his or her shares; (ii) a stockholder would ultimately realize distributions per share equal to the estimated per share NAV upon our liquidation or sale; (iii) shares of our common stock would trade at the estimated per share NAV on a national securities exchange; or (iv) a third party would offer the estimated per share NAV in an arm's-length transaction to purchase all or substantially all of our shares of common stock. Additionally, the estimated per share NAV is not a statement of our net asset value per share. In addition, we can make no claim as to whether the estimated value will or will not satisfy the applicable annual valuation requirements under ERISA and the Code with respect to employee benefit plans subject to ERISA and other retirement plans or accounts subject to Section 4975 of the Code that are investing in our shares.

Further, the estimated per share NAV was calculated as of a moment in time, and, although the value of shares of our common stock will fluctuate over time as a result of, among other things, developments related to individual assets, purchases and sales of additional assets and the payment of fees and closing costs in connection therewith, changes in the real estate and capital markets, the distribution of sales proceeds to our stockholders (if any) and changes in corporate policies such as our distribution level relative to earnings, we do not undertake to update the estimated per share NAV on a regular basis. As a result, stockholders should not rely on the estimated per share NAV as an accurate measure of the then-current value of shares of our common stock in making a decision to buy or sell shares of our common stock, including whether to reinvest distributions by participating in our distribution reinvestment plan and whether to request redemption under our share redemption program.

Distributions

We have declared distributions for the months of January 2014 through March 2017 at an amount equal to \$0.0017808 per share, per day (approximately \$0.65 per share, per year on an annualized basis). Our cash flows from operations have been and may continue to be insufficient to fund distributions to stockholders. Therefore, some or all of our distributions may continue to be paid from other sources, such as proceeds from our debt financings, cash advances by the Advisor, and cash resulting from a waiver or deferral of fees. We funded 15% of total distributions for 2016, 37% of total distributions for 2015, and 19% of total distributions for 2014 with cash flows from financing activities, which include proceeds from our public offerings and proceeds from our debt financings. We have not placed a cap on the amount of our distributions that may be paid from any of these sources.

During the years ended December 31, 2016, 2015 and 2014, respectively, we paid \$1.1 million, \$22.0 million and \$44.3 million in acquisition fees and expenses. Under GAAP, acquisition fees and acquisition-related expenses are expensed and therefore reduced cash flows from operating activities. However, we funded these expenses with proceeds from our public offerings, debt or other equity capital.

The table below outlines our total distributions declared to stockholders and holders of noncontrolling interests (primarily Moorfield Real Estate Fund II GP Ltd., which was purchased in 2015 by LSREF 3 Laser Holdings (Jersey) Limited (“Laser”) for each of the quarters during the years ended December 31, 2016 and December 31, 2015, including the breakout between the distributions declared in cash and those reinvested pursuant to our distribution reinvestment plan (in thousands):

Distributions for the three months ended	Stockholders			Noncontrolling Interests
	Cash Distributions	Distributions Reinvested	Total Declared	Total Declared
2016				
December 31, 2016	\$ 21,843	\$ 23,539	\$ 45,382	\$ 752
September 30, 2016	21,617	23,611	45,228	2,671
June 30, 2016	21,232	23,402	44,634	1,281
March 31, 2016	21,128	23,451	44,579	987
Total	\$ 85,820	\$ 94,003	\$ 179,823	\$ 5,691
2015				
December 31, 2015	\$ 21,226	\$ 23,695	\$ 44,921	\$ 927
September 30, 2015	21,110	23,648	44,758	835
June 30, 2015	20,770	23,372	44,142	1,643
March 31, 2015	20,375	23,097	43,472	816
Total	\$ 83,481	\$ 93,812	\$ 177,293	\$ 4,221

The Advisor agreed to waive asset management fees otherwise payable to it pursuant to the Advisory Agreement for the years ended December 31, 2014 and 2015, to the extent that our MFFO for those years, as disclosed in our Annual Report on Form 10-K for such years, amounted to less than 100% of the aggregate distributions declared to our stockholders for such years. However, because MFFO exceeded distributions declared to our stockholders for the years ended December 31, 2014 and 2015, the Advisor did not waive any asset management fees for those years.

In general, distributions to stockholders are characterized for federal income tax purposes as ordinary income, capital gains, non-taxable return of capital or a combination of the three. Distributions that exceed our current and accumulated earnings and profits (calculated for tax purposes) constitute a return of capital for tax purposes rather than a distribution and reduce the stockholders’ basis in our common shares. To the extent that a distribution exceeds both current and accumulated earnings and profits and the stockholders’ basis in the common shares, it will generally be treated as a capital gain. We annually notify stockholders of the taxability of distributions paid during the preceding year.

For the years ended December 31, 2016 and 2015, respectively, approximately 33.2% and 39.3% of the distributions paid were taxable to the investor as ordinary income and approximately 4.7% and 53.9% were treated as a return of capital for federal income tax purposes. The remaining amounts in each period were treated as capital gains distributions. The primary driver for the decrease in return of capital was the increase in the gain on sale of investments in 2016. The amount of distributions paid and taxable portion in each period are not indicative or predictive of amounts anticipated in future periods.

Recent Sales of Unregistered Securities

On December 14, 2016, 2,441,406 restricted common shares were granted to each of our independent directors, Messrs. Farley, Mitchell, Moody and Shaper. Such shares were granted, as part of their annual compensation for service on our board of directors, without registration under the Securities Act of 1933, as amended (the “Securities Act”), in reliance upon the exemption from registration contained in Section 4(a)(2) of the Securities Act for transactions not involving any public offering.

Share Redemption Program

We offer a share redemption program that may allow stockholders who have purchased their shares from us or received their shares through a non-cash transaction, not in the secondary market, and who have held their shares for a minimum of one year, to have their shares redeemed subject to certain limitations and restrictions. We allow redemptions of our shares on a monthly basis. No fees will be paid to Hines in connection with any redemption. Our board of directors may terminate, suspend or amend the share redemption program upon 30 days' written notice without stockholder approval, which notice shall take the form of a current report on Form 8-K filed at least 30 days prior to the effective date of any such termination, suspension or amendment. Set forth below are the amended terms of our share redemption program, effective as of April 1, 2015.

Shares will be redeemed at the following prices, unless such shares are redeemed in connection with the death or disability of a stockholder, as described below: (i) the lower of 92.5% of the estimated per share NAV most recently announced by us in a public filing with the SEC as of the applicable date of the redemption (the "Most Recent NAV") or 92.5% of the price paid to acquire the shares from us for stockholders who have held their shares continuously for at least one year; (ii) the lower of 95.0% of the Most Recent NAV or 95.0% of the price paid to acquire the shares from us for stockholders who have held their shares continuously for at least two years; (iii) the lower of 97.5% of the Most Recent NAV or 97.5% of the price paid to acquire the shares from us for stockholders who have held their shares continuously for at least three years; and (iv) the lower of 100% of the Most Recent NAV or 100% of the price paid to acquire the shares from us for stockholders who have held their shares continuously for at least four years; provided that in each case, the redemption price will be adjusted for any stock dividends, combinations, splits, recapitalizations or similar actions with respect to our common stock. In addition, our board of directors, in its sole discretion, may determine at any time to amend the share redemption program to redeem shares at a price that is higher or lower than the price paid for the shares by the redeeming stockholder.

In the event a stockholder is having all his shares redeemed, we may waive the one-year holding requirement for shares purchased under our distribution reinvestment plan. In addition, we may waive the one-year holding requirement in the event of a stockholder's bankruptcy. If we determine to waive the one-year holding requirement in these circumstances, then, for purposes of determining the applicable redemption price, the stockholder will be deemed to have held his shares for one year. In the event of the death or disability of the holder, upon request, we will waive the one-year holding requirement. Except as noted below, shares that are redeemed in connection with the death or disability of a stockholder will be redeemed at a purchase price equal to the price paid to acquire such shares from us; provided, that, the redemption price cannot exceed the then-current primary offering price (if any). For purposes of the one-year holding period, limited partners of the Operating Partnership who exchange their OP Units for shares of our common stock (and any persons to whom they transfer such stock) shall be deemed to have owned those shares of our common stock as of the date the related OP Units were issued.

To the extent our board of directors determines that we have sufficient available cash for redemptions as described below, we initially intend to redeem shares on a monthly basis; however, our board of directors may determine from time to time to adjust the timing of redemptions or suspend or terminate our share redemption program upon 30 days' notice. Subject to the limitations and restrictions on the program and to funds being available, the number of shares repurchased during any consecutive twelve month period will be limited to no more than 5% of the number of outstanding shares of common stock at the beginning of that twelve month period.

Unless our board of directors determines otherwise, the funds available for redemptions in each month will be limited to the funds received from the distribution reinvestment plan in the prior month. Our board of directors has complete discretion to determine whether all of such funds from the prior month's distribution reinvestment plan can be applied to redemptions in the following month, whether such funds are needed for other purposes or whether additional funds from other sources may be used for redemptions. In April 2016, our board of directors determined to waive this limitation on the share redemption program in order to fully honor all redemption requests received for the month ended March 31, 2016, which totaled \$8.0 million (including \$0.6 million of shares to be redeemed in relation to the death or disability of stockholders), which was in excess of the \$7.5 million received from the distribution reinvestment plan in the prior month.

Our board of directors may terminate, suspend or amend the share redemption program at any time upon 30 days' written notice without stockholder approval if our directors believe such action is in our best interests, or if they determine the funds otherwise available to fund our share redemption program are needed for other purposes. Any notice of a termination, suspension or amendment of the share redemption program will be made via a report on Form 8-K filed with the SEC at least 30 days prior to the effective date of such termination, suspension or amendment. Our board of directors may also limit the amounts available for redemption at any time in their sole discretion.

All requests for redemption must be made in writing and received by us at least five business days prior to the end of the month. If you would like to request redemption of your shares, please contact us to receive required redemption forms and

instructions concerning required signatures. Certain broker dealers require that their clients make redemption requests through their broker dealer, so please contact your broker dealer first if you want to request redemption of your shares. You may also withdraw your request to have your shares redeemed. Withdrawal requests must also be made in writing and received by us at least five business days prior to the end of the month. We cannot guarantee that we will have sufficient funds from our distribution reinvestment plan, or at all, to accommodate all requests made in any month. In the event the number of shares for which repurchase requests have been submitted exceeds the limits on the number of shares we can redeem or the funds available for such redemption in a particular month and our board of directors determines that we will repurchase shares in that month, then shares will be repurchased on a pro rata basis and the portion of any unfulfilled repurchase request will be held and considered for redemption until the next month unless withdrawn. In addition, if we do not have sufficient available funds at the time redemption is requested, you can withdraw your request for redemption or request in writing that we honor it at such time in a successive month, if any, when we have sufficient funds to do so. Such pending requests will generally be considered on a pro-rata basis with any new redemption requests we receive in the applicable period.

Commitments by us to repurchase shares will be communicated either telephonically or in writing to each stockholder who submitted a request on or promptly (no more than five business days) after the fifth business day following the end of each month. We will redeem the shares subject to these commitments, and pay the redemption price associated therewith, within three business days following the delivery of such commitments. You will not relinquish your shares until we redeem them.

The shares we redeem under our share redemption program will be canceled and will have the status of authorized but unissued shares. We will not resell such shares to the public unless such sales are first registered with the SEC under the Securities Act and under appropriate state securities laws or are exempt under such laws. We will terminate our share redemption program in the event that our shares ever become listed on a national securities exchange or in the event a secondary market for our common shares develops.

Issuer Redemptions of Equity Securities

All eligible requests for redemptions were redeemed using the proceeds from our distribution reinvestment plan. The following table lists shares we redeemed (in thousands) under our share redemption plan during the quarter ended December 31, 2016, including the average price paid per share.

Period	Total Number of Shares Redeemed	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Redeemed Under the Plans or Programs ⁽¹⁾
October 1, 2016 to October 31, 2016	465,293	\$ 9.93	465,293	286,541
November 1, 2016 to November 30, 2016	358,401	\$ 9.95	358,401	418,170
December 1, 2016 to December 31, 2016	505,357	\$ 9.95	505,357	243,864
Total	<u>1,329,051</u>		<u>1,329,051</u>	

- (1) See description of our share redemption program above for a description of the limitations on the number of shares that may be redeemed.

Item 6. Selected Financial Data

The following selected consolidated financial data are qualified by reference to and should be read in conjunction with our Consolidated Financial Statements and Notes thereto and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” below (in thousands, except per share amounts).

	2016	2015	2014	2013	2012
Operating Data:					
Revenues	\$ 477,908	\$ 476,873	\$ 456,264	\$ 322,862	\$ 187,240
Depreciation and amortization	\$ 174,110	\$ 186,965	\$ 193,870	\$ 140,187	\$ 84,747
Asset management and acquisition fees	\$ 37,001	\$ 44,522	\$ 53,069	\$ 60,490	\$ 22,006
General and administrative	\$ 11,149	\$ 8,597	\$ 6,782	\$ 5,344	\$ 3,590
Income (loss) before benefit (provision) for income taxes	\$ 164,553	\$ (436)	\$ 16,648	\$ (85,062)	\$ (32,393)
Benefit (provision) for income taxes	\$ (7,326)	\$ (4,518)	\$ (5,806)	\$ (701)	\$ (1,147)
Net income (loss)	\$ 157,227	\$ (4,954)	\$ 10,842	\$ (85,763)	\$ (33,540)
Net (income) loss attributable to noncontrolling interests	\$ (6,177)	\$ (5,677)	\$ (5,764)	\$ (3,173)	\$ (939)
Net income (loss) attributable to common stockholders	\$ 151,050	\$ (10,631)	\$ 5,078	\$ (88,936)	\$ (34,479)
Basic and diluted income (loss) per common share:	\$ 0.55	\$ (0.04)	\$ 0.02	\$ (0.48)	\$ (0.30)
Distributions declared per common share	\$ 0.65	\$ 0.65	\$ 0.65	\$ 0.65	\$ 0.65
Weighted average common shares outstanding - basic and diluted	275,914	272,773	263,323	184,412	113,578
Balance Sheet Data:					
Total investment property	\$3,049,643	\$3,267,877	\$2,964,699	\$2,799,850	\$1,482,478
Cash and cash equivalents	\$ 127,393	\$ 136,627	\$ 143,609	\$ 124,859	\$ 97,398
Total assets	\$3,988,432	\$4,372,946	\$4,115,173	\$3,790,062	\$2,070,233
Long-term obligations ⁽¹⁾	\$2,207,299	\$2,545,656	\$2,121,223	\$1,969,634	\$ 865,246

(1) These amounts include notes payable, notes payable to affiliates and long-term derivative instruments.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis together with our consolidated financial statements and notes thereto included in this Annual Report on Form 10-K. The following information contains forward-looking statements, which are subject to risks and uncertainties. Should one or more of these risks or uncertainties materialize, actual results may differ materially from those expressed or implied by the forward-looking statements. Please see "Special Note Regarding Forward-Looking Statements" above for a description of these risks and uncertainties.

Executive Summary

Hines Global REIT, Inc. ("Hines Global") was incorporated under the Maryland General Corporation Laws on December 10, 2008, primarily for the purpose of investing in a diversified portfolio of quality commercial real estate properties and other real estate investments located throughout the United States and internationally. Hines Global raised the equity capital for its real estate investments through two public offerings from August 2009 through April 2014. Hines Global continues to offer up to \$500.0 million of shares of its common stock under its distribution reinvestment plan, pursuant to an offering which commenced on April 24, 2014 (the "DRP Offering"). Collectively, through its public offerings, including the DRP Offering, the Company raised approximately \$3.0 billion. Hines Global engaged Hines Securities, Inc. (the "Dealer Manager"), an affiliate of Hines, to serve as the dealer manager for its public offerings.

One of our primary investment objectives was to invest in a real estate portfolio that is diversified by asset type, geographic area, lease expirations and tenant industries. We had invested all of the proceeds raised through our public offerings by the end of 2015. We may make additional investments in the future, from time to time. However, these investments will be funded with proceeds from the dispositions of other real estate investments or debt financings. We have invested in a diversified portfolio of quality commercial real estate properties and other real estate investments throughout the United States and internationally. Our principal targeted assets have been investments in properties, that have quality construction and desirable locations which can attract quality tenants. These types of investments are generally located in central business districts or suburban markets of major metropolitan cities worldwide. We have invested in a geographically diverse portfolio in order to reduce the risk of reliance on a particular market, a particular property and/or a particular tenant. See "Item 2. Properties" for additional information regarding our real estate portfolio.

As of December 31, 2016, we owned interests in 41 real estate investments which contain, in the aggregate, 16.6 million square feet of leasable space. Approximately 63% of our portfolio is located throughout the United States and approximately 37% is located internationally based on our pro rata share of the appraised value of each of the investments. These investments consisted of:

- Domestic office investments (11 investments)
- Domestic other investments (8 investments)
- International office investments (10 investments)
- International other investments (12 investments)

Discussed below are additional details related to our investments in real estate related debt as of December 31, 2016. Each of these investments is included in our domestic other investments segment. All other investments are operating real estate investments.

- Flagship Capital JV — 97% interest in a joint venture with Flagship Capital GP, which was formed to provide real estate loans. The joint venture has two loans receivable, totaling \$15.2 million, outstanding as of December 31, 2016. We are not affiliated with Flagship Capital GP. See Note 5 — Real Estate Loans Receivable for additional information regarding these loans receivable.

We commenced the process of evaluating various strategic alternatives to execute a liquidity event (i.e., a sale of our assets, our sale or merger, a listing of our shares on a national securities exchange, a tender offer for our shares, or another similar transaction). That process is ongoing, and we are continuing to evaluate strategic alternatives. There is no set timetable for the execution of such an event, and there is no assurance that any such event will occur.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of the consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and contingencies as of the

date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We evaluate our assumptions and estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Additionally, application of our accounting policies involves exercising judgments regarding assumptions as to future uncertainties. Actual results may differ from these estimates under different assumptions or conditions. The following is a discussion of our critical accounting policies. For a discussion of all of our significant accounting policies, see Note 2 — Summary of Significant Accounting Policies, to the accompanying consolidated financial statements.

Accounting for Joint Ventures and Noncontrolling Interests

Our consolidated financial statements included in this annual report include the accounts of Hines Global, the Operating Partnership and its wholly-owned subsidiaries and joint ventures as well as the related amounts of noncontrolling interests. All intercompany balances and transactions have been eliminated in consolidation.

We evaluate the need to consolidate investments based on standards set forth by GAAP. Our joint ventures are evaluated based upon GAAP to determine whether or not the investment qualifies as a VIE. If the investment qualifies as a VIE, an analysis is then performed to determine if we are the primary beneficiary of the VIE by reviewing a combination of qualitative and quantitative measures including analyzing the expected investment portfolio using various assumptions to estimate the net income from the underlying assets. The projected cash flows are then analyzed to determine whether or not we are the primary beneficiary by analyzing if we have both the power to direct the entity's significant economic activities and the obligation to absorb potentially significant losses or receive potentially significant benefits. In addition to this analysis, we also consider the rights and decision making abilities of each holder of variable interests. We will consolidate joint ventures that are determined to be variable interest entities for which we are the primary beneficiary. We will also consolidate joint ventures that are not determined to be variable interest entities, but for which we exercise significant control over major operating decisions, such as approval of budgets, selection of property managers, asset management, investment activity and changes in financing.

Any investments in partially owned real estate joint ventures and partnerships are reviewed for impairment periodically if events or circumstances change indicating that the carrying amount of its investments may exceed its fair value. In such an instance, we will record an impairment charge if we determine that a decline in the value of an investment below its fair value is other than temporary. Our analysis will be dependent on a number of factors, including the performance of each investment, current market conditions, and our intent and ability to hold the investment to full recovery. Based on our analysis of the facts and circumstances at each reporting period, no impairment was recorded related to investments in unconsolidated, partially owned real estate joint ventures for the years ended December 31, 2016, 2015 and 2014. However, if market conditions deteriorate in the future and result in lower valuations or reduced cash flows of the Company's investments, impairment charges may be recorded in future periods.

Investment Property and Lease Intangibles

When we acquire a property, we allocate the purchase price of the acquisition based upon our assessment of the fair value of various components, including land, building and improvements, and intangible lease assets and liabilities. Fair value determinations are based on estimated cash flow projections that utilize discount and/or capitalization rates, as well as certain available market information. The fair value of land, building and improvements considers the value of the property as if it were vacant. The fair value of intangible lease assets is based on our evaluation of the specific characteristics of each lease. Factors considered include estimates of carrying costs during hypothetical expected lease-up periods, current market conditions and market rates, the customer's credit quality and costs to execute similar leases. The fair value of out-of-market leases is calculated as the present value (using a discount rate that reflects the risks associated with the leases) of the difference between the contractual amounts to be paid pursuant to each in-place lease and our estimate of fair market lease rates for each corresponding in-place lease. In estimating carrying costs, we include estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, we consider customer improvements, leasing commissions, legal costs and other related expenses. Initial valuations are subject to change until such information is finalized, which will occur no later than 12 months after the acquisition date.

Real estate assets are reviewed for impairment each reporting period if events or changes in circumstances indicate that the carrying amount of the individual property may not be recoverable. In such an event, a comparison will be made of the current and projected operating cash flows and expected proceeds from the eventual disposition of each property on an undiscounted basis to the carrying amount of such property. If the carrying amount exceeds the undiscounted cash flows, it would be written down to the estimated fair value to reflect impairment in the value of the asset. The determination of whether investment property is impaired requires a significant amount of judgment by management and is based on the best information available

to management at the time of the evaluation. No impairment charges were recorded during the years ended December 31, 2016, 2015 and 2014.

Deferred Leasing Costs

We consider a number of different factors to evaluate whether we or the lessee is the owner of the tenant improvements for accounting purposes. These factors include: (i) whether the lease stipulates how and on what a tenant improvement allowance may be spent; (ii) whether the tenant or landlord retains legal title to the improvements; (iii) the uniqueness of the improvements; (iv) the expected economic life of the tenant improvements relative to the term of the lease; and (v) who constructs or directs the construction of the improvements. The determination of who owns the tenant improvements for accounting purposes is subject to significant judgment. In making that determination, we consider all of the above factors. No one factor, however, necessarily establishes any determination.

Revenue Recognition and Valuation of Receivables

We are required to recognize minimum rent revenues on a straight-line basis over the terms of tenant leases, including rent holidays and bargain renewal options, if any. Revenues associated with tenant reimbursements are recognized in the period in which the expenses are incurred based upon the tenant's lease provision. Leases are not uniform in dealing with such cost reimbursements and there are many variations to the computation. We make quarterly accrual adjustments, positive or negative, to tenant reimbursement revenue to adjust the recorded amounts to our best estimate of the final amounts to be billed and collected with respect to the cost reimbursements. Revenues relating to lease termination fees are recognized on a straight-line basis amortized from the time that a tenant's right to occupy the leased space is modified through the end of the revised lease term and are included in other revenue in the accompanying consolidated statements of operations. To the extent our leases provide for rental increases at specified intervals, we will record a receivable for rent not yet due under the lease terms. Accordingly, our management must determine, in its judgment, to what extent the unbilled rent receivable applicable to each specific tenant is collectible. We review unbilled rent receivables on a quarterly basis and take into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. In the event that the collectibility of unbilled rent with respect to any given tenant is in doubt, we would be required to record an increase in our allowance for doubtful accounts or record a direct write-off of the specific rent receivable, which would have an adverse effect on our net income for the year in which the reserve is increased or the direct write-off is recorded and would decrease our total assets and stockholders' equity.

Real Estate Loans Receivable

Real estate loans receivable is shown at cost, net of any applicable allowance for uncollectibility and deferred loan origination fees. We defer certain loan origination fees and amortize them as an adjustment of yield over the term of the related real estate loan receivable. The related amortization of the deferred loan origination fees are recorded in other revenue in the accompanying consolidated statement of operations and comprehensive income (loss). An allowance for the uncollectible portion of the real estate loans receivable is determined based upon an analysis of the economic conditions in the area in which the property is located and credit quality indicators which include the borrower's payment history, the financial condition of the borrower, and business conditions in the industry in which the borrower operates.

Additionally, a real estate loan receivable is considered to be impaired when, based upon current events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. If a real estate loan receivable is considered to be impaired, the amount of loss is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at its effective interest rate or to the value of the underlying collateral if the real estate loan receivable is collateral dependent. Evaluating real estate loans receivable for potential impairment can require management to exercise significant judgment. No impairment charges were recorded for the years ended December 31, 2016, 2015 and 2014.

Recent Accounting Pronouncements

See Note 2 — Summary of Significant Accounting Policies for a discussion regarding recent accounting pronouncements and the potential impact, if any, on our financial statements.

Financial Condition, Liquidity and Capital Resources

To date, our most significant demands for funds have been related to the purchase of real estate properties and other real estate-related investments. Specifically, we funded \$5.1 billion of real estate investments using \$3.0 billion of proceeds from our public offerings, including the DRP offerings, and debt proceeds. We invested all of the proceeds raised through our public offerings by the end of 2015. As a result, any real estate investments we made since that time or may make in the future will be funded using proceeds from the dispositions of other real estate investments, debt proceeds, or our distribution reinvestment plan. Other significant demands for funds include the payment of operating expenses, distributions and debt service. Generally, we expect to meet these operating cash needs using cash flows from operating activities.

We have not generated sufficient cash flow from operations to fully fund distributions paid. Therefore some or all of our distributions may continue to be paid from other sources, such as proceeds from our debt financings, proceeds from our distribution reinvestment plan, proceeds from the sales of assets, cash advances by the Advisor, and cash resulting from a waiver or deferral of fees. We have not placed a cap on the amount of our distributions that may be paid from sources other than cash flows from operations, including proceeds from our debt financings, proceeds from this offering, cash advances by the Advisor and cash resulting from a waiver or deferral fees.

We believe that the proper use of leverage can enhance returns on real estate investments. As of December 31, 2016, our portfolio was 42% leveraged, based on the values of our real estate investments. At that time, we had \$2.2 billion of principal outstanding under our various loan agreements with a weighted average interest rate of 2.4%, including the effects of related interest rate swaps. Approximately \$295.1 million of our loans are maturing during 2017. This amount includes \$149.3 million related to the loan for the Brindleyplace Project, which was paid off in February 2017 upon the sale of the property. We generally expect to refinance these loans, but we may repay them using our revolving credit facility with JPMorgan Chase Bank, N.A. (the “Revolving Credit Facility”) or other available cash if we are unable to refinance them at satisfactory terms.

The discussions below provide additional details regarding our operating, investing, and financing cash flows.

Cash Flows from Operating Activities

Our real estate properties generate cash flow in the form of rental revenues, which are used to pay direct leasing costs, property-level operating expenses and interest payments. Property-level operating expenses consist primarily of salaries and wages of property management personnel, utilities, cleaning, insurance, security and building maintenance costs, property management and leasing fees, and property taxes. Additionally, we incur general and administrative expenses, acquisition fees and expenses and asset management fees.

Net cash provided by operating activities for the year ended December 31, 2016 was \$156.8 million compared to \$114.9 million for the year ended December 31, 2015. Net cash provided by operating activities was reduced by the payment of acquisition fees and acquisition-related expenses totaling \$1.1 million during the year ended December 31, 2016 and \$22.0 million during the year ended December 31, 2015. Under GAAP, acquisition fees and acquisition-related expenses are expensed and therefore reduced cash flows from operating activities. However, we funded these expenses with proceeds from our public offerings, debt or other equity capital. Excluding the effect of these fees and expenses, operating cash flows increased by \$20.9 million. The increase in operating cash flows is primarily due to cash flows from properties acquired in 2015 being included for the full year in 2016, in addition to lower deferred lease costs paid during the year ended December 31, 2016.

Net cash provided by operating activities for the year ended December 31, 2015 was \$114.9 million compared to \$142.4 million as of December 31, 2014. Net cash provided by operating activities was reduced by the payment of acquisition fees and acquisition-related expenses totaling \$22.0 million during the year ended December 31, 2015 and \$44.3 million during the year ended December 31, 2014. Under GAAP, acquisition fees and acquisition-related expenses are expensed and therefore reduce cash flows from operating activities. However, we fund these expenses with proceeds from our public offerings or other equity capital. Excluding the effect of these fees and expenses, operating cash flows decreased by \$49.7 million. This decrease in operating cash flows is primarily due to higher deferred lease costs paid during the year ended December 31, 2015 as well as declines in foreign currency exchange rates against the U.S. dollar.

Cash Flows from Investing Activities

Net cash used in investing activities primarily relates to payments made for the acquisition of our real estate investments, including deposits for pending acquisitions, capital expenditures at our properties, and activities related to our loans receivable. Additionally, beginning in 2015, cash flows from investing activities includes proceeds received from the sales of our real estate investments. Net cash from investing activities for the year ended December 31, 2016 increased \$730.6 million compared to the same period in 2015 primarily as a result of property sales and less investment in property acquisitions in 2016:

2016

- We had cash outflows of \$30.1 million related to our acquisition of the final phase of The Rim.
- We received proceeds of \$266.3 million from the sale of Komo Plaza.
- We paid \$19.9 million in capital expenditures at our operating properties.
- We made real estate loans of \$6.2 million and received proceeds from the collection of real estate loans receivable of \$47.0 million.
- We received distributions in excess of equity in earnings from our unconsolidated entity of \$2.0 million, resulting from the sale of @1377.

2015

- We had cash outflows of \$511.6 million related to our acquisition of four real estate investments as well as additional phases of The Rim and Simon Hegele Logistics properties.
- We received proceeds of \$30.4 million from the sale of one of our properties.
- We paid \$6.7 million in capital expenditures at our operating properties and paid \$4.9 million in construction costs at our multi-family development projects in Houston, Texas and Miami, Florida.
- We made real estate loans of \$13.2 million and received proceeds from the collection of real estate loans receivable of \$33.6 million.

2014

- We had cash outflows of \$729.7 million related to our acquisition of four real estate investments.
- We received proceeds of \$248.1 million from the sale of one of our properties before retiring \$132.1 million in related mortgage loans.
- We paid \$7.6 million in capital expenditures at our operating properties and paid \$44.1 million in construction costs at our multi-family development projects in Houston, Texas and Miami, Florida.
- We also paid \$15.0 million related to a deposit on a pending acquisition that was completed in 2015.
- We made real estate loans of \$50.6 million and received proceeds from the collection of real estate loans receivable of \$19.4 million.

Cash Flows from Financing Activities

Public Offerings

As described previously, we ceased offering primary shares pursuant to our second public offering in April 2014. During the year ended December 31, 2014, we raised proceeds of \$378.8 million from our public offerings, excluding proceeds from the distribution reinvestment plan. In addition, during the years ended December 31, 2016, 2015 and 2014, respectively, we redeemed \$63.8 million, \$57.3 million and \$37.7 million in shares of our common stock through our share redemption program.

In addition to the investing activities described above, we used proceeds from our public offerings of securities to make payments for selling commissions and the dealer manager fee to the Dealer Manager, to make certain payments to the Advisor, and additionally, we made payments to the Advisor for reimbursement of issuer costs related to the sales of our securities. During the year ended December 31, 2014, we made payments of \$39.5 million, for selling commissions, dealer manager fees and issuer costs related to our public offerings. We paid no selling commissions or dealer manager fees during the years ended December 31, 2016 and 2015 and made only limited payments to the Advisor for issuer costs. The decrease in these payments is due to the closing of our second public offering in April 2014.

Distributions

With the authorization of our board of directors, we declared distributions for the months of January 2014 through March 2017 at an amount equal to \$0.0017808 per share, per day (approximately \$0.65 per share, per year on an annualized basis). Distributions are paid monthly on the first business day following the completion of each month to which they relate. All distributions were or will be paid in cash or reinvested in shares of our common stock for those participating in our distribution reinvestment plan. Distributions paid to stockholders (including those reinvested in stock) during the years ended December 31, 2016, 2015 and 2014 were \$179.7 million, \$177.1 million and \$168.6 million, respectively.

Our cash flows from operations have been and may continue to be insufficient to fund distributions to stockholders. We funded 19% of total distributions for 2014, 37% of total distributions for 2015 and 15% of total distributions for 2016 with cash flows from financing activities, which include proceeds from our public offerings and proceeds from our debt financings. Also, during the years ended December 31, 2016, 2015 and 2014, respectively, we paid \$1.1 million, \$22.0 million and \$44.3 million in acquisition fees and expenses. Under GAAP, acquisition fees and acquisition-related expenses are expensed and therefore reduced cash flows from operating activities. However, we funded these expenses with proceeds from our public offerings or other equity capital.

The Advisor agreed to waive asset management fees otherwise payable to it pursuant to the Advisory Agreement for the years ended December 31, 2014 and 2015, to the extent that our MFFO for those years as disclosed in our Annual Report on Form 10-K for such years, amounted to less than 100% of the aggregate distributions declared to our stockholders for such years. However, because MFFO exceeded distributions declared to our stockholders for those years, the Advisor did not waive any asset management fees for such periods. MFFO also exceeded distributions declared to our stockholders during the year ended December 31, 2016. During the years ended December 31, 2016, 2015 and 2014, we incurred asset management fees of \$36.8 million, \$35.7 million and \$34.9 million, respectively.

The table below contains additional information regarding distributions to our stockholders and noncontrolling interest holders as well as the sources of distribution payments (all amounts are in thousands):

Distributions for the Year Ended	Stockholders			Noncontrolling Interests ⁽²⁾	Sources			
	Cash Distributions	Distributions Reinvested	Total Declared	Total Declared	Cash Flows From Operating Activities		Cash Flows From Financing Activities ⁽¹⁾	
December 31, 2016	\$ 85,820	\$ 94,003	\$ 179,823	\$ 5,691	\$ 156,775	85%	\$ 28,739	15%
December 31, 2015	\$ 83,481	\$ 93,812	\$ 177,293	\$ 4,221	\$ 114,905	63%	\$ 66,609	37%
December 31, 2014	\$ 79,555	\$ 91,530	\$ 171,085	\$ 4,668	\$ 142,372	81%	\$ 33,381	19%

- (1) Cash flows from financing activities includes proceeds from our public offerings, equity capital contributions from noncontrolling interests and proceeds from debt financings.
- (2) Includes distributions declared by the Brindleyplace JV to Moorfield/Laser related to the operations of the Brindleyplace Project of \$3.6 million, \$3.4 million and \$4.3 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Debt Financings

We utilize permanent mortgage financing to leverage returns on our real estate investments and use borrowings under our Revolving Credit Facility to provide funding for near-term investment or working capital needs. As mentioned previously, our portfolio was 42% leveraged as of December 31, 2016 (based on the values of our real estate investments) with a weighted average interest value of 2.4%.

Below is additional information regarding our loan activities for the years ended December 31, 2016, 2015 and 2014. See Note 6 — Debt Financing for additional information regarding our outstanding debt:

2016

- We borrowed approximately \$159.0 million under our Revolving Credit Facility and made payments of \$367.0 million, which included a \$253.0 million payment made using proceeds from the sale of Komo Plaza in December 2016.
- The Flagship JV made payments of \$14.4 million on its revolving credit facility related to the repayment of certain of its loans receivable during the period.
- We made payments of \$7.8 million related to our loan secured by New City, including a one-time payment of \$5.8 million in July 2016.
- We made a payment of \$18.0 million to pay off our loan secured by Southpark in December 2016.
- We also made payments totaling \$5.3 million on our remaining outstanding mortgage loans.

2015

- We entered into \$262.9 million of mortgage financing, related to the acquisition of four operating properties as well as an additional phase of the Simon Hegele Logistics Portfolio, with an aggregate net purchase price of \$472.7 million. Additionally, our multi-family development projects borrowed \$5.1 million to fund construction costs.
- The Flagship JV borrowed \$0.7 million under its revolving credit facility related to the funding of its loans receivable during the period and made payments of \$11.0 million on its revolving credit facility.
- We also borrowed approximately \$1.2 billion under our Revolving Credit Facility and made payments of \$891.7 million.
- We received proceeds of \$65.0 million on loan modifications related to our loans secured by The Campus at Playa Vista and Fifty South Sixth.
- We made payments of \$110.8 million to retire the outstanding principal balances of the secured mortgage loans of Hock Plaza and Gogolevsky 11.
- We made payments of \$17.0 million related to our related party loan secured by Aviva Coral Gables. This loan had reached its maturity date and we did not seek additional financing.
- We also made payments totaling \$7.1 million on our remaining outstanding mortgage loans.
- We made payments of \$8.9 million for financing costs related to our loans and \$2.5 million related to two \$250 million interest rate cap corridor agreements as economic hedges against the variability of future interest rates on our Revolving Credit Facility.

2014

- We entered into \$314.2 million of mortgage financing, related to the acquisition of four operating properties with an aggregate net purchase price of \$732.9 million. Additionally, two of our multi-family development projects borrowed \$45.3 million to fund construction costs.
- The Flagship Capital JV borrowed \$30.1 million related to the funding of its loan receivable during the period and made payments of \$16.0 million on its revolving credit facility.
- We also borrowed approximately \$673.5 million under our Revolving Credit Facility and made payments of \$577.3 million.
- We made payments of \$132.1 million related to our loans secured by 144 Montague and Stonecutter Court upon the disposition of those properties.
- We made payments of \$54.6 million and \$20.8 million related to our loans secured by the Campus at Marlborough and WaterWall Place, respectively. These loans had reached their maturity date and we did not seek additional financing.
- We also made payments totaling \$8.1 million on our remaining outstanding mortgage loans.
- We also made payments of \$4.4 million for financing costs related to our loans.

Contributions From Noncontrolling Interests

During the year ended December 31, 2015, the noncontrolling interest partner of the Aviva Coral Gables JV, contributed \$1.0 million to the joint venture, for the funding of the repayment of the construction loan to Hines. See Note 1 — Organization for additional information regarding the Aviva Coral Gables JV.

During the year ended December 31, 2014, Moorfield/Laser made contributions to the Brindleyplace JV in the amount of \$2.0 million, which is recorded in contributions from noncontrolling interests in our consolidated statement of cash flows. During the year ended December 31, 2014, the Flagship Capital GP, the noncontrolling interest partner of the Flagship JV, contributed \$0.4 million to the Flagship Capital JV, which is also recorded in contributions from noncontrolling interests in our consolidated statement of cash flows. In February 2017, the Brindleyplace JV sold the Brindleyplace Project. See Recent Developments and Subsequent Events for more details.

Results of Operations

Year ended December 31, 2016 compared to the year ended December 31, 2015

Same-store Analysis

The following table presents the property-level revenues in excess of expenses for the year ended December 31, 2016, as compared to the same period in 2015, by reportable segment. Same-store properties for the year ended December 31, 2016 include 36 properties owned as of January 1, 2015 that were 93% leased as of December 31, 2016 compared to 96% leased as of December 31, 2015. In total, property revenues in excess of expenses of the same-store properties decreased 4% for the year ended December 31, 2016 as compared to the year ended December 31, 2015. Below is additional information regarding our same-store results and significant variances from the prior year. All amounts are in thousands, except for percentages:

	Years Ended December 31,		Change	
	2016	2015	\$	%
Property revenues in excess of expenses ⁽¹⁾				
<i>Same-store properties</i>				
Domestic office investments	\$ 91,616	\$ 88,349	\$ 3,267	4 %
Domestic other investments	59,946	59,933	13	— %
International office investments	85,951	97,524	(11,573)	(12)%
International other investments	38,273	42,263	(3,990)	(9)%
<i>Total same-store properties</i>	<u>\$ 275,786</u>	<u>\$ 288,069</u>	<u>\$ (12,283)</u>	<u>(4)%</u>
<i>Recent acquisitions</i>	35,464	21,546	13,918	65 %
<i>Disposed properties ⁽²⁾</i>	14,409	17,588	(3,179)	(18)%
Total property revenues in excess of expenses	<u><u>\$ 325,659</u></u>	<u><u>\$ 327,203</u></u>	<u><u>\$ (1,544)</u></u>	<u><u>— %</u></u>
Other				
Depreciation and amortization	\$ 174,110	\$ 186,965	\$ (12,855)	(7)%
Gain on sale of real estate investments	\$ 127,294	\$ 14,684	\$ 112,610	767 %
Interest expense	\$ 64,473	\$ 71,288	\$ (6,815)	(10)%
Income tax provision (benefit)	\$ 7,326	\$ 4,518	\$ 2,808	62 %

(1) Property revenues in excess of expenses include total revenues less property operating expenses, real property taxes and property management fees.

(2) Includes the property revenues in excess of expenses for the properties that were sold in 2014, 2015 and 2016.

- **Domestic office investments:**

- Revenues in excess of expenses of 50 South Sixth increased \$1.7 million primarily due to the payment of termination fees by a tenant at the building.
- Revenues in excess of expenses of 550 Terry Francois increased \$1.5 million due to its single tenant renewing its lease at the end of 2015 at higher rental rates.

- **Domestic other investments:**

- Revenues in excess of expenses of The Rim increased \$2.4 million resulting from additional phases acquired in December 2015 and December 2016.
- Revenues in excess of expenses of Flagship decreased \$1.6 million due to the repayment of four loans during the year ended December 31, 2016.

- **International office investments:**

- Declines in foreign currency exchange rates against the U.S. dollar continue to cause declines in the operating results of our international properties. For example, the British Pound declined 11% against the U.S. dollar during the year ended December 31, 2016 compared with the same period in 2015. See “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” for additional information regarding our exposure to foreign currency exchange rates.
- Revenues in excess of expenses of 818 Bourke decreased \$4.1 million primarily due to vacancies at the building for the first six months of 2016, as well as a lease termination payment of \$2.3 million received in 2015. 818 Bourke was 79% leased for the majority of the six months ended June 30, 2016. As of December 31, 2016, 818 Bourke was 96% leased.
- Revenues in excess of expenses of New City decreased \$2.8 million primarily due to vacancies at the building for the year ended December 31, 2016. New City was 84% leased at December 31, 2016, compared to 93% leased at December 31, 2015.
- Revenues in excess of expenses of Perspective Défense increased due to the receipt of a \$2.2 million termination payment from a tenant at the building.

- **International other investments:**

- Declining foreign currency exchange rates against the U.S. dollar continue to cause declines in the operating results of our international properties, as described previously.

The decrease in the depreciation and amortization and interest expense in the table above is due the declining foreign currency exchange rates described above.

The increase in the gain on sale of real estate investments in the table above is due to the higher gain on sale of Komo Plaza in 2016, as compared to the gain on sale of 17600 Gillette in 2015.

The increase in the income tax provision is due to acquisition costs related to the Harder Logistics portfolio being capitalized as a deferred tax asset in 2015. This caused a large income tax benefit in 2015 that is being amortized into income tax expense in 2016.

Derivative Instruments

We have entered into several interest rate contracts as economic hedges against the fluctuation of future interest rates on our variable interest rate borrowings, and we have also entered into several foreign currency forward contracts as economic hedges against the variability of future exchange rates on our international investments. We have not designated any of these contracts as cash flow hedges for accounting purposes. These derivatives have been recorded at their estimated fair values in the accompanying consolidated balance sheets. Changes in the fair value of these derivatives result in gains or losses recorded in our consolidated statements of operations and comprehensive income (loss). See “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” included elsewhere in this Annual Report on Form 10-K for additional information regarding certain risks related to our derivatives, such as the risk of counterparty non-performance.

The table below summarizes the activity related to our derivatives for the years ended December 31, 2016 and 2015 (in thousands):

	Years Ended December 31,	
	2016	2015
Gain (loss) on interest rate contracts	\$ (689)	\$ 562
Unrealized gain (loss) on foreign currency forward contracts	—	(7,152)
Gain (loss) on settlement of foreign currency forward contracts	—	7,152
Gain (loss) on derivative instruments	<u>\$ (689)</u>	<u>\$ 562</u>

Other Expenses

The tables below provide additional information related to our acquisition-related expenses, asset management and acquisition fees and general and administrative expenses for the years ended December 31, 2016 and 2015. All amounts in thousands, except percentages:

	Years Ended December 31,		Change	
	2016	2015	\$	%
Acquisition fees	\$ 191	\$ 8,797	\$ (8,606)	(98)%
Asset management fees	\$ 36,810	\$ 35,725	\$ 1,085	3 %
Asset management and acquisition fees	<u>\$ 37,001</u>	<u>\$ 44,522</u>	<u>\$ (7,521)</u>	<u>(17)%</u>
Acquisition-related expenses	\$ 372	\$ 10,472	\$ (10,100)	(96)%
General and administrative expenses	\$ 11,149	\$ 8,597	\$ 2,552	30 %

The changes identified in the table above are primarily due to the following:

- The decrease in acquisition fees identified above is primarily a result of a decrease in our acquisition activity during 2015. For the year ended December 31, 2016, we acquired no new real estate investments, but we did acquire an additional phase of The Rim for a net purchase price of \$38.1 million, compared to our acquisition of four real estate investments, as well as additional phases of The Rim and Simon Hegele Logistics, with an aggregate net purchase price of \$544.2 million for the year ended December 31, 2015.
- We pay monthly asset management fees to the Advisor based on an annual fee of 1.5% of the net equity capital invested in real estate. Asset management fees were higher for the year ended December 31, 2016 compared to the same period in 2015, primarily due to an increase in assets under management.
- Acquisition-related expenses represent costs incurred on properties we have acquired and those which we may acquire in future periods. These costs vary significantly from one acquisition to another.
- General and administrative expenses includes legal and accounting fees, printing and mailing costs, insurance costs, costs and expenses associated with our board of directors and other administrative expenses. The increase in our general and administrative costs is primarily due to an increase in legal expenses, consulting expenses, and other miscellaneous expenses of \$2.9 million incurred related to our consideration of strategic alternatives for a potential liquidity event.

Foreign Currency Gains (Losses)

Our international real estate investments use functional currencies other than the U.S. dollar. The financial statements for these subsidiaries are translated into U.S. dollars for reporting purposes. Assets and liabilities are translated at the exchange rate in effect as of the balance sheet date while income statement accounts are translated using the average exchange rate for the period and significant nonrecurring transactions using the rate on the transaction date. Gains or losses resulting from translation are included in accumulated other comprehensive income (loss) within stockholders' equity. By contrast, gains and losses related to transactions denominated in currencies other than an entity's functional currency are recorded in foreign currency gains (losses) on the consolidated statement of operations. An exception is made where an intercompany loan or advance is

deemed to be of a long-term investment nature, in which instance foreign currency transaction gains or losses are included in accumulated other comprehensive income (loss) within stockholders' equity.

During the year ended December 31, 2016, the losses recognized in the consolidated statement of operations primarily related to third party loans denominated in a currency other than their functional currency. During the year ended December 31, 2015, the losses recognized in the consolidated statement of operations primarily related to repayment of our intercompany loans with our consolidated subsidiaries in Australia. During the year ended December 31, 2014, we recognized losses relating to the sale of 144 Montague and Stonecutter Court.

Year ended December 31, 2015 compared to the year ended December 31, 2014

Same-store Analysis

The following table presents the property-level revenues in excess of expenses for the year ended December 31, 2015, as compared to the same period in 2014, by reportable segment. Same-store properties for the year ended December 31, 2015 include 31 properties owned as of January 1, 2014 that were 96% leased as of both of December 31, 2015 and December 31, 2014. The changes in our results of operations related to our properties are primarily due to the acquisition of properties, as indicated by the same-store analysis below. All amounts are in thousands, except for percentages:

	Year Ended December 31,		Change	
	2015	2014	\$	%
Property revenues in excess of expenses ⁽¹⁾				
<i>Same-store properties</i>				
Domestic office investments	\$ 88,679	\$ 88,531	\$ 148	— %
Domestic other investments	52,464	54,166	(1,702)	(3)%
International office investments	56,157	70,349	(14,192)	(20)%
International other investments	37,388	43,428	(6,040)	(14)%
<i>Total same-store properties</i>	\$ 234,688	\$ 256,474	\$ (21,786)	(8)%
<i>Recent acquisitions</i>	90,406	41,804	48,602	116 %
<i>Disposed properties ⁽²⁾</i>	2,109	20,885	(18,776)	(90)%
Total property revenues in excess of expenses	\$ 327,203	\$ 319,163	\$ 8,040	3 %
Other				
Depreciation and amortization	\$ 186,965	\$ 193,870	\$ (6,905)	(4)%
Gain on sale of real estate investments	\$ 14,684	\$ 64,003	\$ (49,319)	(77)%
Interest expense	\$ 71,288	\$ 78,273	\$ (6,985)	(9)%
Income tax provision (benefit)	\$ 4,518	\$ 5,806	\$ (1,288)	(22)%

(1) Property revenues in excess of expenses include total revenues less property operating expenses, real property taxes and property management fees.

(2) Includes the property revenues in excess of expenses for the two properties that were sold in 2014 and 2015.

In total, property revenues in excess of expenses of the same-store properties decreased 8% for the year ended December 31, 2015 as compared to the year ended December 31, 2014. Below is additional information regarding significant variances in our property revenues in excess of expenses at our same-store properties:

- **Domestic other investments:**

- Revenues in excess of expenses of The Markets at Town Center was lower in 2015 primarily due to a \$2.4 million termination fee received from a tenant in June 2014. No termination fees were received in 2015.
- Revenues in excess of expenses of Komo Plaza decreased by \$1.4 million resulting from several telecommunication lease terminations in 2015.

- Revenues in excess of expenses of Minneapolis Retail Center increased by \$1.0 million resulting from an increase in rental revenue due to a new tenant taking occupancy as well as lease renewals at more favorable rates, and an increase in percentage rent revenues.
- **International office investments:**
 - Declines in foreign currency exchange rates against the U.S. dollar continue to cause declines in the operating results of our international properties. For example, the Euro declined 16% against the U.S. dollar during the year ended December 31, 2016 compared with the same period in 2015. Additionally, the Australian dollar declined 17% and the British pound declined 7% against the U.S. dollar during that period. See “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” for additional information regarding our exposure to foreign currency exchange rates.
 - Revenues in excess of expenses of Gogolevsky 11 decreased \$6.1 million primarily due to significant vacancies at the building. Gogolevsky 11 was 88% leased at December 31, 2016, compared to 100% leased at December 31, 2015.
- **International other investments:**
 - Declining foreign currency exchange rates against the U.S. dollar continue to cause declines in the operating results of our international properties, as described previously.
 - Revenues in excess of expenses of the Poland Logistics Portfolio decreased \$2.2 million primarily due to a tenant bankruptcy at one of the properties that occurred in May 2015.

The decrease in the depreciation and amortization in the table above is due to fully amortized in-place lease intangibles in 2015 in addition to the declining foreign currency exchange rates described above.

The decrease in the gain on sale of real estate investments in the table above is due to a decrease in the number of dispositions and the gains on those sales for the year ended December 31, 2015, as compared to the year ended December 31, 2014.

The decrease in the interest expense in the table above is due to a decrease in the weighted average interest rate on our debt for the year ended December 31, 2015, as compared to the year ended December 31, 2014.

Derivative Instruments

The table below summarizes the activity related to our derivatives for the years ended December 31, 2015 and 2014 (in thousands):

	Years Ended December 31,	
	2015	2014
Gain (loss) on interest rate contracts	\$ 562	\$ (9)
Unrealized gain (loss) on foreign currency forward contracts	(7,152)	6,774
Gain (loss) on settlement of foreign currency forward contracts	7,152	557
Gain (loss) on derivative instruments	<u>\$ 562</u>	<u>\$ 7,322</u>

Other Expenses

The tables below provide details relating to our acquisition-related expenses, asset management and acquisition fees and general and administrative expenses for the years ended December 31, 2015 and 2014. These fees and expenses were generally higher for 2015 compared to 2014, primarily due to our acquisition of more real estate investments in 2015. All amounts in thousands, except percentages:

	Years Ended December 31,		Change	
	2015	2014	\$	%
Acquisition fees	\$ 8,797	\$ 18,188	\$ (9,391)	(52)%
Asset management fees	\$ 35,725	\$ 34,881	\$ 844	2 %
Asset management and acquisition fees	\$ 44,522	\$ 53,069	\$ (8,547)	(16)%
Acquisition-related expenses	\$ 10,472	\$ 29,278	\$ (18,806)	(64)%
General and administrative expenses	\$ 8,597	\$ 6,782	\$ 1,815	27 %

The changes identified in the table above are primarily due to the following:

- For the year ended December 31, 2014 and through March 31, 2015, we paid the Advisor acquisition fees equal to 2.25% of the purchase price of our real estate investments. Effective as of April 1, 2015, Hines Global, the Operating Partnership and the Advisor amended the Advisory Agreement in order to reduce the acquisition fees paid to the Advisor from 2.25% to 0.50% of the purchase price of our investments. The decrease in acquisition fees identified above is a result of a decrease in our acquisition activity during 2015 and the reduction of the acquisition fee. For the year ended December 31, 2015, we acquired four real estate investments with an aggregate net purchase price of \$544.2 million, compared to four real estate investments with an aggregate net purchase price of \$732.9 million for the year ended December 31, 2014.
- We pay monthly asset management fees to the Advisor based on an annual fee of 1.5% of the net equity capital invested in real estate. Asset management fees were higher for the year ended December 31, 2015 compared to the same period in 2014, primarily due to an increase in assets under management.
- Acquisition-related expenses represent costs incurred on properties we have acquired and those which we may acquire in future periods. These costs vary significantly from one acquisition to another. For example, during the year ended December 31, 2014, we incurred a \$15.0 million Stamp Duty Tax on the acquisition of 25 Cabot Square. By comparison, the largest Stamp Duty Tax incurred during the year ended December 31, 2015 was \$3.5 million.
- General and administrative expenses includes legal and accounting fees, printing and mailing costs, insurance costs, costs and expenses associated with our board of directors and other administrative expenses. The increase in our general and administrative costs is primarily due to an increase in transfer agent costs as well as legal and other miscellaneous expenses incurred related to our consideration of strategic alternatives for a potential liquidity event.

Foreign Currency Gains (Losses)

Our international real estate investments use functional currencies other than the U.S. dollar. The financial statements for these subsidiaries are translated into U.S. dollars for reporting purposes. Assets and liabilities are translated at the exchange rate in effect as of the balance sheet date while income statement accounts are translated using the average exchange rate for the period and significant nonrecurring transactions using the rate on the transaction date. Gains or losses resulting from translation are included in accumulated other comprehensive income (loss) within stockholders' equity. By contrast, gains and losses related to transactions denominated in currencies other than an entity's functional currency are recorded in foreign currency gains (losses) on the consolidated statement of operations. An exception is made where an intercompany loan or advance is deemed to be of a long-term investment nature, in which instance foreign currency transaction gains or losses are included in accumulated other comprehensive income (loss) within stockholders' equity.

During the year ended December 31, 2015, the losses recognized in the consolidated statement of operations primarily related to repayment of our intercompany loans with our consolidated subsidiaries in Australia. During the year ended December 31, 2014, we recognized losses relating to the sale of 144 Montague and Stonecutter Court.

Funds from Operations and Modified Funds from Operations

Funds from Operations (“FFO”) is a non-GAAP financial performance measure defined by the National Association of Real Estate Investment Trusts (“NAREIT”) and is widely recognized by investors and analysts as one measure of operating performance of a real estate company. FFO excludes items such as real estate depreciation and amortization. Depreciation and amortization, as applied in accordance with GAAP, implicitly assumes that the value of real estate assets diminishes predictably over time and also assumes that such assets are adequately maintained and renovated as required in order to maintain their value. Since real estate values have historically risen or fallen with market conditions such as occupancy rates, rental rates, inflation, interest rates, the business cycle, unemployment and consumer spending, it is management’s view, and we believe the view of many industry investors and analysts, that the presentation of operating results for real estate companies using historical cost accounting alone is insufficient. In addition, FFO excludes gains and losses from the sale of real estate and impairment charges related to depreciable real estate assets and in-substance real estate equity investments, which we believe provides management and investors with a helpful additional measure of the historical performance of our real estate portfolio, as it allows for comparisons, year to year, that reflect the impact on operations from trends in items such as occupancy rates, rental rates, operating costs, general and administrative expenses and interest costs. A property will be evaluated for impairment if events or circumstances indicate that the carrying amount may not be recoverable (i.e. the carrying amount exceeds the total estimated undiscounted future cash flows from the property). Undiscounted future cash flows are based on anticipated operating performance, including estimated future net rental and lease revenues, net proceeds on the sale of the property, and certain other ancillary cash flows. While impairment charges are excluded from the calculation of FFO as described above, stockholders are cautioned that due to the limited term of our operations, it could be difficult to recover any impairment charges.

In addition to FFO, management uses modified funds from operations (“MFFO”), as defined by the Investment Program Association, (the “IPA”), as a non-GAAP supplemental financial performance measure to evaluate our operating performance. The IPA has recommended the use of MFFO as a supplemental measure for publicly registered, non-listed REITs to enhance the assessment of the operating performance of a non-listed REIT. MFFO is not equivalent to our net income or loss as determined under GAAP, and MFFO may not be useful as a measure of the long-term operating performance of our investments or as a comparative measure to other publicly registered, non-listed REITs if we do not continue to operate with a limited life and targeted exit strategy, as currently intended and described herein. MFFO includes funds generated by the operations of our real estate investments and funds used in our corporate-level operations. MFFO is based on FFO, but includes certain additional adjustments which we believe are appropriate. Such items include reversing the effects of straight-line rent revenue recognition, fair value adjustments to derivative instruments that do not qualify for hedge accounting treatment and certain other items as described below. Some of these adjustments are necessary to address changes in the accounting and reporting rules under GAAP such as the accounting for acquisition-related expenses from a capitalization/depreciation model to an expensed-as-incurred model that were put into effect in 2009 and other changes to GAAP rules for real estate subsequent to the establishment of NAREIT’s definition of FFO. These changes in the accounting and reporting rules under GAAP affected all industries, and as a result of these changes, acquisition fees and expenses are typically accounted for as operating expenses under GAAP. Management believes these fees and expenses do not affect our overall long-term operating performance. These changes also have prompted a significant increase in the magnitude of non-cash and non-operating items included in FFO, as defined. Such items include amortization of out-of-market lease intangible assets and liabilities and certain tenant incentives.

Other adjustments included in MFFO are necessary to address issues that are common to publicly registered, non-listed REITs. Publicly registered, non-listed REITs typically have a significant amount of acquisition activity and are substantially more dynamic during their initial years of investment and operations. While other start-up entities may also experience significant acquisition activity during their initial years, we believe that non-listed REITs like us are unique in that they have a limited life with targeted exit strategies within a relatively limited time frame after the acquisition activity ceases.

The purchase of properties, and the corresponding expenses associated with that process, including acquisition fees and expenses, is a key operational feature of our business plan to generate operational income and cash flows in order to make distributions to our stockholders. MFFO excludes acquisition fees payable to the Advisor and acquisition expenses. Under GAAP, acquisition fees and expenses are characterized as operating expenses in determining operating net income. These expenses are paid in cash by us, and therefore such funds will not be available to distribute to our stockholders. All paid and accrued acquisition fees and expenses with respect to the acquisition of a property negatively impact our operating performance during the period in which the property is acquired and will have negative effects on returns to our stockholders, the potential for future distributions, and future cash flows, unless earnings from operations or net sales proceeds from the disposition of other properties are generated to cover the purchase price of the property, the related acquisition fees and expenses and other costs related to such property. In addition, if we acquire a property after all offering proceeds from our public offerings have been invested, there will not be any offering proceeds to pay the corresponding acquisition-related costs. Accordingly, unless the Advisor determines to waive the payment of any then-outstanding acquisition-related costs otherwise payable to the

Advisor, such costs will be paid from additional debt, operational earnings or cash flow, net proceeds from the sale of properties, or ancillary cash flows. Therefore, MFFO may not be an accurate indicator of our operating performance, especially during periods in which properties are being acquired. Since MFFO excludes acquisition fees and expenses, MFFO would only be comparable to the operations of non-listed REITs that have completed their acquisition activity and have other similar operating characteristics.

Management uses MFFO to evaluate the financial performance of our investment portfolio, including the impact of potential future investments. In addition, management uses MFFO to evaluate and establish our distribution policy and the sustainability thereof. Further, we believe MFFO is one of several measures that may be useful to investors in evaluating the potential performance of our portfolio following the conclusion of the acquisition phase, as it excludes acquisition fees and expenses, as described herein.

MFFO has limitations as a performance measure in offerings where the price of a share of common stock is a stated value and there is no net asset value determination during the offering stage and for a period thereafter. MFFO is useful in assisting management and investors in assessing the sustainability (that is, the capacity to continue to be maintained) of operating performance in future operating periods, and in particular, after the offering and acquisition stages are complete and net asset value is disclosed. MFFO is not a useful measure in evaluating net asset value because impairments are taken into account in determining net asset value but not in determining MFFO.

FFO and MFFO should not be construed to be more relevant or accurate than the current GAAP methodology in calculating net income or in its applicability in evaluating our operating performance. In addition, FFO and MFFO should not be considered as alternatives to net income (loss) or income (loss) from continuing operations as an indication of our performance or as alternatives to cash flows from operating activities as an indication of our liquidity, but rather should be reviewed in conjunction with these and other GAAP measurements. Further, FFO and MFFO are not intended to be used as liquidity measures indicative of cash flow available to fund our cash needs, including our ability to make distributions to our stockholders. Please see the limitations listed below associated with the use of MFFO:

- As we have recently completed the acquisition phase of our life cycle, acquisition costs and other adjustments that are increases to MFFO are, and may continue to be, a significant use of cash and dilutive to the value of an investment in our shares.
- MFFO excludes acquisition fees payable to the Advisor and acquisition expenses. Although these amounts reduce net income, we generally have funded such costs with proceeds from our public offerings and acquisition-related indebtedness (and, solely with respect to acquisition-related costs incurred in connection with our acquisition of the Brindleyplace Project in July 2010, equity capital contributions from Laser) and do not consider these fees and expenses in the evaluation of our operating performance and determining MFFO.
- We use interest rate swap contracts and interest rate caps as economic hedges against the variability of interest rates on variable rate loans. Although we expect to hold these instruments to maturity, if we were to settle these instruments currently, it would have an impact on our operating performance. Additionally, these derivative instruments are measured at fair value on a quarterly basis in accordance with GAAP. MFFO excludes gains (losses) related to changes in these estimated values of our derivative instruments because such adjustments may not be reflective of ongoing operations and may reflect unrealized impacts on our operating performance.
- We use foreign currency forward contracts as economic hedges against the variability of foreign exchange rates on certain international investments. These derivative instruments are typically short-term and are frequently settled at amounts that result in additional amounts paid or received. However, such gains (losses) are excluded from MFFO since they are not considered to be operational in nature. Additionally, these derivative instruments are measured at fair value on a quarterly basis in accordance with GAAP. MFFO excludes gains (losses) related to changes in these estimated values of our derivative instruments because such adjustments may not be reflective of ongoing operations or may reflect unrealized impacts on our operating performance.
- We utilize the definition of FFO as set forth by NAREIT and the definition of MFFO as set forth by the IPA. Our FFO and MFFO as presented may not be comparable to amounts calculated by other REITs, if they use different approaches.
- Our business is subject to volatility in the real estate markets and general economic conditions, and adverse changes in those conditions could have a material adverse impact on our business, results of operations and MFFO. Accordingly, the predictive nature of MFFO is uncertain and past performance may not be indicative of future results.

Neither the SEC, NAREIT nor any regulatory body has passed judgment on the acceptability of the adjustments that we use to calculate FFO or MFFO. In the future, the SEC, NAREIT or a regulatory body may decide to standardize the allowable adjustments across the non-listed REIT industry and we would have to adjust our calculation and characterization of FFO or MFFO.

The following section presents our calculation of FFO and MFFO and provides additional information related to our operations (in thousands, except per share amounts) for the years ended December 31, 2016, 2015 and 2014. As we have recently completed the investment phase of our operations, FFO and MFFO are not useful in comparing operations for the three periods presented below.

	Period from Inception (December 10, 2008) through December 31, 2016	Years Ended December 31,		
		2016	2015	2014
Net income (loss)	\$ (46,775)	\$ 157,227	\$ (4,954)	\$ 10,842
Depreciation and amortization ⁽¹⁾	849,082	174,110	186,965	193,870
Loss (gain) on sale of investment property ⁽²⁾	(206,010)	(127,296)	(14,684)	(64,003)
Gain on sale from unconsolidated subsidiary	(7,196)	(7,196)	—	—
Adjustments for noncontrolling interests ⁽³⁾	(29,146)	(6,191)	(7,020)	(6,656)
Funds from operations	559,955	190,654	160,307	134,053
Loss (gain) on derivative instruments ⁽⁴⁾	(4,779)	689	(562)	(7,322)
Loss (gain) on foreign currency ⁽⁵⁾	42,693	5,134	20,212	11,368
Other components of revenues and expenses ⁽⁶⁾	(51,662)	(11,156)	(16,725)	(14,958)
Acquisition fees and expenses ⁽⁷⁾	223,021	562	19,259	47,410
Adjustments for noncontrolling interests ⁽³⁾	5,976	2,706	3,247	3,319
Modified Funds From Operations attributable to common stockholders	\$ 775,204	\$ 188,589	\$ 185,738	\$ 173,870
Basic and diluted income (loss) per common share	\$ (0.40)	\$ 0.55	\$ (0.04)	\$ 0.02
Funds From Operations attributable to common stockholders per common share	\$ 3.73	\$ 0.69	\$ 0.59	\$ 0.51
Modified Funds From Operations attributable to common stockholders per common share	\$ 5.16	\$ 0.68	\$ 0.68	\$ 0.66
Weighted average shares outstanding	150,319	275,914	272,773	263,323

Notes to the table:

- (1) Represents the depreciation and amortization of various real estate assets. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, we believe that such depreciation and amortization may be of limited relevance in evaluating current operating performance and, as such, these items are excluded from our determination of FFO.
- (2) Represents the gain on disposition of certain real estate investments. Although this gain is included in the calculation of net income (loss), we have excluded it from FFO because we believe doing so appropriately presents the operating performance of our real estate investments on a comparative basis.
- (3) Includes income attributable to noncontrolling interests and all adjustments to eliminate the noncontrolling interests' share of the adjustments to convert our net loss to FFO and MFFO.
- (4) Represents components of net income (loss) related to the estimated changes in the values of our interest rate contract derivatives and foreign currency forwards. We have excluded these changes in value from our evaluation of our operating performance and MFFO because such adjustments may not be reflective of our ongoing performance and may reflect unrealized impacts on our operating performance.

- (5) Represents components of net income (loss) primarily resulting from the remeasurement of loans denominated in currencies other than our functional currencies. We have excluded these changes in value from our evaluation of our operating performance and MFFO because such adjustments may not be reflective of our ongoing performance and may reflect unrealized impacts on our operating performance.
- (6) Includes the following components of revenues and expenses that we do not consider in evaluating our operating performance and determining MFFO for the period from inception through December 31, 2016 and for the years ended December 31, 2016, 2015 and 2014 (in thousands):

	Period from Inception (December 10, 2008) through December 31, 2016	Years Ended December 31,		
		2016	2015	2014
Straight-line rent adjustment (a)	\$ (105,515)	\$ (26,202)	\$ (27,500)	\$ (24,947)
Amortization of lease incentives (b)	26,485	12,274	7,581	4,178
Amortization of out-of-market leases (b)	24,691	2,849	2,833	5,366
Other	2,677	(77)	361	445
	<u>\$ (51,662)</u>	<u>\$ (11,156)</u>	<u>\$ (16,725)</u>	<u>\$ (14,958)</u>

- (a) Represents the adjustments to rental revenue as required by GAAP to recognize minimum lease payments on a straight-line basis over the respective lease terms. We have excluded these adjustments from our evaluation of our operating performance and in determining MFFO because we believe that the rent that is billable during the current period is a more relevant measure of our operating performance for such period.
- (b) Represents the amortization of lease incentives and out-of-market leases.
- (7) Represents acquisition expenses and acquisition fees paid to the Advisor that are expensed in our consolidated statements of operations. We fund such costs with proceeds from our offering, and therefore do not consider these expenses in evaluating our operating performance and determining MFFO.

From inception through December 31, 2016, we declared distributions to our stockholders totaling \$783.1 million, compared to total aggregate FFO of \$560.0 million and cash flows from operating activities of \$500.7 million. For the year ended December 31, 2016, we declared distributions to our stockholders totaling \$179.8 million, compared to total aggregate FFO of \$190.7 million. For the years ended December 31, 2015 and 2014, we declared distributions to our stockholders totaling \$177.3 million and \$171.1 million, respectively, compared to total aggregate FFO of \$160.3 million and \$134.1 million, respectively. During our offering and investment stages, we have incurred acquisition fees and expenses in connection with our real estate investments, which are recorded as reductions to net income and FFO. From inception through December 31, 2016, we incurred acquisition fees and expenses totaling \$222.5 million.

As noted previously, our cash flows from operations have been and may continue to be insufficient to fully fund distributions paid. Therefore, some or all of our distributions may continue to be paid from other sources, such as cash advances by the Advisor, cash resulting from a waiver or deferral of fees, borrowings and/or proceeds from our public offerings. We have not placed a cap on the amount of our distributions that may be paid from any of these sources. In prior years, the Advisor has provided waivers of their asset management fees for when distributions exceeded MFFO, so that the cash flows from operations that would have been paid to the Advisor for asset management fee would be available to pay distributions to stockholders. The Advisor provided such a waiver in each the years ended December 31, 2015 and 2014. However, because MFFO exceeded distributions declared to our stockholders during the years ended December 31, 2015 and 2014, respectively, the Advisor did not waive any asset management fees for those periods. MFFO also exceeded distributions declared to our stockholders during the year ended December 31, 2016. During the years ended December 31, 2016, 2015 and 2014, we incurred asset management fees of \$36.8 million, \$35.7 million and \$34.9 million, respectively. For additional information regarding the Advisor's asset management fee waivers, please see "—Cash Flows from Financing Activities—Distributions."

Related-Party Transactions and Agreements

We have entered into agreements with the Advisor, Dealer Manager and Hines or its affiliates, whereby we pay certain fees and reimbursements to these entities during the various phases of our organization and operation. During the organization and offering stage, these included payments to our Dealer Manager for selling commissions and the dealer manager fee and payments to the Advisor for reimbursement of issuer costs. During the acquisition and operational stages, these include payments for certain services related to acquisitions, financing and management of our investments and operations provided to us by the Advisor and Hines and its affiliates pursuant to various agreements we have entered into or anticipate entering into with these entities. We have also entered into several affiliated transactions with affiliates of Hines to make investments and provide financing. In addition to the description of the @1377 partnership agreement below, see Note 9 — Related Party Transactions to the Consolidated Financial Statements contained elsewhere in this Annual Report on Form 10-K for additional information concerning our Related-Party Transactions and Agreements.

The @1377 partnership agreement provided that, subject to certain return thresholds being achieved, Hines would receive certain incentive distributions. Hines received total distributions of \$15.7 million from the @1377 partnership in June 2016, which included a return of capital, preferred return distributions, and incentive distributions based on the return thresholds set forth in the @1377 partnership agreement having been achieved. These distributions represented 58% of the total distributions from the @1377 partnership.

Off-Balance Sheet Arrangements

As of December 31, 2016 and 2015, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

The following table lists our known contractual obligations as of December 31, 2016. Specifically included are our obligations under long-term debt agreements and our operating lease agreement (in thousands):

Contractual Obligations	Payments due by Period				Total
	Less Than 1 Year	1-3 Years	4-5 Years	More Than 5 Years	
Notes payable ⁽¹⁾	\$ 354,033	\$ 1,531,640	\$ 291,253	\$ 174,599	\$ 2,351,525
Operating lease agreement ⁽²⁾	290	580	580	2,026	3,476
Total contractual obligations	\$ 354,323	\$ 1,532,220	\$ 291,833	\$ 176,625	\$ 2,355,001

- (1) Notes payable includes principal and interest payments under our mortgage and construction loans. For the purpose of this table, we assumed that rates of our unhedged variable-interest loans were equal to the rates in effect as of December 31, 2016 and remain constant for the remainder of the loan term. Further, for the purpose of this table, for mortgages denominated in a foreign currency, we assumed the exchange rate in effect as of December 31, 2016 remains constant for the remainder of the loan term.
- (2) The operating lease agreement relates to the Brindleyplace JV, which leases space from a tenant in one of its properties through a non-cancellable lease agreement which expires on December 24, 2028. The Company expects to make annual payments of approximately £0.2 million (\$0.3 million assuming a rate of \$1.23 per GBP as of December 31, 2016) pursuant to the lease, which will be recorded in rental expense in its consolidated statement of operations. For the purpose of this table, we assumed the exchange rate of \$1.23 per GBP remains constant for the remainder of the lease term. We sold the Brindleyplace project in February 2017. See discussion below for additional information.

Recent Developments and Subsequent Events

Brindleyplace Project

In February 2017, the Brindleyplace JV, in which we own a 60% interest, sold the Brindleyplace Project for a contract sales price of £260.0 million (approximately \$325.1 million based on an exchange rate of \$1.25 per GBP as of the transaction

date). The Brindleyplace JV acquired the property in July 2010 for £186.2 million (approximately \$282.5 million based on an exchange rate of \$1.52 per GBP as of the transaction date).

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market-sensitive instruments. In pursuing our business plan, we believe that interest rate risk, currency risk and real estate valuation risk are the primary market risks to which we are exposed.

Interest Rate Risk

We are exposed to the effects of interest rate changes primarily as a result of debt used to maintain liquidity and fund expansion of our real estate investment portfolio and operations. One of our interest rate risk management objectives is to limit the impact of interest rate changes on cash flows. To achieve this objective, we may borrow at fixed rates or fix and cap the variable rates of interest on variable interest rate borrowings through the use of interest rate swaps and caps. We have and may continue to enter into derivative financial instruments such as interest rate swaps and caps in order to mitigate our interest rate risk on a related financial instrument. We will not enter into derivative or interest rate transactions for speculative purposes. We are exposed to credit risk of the counterparty to these interest rate swap agreements in the event of non-performance under the terms of the derivative contracts. In the event of non-performance by the counterparty, if we were not able to replace these swaps, we would be subject to the variability of interest rates on the total amount of debt outstanding under the mortgage.

At December 31, 2016, we had fixed rate debt of \$314.5 million and variable rate debt of \$1.9 billion. If interest rates were to increase by 1% and all other variables were held constant, we would incur \$19.0 million in additional annual interest expense associated with our variable-rate debt. Additionally, we have notional amounts of approximately \$398.8 million in interest rate caps to cap our variable rate debt. As of December 31, 2016, the variable interest rates did not exceed their capped interest rates.

Foreign Currency Risks

We currently have real estate investments located in countries outside of the U.S. that are subject to the effects of exchange rate movements between the foreign currency of each real estate investment and the U.S. dollar, which may affect future costs and cash flows as well as amounts translated into U.S. dollars for inclusion in our consolidated financial statements. Generally, we have entered into mortgage loans denominated in foreign currencies for these investments, which provide natural hedges with regard to changes in exchange rates between the foreign currencies and U.S. dollar and reduces our exposure to exchange rate differences. Additionally, we are typically a net receiver of these foreign currencies, and, as a result, our foreign operations benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations” for additional information concerning the negative impact that declines in the foreign currency exchange rates have had on the operating results of our international properties. The table below identifies the effect that a 10% immediate, unfavorable change in the exchange rates would have on our equity in these international real estate investments and their net income for the most recently completed period, by foreign currency (in thousands)⁽¹⁾⁽²⁾:

	Reduction in Book Value as of December 31, 2016	Reduction in Net Income (Loss) for the Year Ended December 31, 2016
AUD	\$9,650	\$485
EUR	\$9,956	\$405
GBP	\$22,941	\$364
RUB	\$6,470	\$482

- (1) Our real estate assets in Moscow, Russia were purchased in U.S. dollars and we expect that when we dispose of these assets, the sale transactions will also be denominated in U.S. dollars. Accordingly, we do not expect to have economic exposure to the rouble upon disposition. However, changes in the exchange rate between the rouble and the U.S. dollar could result in realized losses recorded in our consolidated statement of operations at the time of sale.

- (2) Our real estate assets in Warsaw, Wroclaw and Upper Silesia, Poland were purchased in Euros and we expect that when we dispose of these assets, the sale transactions will also be denominated in Euros. Accordingly, we do not expect to have Polish zloty exposure upon disposition.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Hines Global REIT, Inc.
Houston, Texas

We have audited the accompanying consolidated balance sheets of Hines Global REIT, Inc. and subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Hines Global REIT, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

Houston, Texas
March 28, 2017

HINES GLOBAL REIT, INC.
CONSOLIDATED BALANCE SHEETS
As of December 31, 2016 and 2015

	2016	2015
	(In thousands, except per share amounts)	
ASSETS		
Investment property, net	\$ 3,049,643	\$ 3,267,877
Investment in unconsolidated entities	—	2,006
Cash and cash equivalents	127,393	136,627
Restricted cash	29,331	19,764
Derivative instruments	40	675
Tenant and other receivables, net	109,879	94,890
Intangible lease assets, net	506,075	672,784
Deferred leasing costs, net	127,995	104,308
Deferred financing costs, net	2,425	3,384
Real estate loans receivable, net	15,291	55,280
Other assets	20,360	15,351
Total assets	\$ 3,988,432	\$ 4,372,946
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued expenses	\$ 110,219	\$ 101,981
Due to affiliates	17,914	14,469
Intangible lease liabilities, net	82,354	95,696
Other liabilities	41,233	48,583
Distributions payable	21,178	19,837
Notes payable, net	2,207,299	2,545,656
Total liabilities	2,480,197	2,826,222
Commitments and contingencies (Note 14)	—	—
Equity:		
Stockholders' equity:		
Preferred shares, \$.001 par value; 500,000 preferred shares authorized, none issued or outstanding as of December 31, 2016 and 2015	—	—
Common shares, \$.001 par value; 1,500,000 common shares authorized as of December 31, 2016 and 2015; 277,331 and 274,482 common shares issued and outstanding as of December 31, 2016 and 2015, respectively	277	274
Additional paid-in capital	2,507,186	2,476,744
Accumulated distributions in excess of earnings	(843,900)	(815,127)
Accumulated other comprehensive income (loss)	(199,929)	(163,096)
Total stockholders' equity	1,463,634	1,498,795
Noncontrolling interests	44,601	47,929
Total equity	1,508,235	1,546,724
Total liabilities and equity	\$ 3,988,432	\$ 4,372,946

See notes to the consolidated financial statements.

HINES GLOBAL REIT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
	(In thousands, except per share amounts)		
Revenues:			
Rental revenue	\$ 440,733	\$ 441,709	\$ 425,969
Other revenue	37,175	35,164	30,295
Total revenues	<u>477,908</u>	<u>476,873</u>	<u>456,264</u>
Expenses:			
Property operating expenses	93,276	91,902	85,134
Real property taxes	49,394	47,431	42,273
Property management fees	9,579	10,337	9,694
Depreciation and amortization	174,110	186,965	193,870
Acquisition related expenses	372	10,472	29,278
Asset management and acquisition fees	37,001	44,522	53,069
General and administrative expenses	11,149	8,597	6,782
Total expenses	<u>374,881</u>	<u>400,226</u>	<u>420,100</u>
Income (loss) before other income (expenses) and benefit (provision) for income taxes	103,027	76,647	36,164
Other income (expenses):			
Gain (loss) on derivative instruments	(689)	562	7,322
Equity in earnings (losses) of unconsolidated entity	7,504	—	—
Gain (loss) on sale of real estate investments	127,294	14,684	64,003
Foreign currency gains (losses)	(8,240)	(21,468)	(13,074)
Interest expense	(64,473)	(71,288)	(78,273)
Other income (expenses)	130	427	506
Income (loss) before benefit (provision) for income taxes	<u>164,553</u>	<u>(436)</u>	<u>16,648</u>
Benefit (provision) for income taxes	(7,326)	(4,518)	(5,806)
Net income (loss)	<u>157,227</u>	<u>(4,954)</u>	<u>10,842</u>
Net (income) loss attributable to noncontrolling interests	(6,177)	(5,677)	(5,764)
Net income (loss) attributable to common stockholders	<u>\$ 151,050</u>	<u>\$ (10,631)</u>	<u>\$ 5,078</u>
Basic and diluted income (loss) per common share:	<u>\$ 0.55</u>	<u>\$ (0.04)</u>	<u>\$ 0.02</u>
Weighted average number of common shares outstanding	<u>275,914</u>	<u>272,773</u>	<u>263,323</u>
Net comprehensive income (loss):			
Net income (loss)	\$ 157,227	\$ (4,954)	\$ 10,842
Other comprehensive income (loss):			
Foreign currency translation adjustment	(40,647)	(40,516)	(101,397)
Net comprehensive income (loss):	<u>116,580</u>	<u>(45,470)</u>	<u>(90,555)</u>
Net comprehensive (income) loss attributable to noncontrolling interests	(2,363)	(4,488)	(4,215)
Net comprehensive income (loss) attributable to common stockholders	<u>\$ 114,217</u>	<u>\$ (49,958)</u>	<u>\$ (94,770)</u>

See notes to the consolidated financial statements.

HINES GLOBAL REIT, INC.
CONSOLIDATED STATEMENTS OF EQUITY
For the Years Ended December 31, 2016, 2015 and 2014
(In thousands)

Hines Global REIT, Inc.

	Common Shares	Amount	Additional Paid-in Capital	Accumulated Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests
Balance as of January 1, 2014	229,035	\$ 229	\$ 2,055,827	\$ (461,196)	\$ (23,921)	\$ 1,570,939	\$ 43,268
Issuance of common shares	45,477	45	463,514	—	—	463,559	—
Contribution from noncontrolling interest	—	—	—	—	—	—	3,894
Distributions declared	—	—	—	(171,085)	—	(171,085)	(324)
Distributions on Convertible Preferred Equity Certificates ("CPEC")	—	—	—	—	—	—	(4,344)
Redemption of common shares	(3,855)	(3)	(40,922)	—	—	(40,925)	—
Selling commissions and dealer manager fees	—	—	(36,355)	—	—	(36,355)	—
Issuer costs	—	—	(1,975)	—	—	(1,975)	—
Net income (loss)	—	—	—	5,078	—	5,078	5,764
Foreign currency translation adjustment	—	—	—	—	(105,570)	(105,570)	(1,549)
Foreign currency translation adjustment reclassified into earnings	—	—	—	—	5,722	5,722	—
Balance as of December 31, 2014	270,657	271	2,440,089	(627,203)	(123,769)	1,689,388	46,709
Issuance of common shares	9,836	10	93,775	—	—	93,785	—
Contributions from noncontrolling interest	—	—	—	—	—	—	953
Distributions declared	—	—	—	(177,293)	—	(177,293)	(825)
Distributions on CPEC	—	—	—	—	—	—	(3,396)
Redemption of common shares	(6,011)	(7)	(57,059)	—	—	(57,066)	—
Issuer costs	—	—	(61)	—	—	(61)	—
Net income (loss)	—	—	—	(10,631)	—	(10,631)	5,677
Foreign currency translation adjustment	—	—	—	—	(55,541)	(55,541)	(1,189)
Foreign currency translation adjustment reclassified into earnings	—	—	—	—	16,214	16,214	—
Balance as of December 31, 2015	274,482	\$ 274	\$ 2,476,744	\$ (815,127)	\$ (163,096)	\$ 1,498,795	\$ 47,929
Issuance of common shares	9,331	9	94,061	—	—	94,070	—
Distributions declared	—	—	—	(179,823)	—	(179,823)	(2,077)
Distributions on CPEC	—	—	—	—	—	—	(3,614)
Redemption of common shares	(6,482)	(6)	(63,578)	—	—	(63,584)	—
Issuer costs	—	—	(41)	—	—	(41)	—
Net income (loss)	—	—	—	151,050	—	151,050	6,177
Foreign currency translation adjustment	—	—	—	—	(36,833)	(36,833)	(3,814)
Balance as of December 31, 2016	277,331	\$ 277	\$ 2,507,186	\$ (843,900)	\$ (199,929)	\$ 1,463,634	\$ 44,601

See notes to the consolidated financial statements.

HINES GLOBAL REIT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016, 2015 and 2014

	2016	2015	2014
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 157,227	\$ (4,954)	\$ 10,842
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation and amortization	193,954	203,380	209,957
Equity in (earnings) losses of unconsolidated entity	(7,504)	—	—
Distributions from unconsolidated entities	7,504	—	—
Foreign currency (gains) losses	8,240	21,468	13,074
(Gain) loss on sale of real estate investments	(127,294)	(14,684)	(64,003)
(Gain) loss on derivative instruments	689	(562)	(7,322)
Changes in assets and liabilities:			
Change in other assets	(6,651)	(5,235)	(2,440)
Change in tenant and other receivables	(27,065)	(34,637)	(26,505)
Change in deferred leasing costs	(43,191)	(60,104)	(23,343)
Change in accounts payable and accrued expenses	7,471	9,133	18,242
Change in other liabilities	(5,145)	1,324	10,850
Change in due to affiliates	(1,460)	(224)	3,020
Net cash from operating activities	<u>156,775</u>	<u>114,905</u>	<u>142,372</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of real estate investments	266,312	30,368	248,120
Investments in acquired properties and lease intangibles	(30,142)	(511,553)	(729,674)
Capital expenditures at operating properties and developments	(19,926)	(11,627)	(51,671)
Distributions from unconsolidated entities in excess of equity in earnings	2,006	867	700
Deposits on investment property	—	—	(15,000)
Investments in real estate loans receivable	(6,182)	(13,208)	(50,576)
Proceeds from collection of real estate loans receivable	46,951	33,569	19,447
Net cash from (used in) investing activities	<u>259,019</u>	<u>(471,584)</u>	<u>(578,654)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	—	—	378,804
Contribution from noncontrolling interest	—	953	3,894
Redemption of common shares	(63,842)	(57,325)	(37,708)
Payment of issuer costs	(42)	(55)	(2,457)
Payment of selling commissions and dealer manager fees	—	—	(37,011)
Distributions paid to stockholders and noncontrolling interests	(89,163)	(85,275)	(81,901)
Proceeds from notes payable	159,000	1,756,721	1,063,094
Payments on related party notes payable	—	(17,017)	(20,770)
Payments on notes payable	(412,620)	(1,230,638)	(788,178)
Change in security deposit liability	78	915	1,157
Deferred financing costs paid	(503)	(8,933)	(4,387)
Payments related to interest rate contracts	(50)	(2,457)	(133)
Net cash from (used in) financing activities	<u>(407,142)</u>	<u>356,889</u>	<u>474,404</u>
Effect of exchange rate changes on cash	<u>(8,319)</u>	<u>(7,383)</u>	<u>(11,700)</u>
Net change in cash, cash equivalents, and restricted cash	<u>333</u>	<u>(7,173)</u>	<u>26,422</u>
Cash, cash equivalents and restricted cash, beginning of period	<u>156,391</u>	<u>163,564</u>	<u>137,142</u>
Cash, cash equivalents and restricted cash, end of period	<u><u>\$ 156,724</u></u>	<u><u>\$ 156,391</u></u>	<u><u>\$ 163,564</u></u>

See notes to the consolidated financial statements.

HINES GLOBAL REIT, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Hines Global REIT, Inc. (the “Company”), was formed as a Maryland corporation on December 10, 2008 under the General Corporation Law of the state of Maryland for the purpose of engaging in the business of investing in and owning commercial real estate properties and other real estate investments. The Company conducts substantially all of its operations through Hines Global REIT Properties, LP (the “Operating Partnership”) and subsidiaries of the Operating Partnership. Beginning with its taxable year ended December 31, 2009, the Company operated and intends to continue to operate in a manner to qualify as a real estate investment trust (“REIT”) for federal income tax purposes. The day-to-day business of the Company is managed by Hines Global REIT Advisors LP (the “Advisor”), an affiliate of Hines Interests Limited Partnership (“Hines”), pursuant to the Advisory Agreement between the Company, the Advisor and the Operating Partnership.

On August 5, 2009, the Company commenced its initial public offering of common stock for sale to the public (the “Initial Offering”) which expired on February 1, 2013. The Company commenced a follow-on offering effective February 4, 2013, through which it offered up to \$3.5 billion in shares of common stock (the “Second Offering”), and ceased offering primary shares pursuant to the second public offering on April 11, 2014. The Company continues to offer up to \$500.0 million of shares of its common stock under its distribution reinvestment plan, pursuant to an offering which commenced on April 24, 2014 (the “DRP Offering”). Collectively, through its public offerings, the Company received gross offering proceeds of \$3.0 billion from the sale of 297.6 million shares from inception through December 31, 2016, all of which has been invested in the Company’s real estate portfolio.

In March 2015, the Company completed its investment of the proceeds raised through its public offerings. As of December 31, 2016, the Company owned interests in 41 real estate investments, consisting of the following types of investments:

- Domestic office investments (11 investments)
- Domestic other investments (8 investments)
- International office investments (10 investments)
- International other investments (12 investments)

Discussed below are additional details related to the Company’s investment in real estate related debt as of December 31, 2016. This investment is included in the Company’s domestic other investments segment. All other investments are operating real estate investments.

- Flagship Capital JV — 97% interest in a joint venture with Flagship Capital GP, which was formed to provide real estate loans. The joint venture has two loans receivable, totaling \$15.2 million, outstanding as of December 31, 2016. The Company is not otherwise affiliated with Flagship Capital GP. See Note 5 — Real Estate Loans Receivable for additional information regarding these loans receivable.

Joint Ventures, Equity Method Investments and Noncontrolling Interests

On January 7, 2009, the Company and Hines Global REIT Associates Limited Partnership (“HALP”), an affiliate of the Advisor, formed Hines Global REIT Properties, LP (the “Operating Partnership”). The Company conducts most of its operations through the Operating Partnership. On January 14, 2009, the Company and HALP made initial capital contributions to the Operating Partnership of \$10,000 and \$190,000, respectively and accordingly, HALP owned a 95.0% noncontrolling interest in the Operating Partnership. As of December 31, 2016 and 2015, HALP owned a 0.01% and 0.01% interest in the Operating Partnership, respectively.

The Brindleyplace JV

In June 2010, the Operating Partnership and Moorfield Real Estate Fund II GP Ltd., (“Moorfield”) formed Hines Moorfield UK Venture I S.A.R.L., (the “Brindleyplace JV”) and, in July 2010, the Brindleyplace JV acquired several properties located in Birmingham, England (the “Brindleyplace Project”). In 2015, LSREF 3 Laser Holdings (Jersey) Limited (“Laser”) purchased Moorfield’s interest in the Brindleyplace JV and renamed it Hines Laser UK Venture I S.A.R.L. The Company owns a 60% interest in the Brindleyplace JV and Laser holds the remaining 40% interest. In February 2017, the Brindleyplace JV sold the Brindleyplace Project. See Note 16 — Subsequent Events for information regarding the sale.

The Company has concluded its investment in the Brindleyplace JV does not qualify as a variable interest entity (“VIE”) under the Financial Accounting Standards Board (the “FASB”) Accounting Standards Codification (“ASC” or the “Codification”) 810

“Consolidation.” Based on the Company’s majority voting interest as well as certain additional voting rights and other factors, the Company has consolidated the Brindleyplace JV and its wholly-owned subsidiaries in its financial statements. See Note 10 — Noncontrolling Interests for additional information regarding our noncontrolling interests in the Brindleyplace JV.

Consolidated VIEs

The Flagship JV

In June 2011, a wholly-owned subsidiary of the Operating Partnership entered into a Limited Partnership Agreement (as amended) with Flagship Capital, GP for the formation of Flagship Capital Partners Fund, LP (the “Flagship JV”) for the purpose of originating real estate loans. The Company owns a 97% interest in the Flagship JV and Flagship Capital, GP owns the remaining 3% interest. Flagship Capital, GP serves as the general partner and will manage the day-to-day activities of the Flagship JV. Both partners have equal voting rights and distributions from the Flagship JV will initially be paid to the fund partners based on their pro rata ownership. Since the voting rights of each of the partners are disproportionate to their ownership interests, the Company has concluded that the Flagship JV qualifies as a VIE under ASC 810. Further, the Company has determined that it is the primary beneficiary due to its ability to exercise significant control and influence over the Flagship JV as well as certain other factors. As a result, the Company has consolidated the Flagship JV and its wholly-owned subsidiaries in its financial statements. See Note 10 — Noncontrolling Interests for additional information regarding our noncontrolling interests in the Flagship JV.

The WaterWall Place JV

In December 2011, a wholly-owned subsidiary of the Operating Partnership entered into a Limited Partnership Agreement with an affiliate of Hines for the formation of Hines One WaterWall Holdings LP (the “WaterWall Place JV”), a Delaware limited liability company, for the purpose of developing a multi-family project in Houston, Texas. Hines serves as the initial general partner and as the development partner and the subsidiary of the Operating Partnership is the initial limited partner. The Company has a 93% interest in this joint venture. An affiliate of Hines owns the remaining 7% interest in this joint venture. The Company has concluded its investment in the WaterWall Place JV qualifies as a VIE under ASC 810. Further, the Company has determined that it is the primary beneficiary since it has greater exposure to the variability of One WaterWall JV’s economic performance as well as certain other factors. As a result, the Company has consolidated the WaterWall Place JV and its wholly-owned subsidiaries in its financial statements. See Note 10 — Noncontrolling Interests for additional information regarding our noncontrolling interests in the WaterWall Place JV.

The Aviva Coral Gables JV

In July 2012, a wholly-owned subsidiary of the Operating Partnership entered into a Limited Partnership Agreement with an affiliate of Hines for the formation of Hines Ponce & Bird Holdings LP, a Delaware limited liability company, for the purpose of developing a multi-family project in Miami, Florida. Hines serves as the initial general partner and as the development partner and the subsidiary of the Operating Partnership is the initial limited partner. The Company has an 83% in this joint venture. An affiliate of Hines owns the remaining 17% interest in this joint venture. The Company has concluded its investment in the Aviva Coral Gables JV qualifies as a VIE under ASC 810. Further, the Company has determined that it is the primary beneficiary since it has greater exposure to the variability of Aviva Coral Gables’s economic performance as well as certain other factors. As a result, the Company has consolidated the Aviva Coral Gables JV and its wholly-owned subsidiaries in its financial statements. See Note 10 — Noncontrolling Interests for additional information regarding our noncontrolling interests in the Aviva Coral Gables JV.

A summary of our consolidated VIEs is as follows (in thousands):

	December 31, 2016	December 31, 2015
Maximum risk of loss ⁽¹⁾	\$ 30,446	\$ 52,394
Assets held by VIEs	\$ 136,705	\$ 171,172
Assets held as collateral for debt	\$ 136,705	\$ 171,172
Liabilities held by VIEs	\$ 91,792	\$ 106,656

(1) Represents the Company’s contributions, net of distributions, made to the consolidated VIEs.

Restrictions on the use of these assets are significant because they serve as collateral for the VIE’s debt, and the Company is generally required to obtain its partners’ approval in accordance with the respective joint venture agreements for any major transactions. Transactions with these joint ventures on the Company’s consolidated financial statements primarily relate to (i) contributions for the funding of loans receivable or distributions related to the receipt of proceeds from the collection of loans

receivable at the Flagship JV or (ii) operating distributions received from the WaterWall Place JV and the Aviva Coral Gables JV, respectively. The Company and its partners are subject to the terms of the joint venture agreements which include provisions for when additional contributions may be required. During the year ended December 31, 2016, the Company received distributions of \$21.9 million, net of contributions made of \$0.2 million in accordance with the Company's respective joint venture agreements. During the year ended December 31, 2015, the Company made capital contributions of \$4.4 million, net of distributions received of \$13.1 million in accordance with the Company's respective joint venture agreements. This activity is eliminated in consolidation of the VIEs, but increases, or decreases in the case of distributions received, the Company's maximum risk of loss.

Unconsolidated VIEs

The Rim Loan Receivable

In February 2014, the Company completed the acquisition of The Rim, an outdoor retail center located in San Antonio, Texas. In August 2014, the Company entered into a loan agreement with Central Rim LLC (the "Rim Borrower"), as amended in April 2015 and December 2015, to provide \$20.8 million of construction financing at The Rim. The Company completed the acquisition of three additional phases in April 2015, December 2015, and December 2016. Following the completion of the development of each phase of the Rim, the Company had certain rights or obligations to purchase each phase. As a result of these purchase rights or obligations, and due to the fact that the Rim Borrower lacks the obligation to absorb losses upon the achievement of certain metrics, the Company has determined that the entity that owns these phases is considered to be a VIE. Additionally, the Rim Borrower was determined to be the primary beneficiary of this VIE since it is the party most directly responsible for the success of the entity. The Company's maximum exposure to loss is the amount borrowed under the facility agreement, plus any unpaid interest. The most significant source of the Company's exposure to the VIE is the variability related to the Rim Borrower's credit risk and its ability to repay the amounts funded. As of December 31, 2015, the outstanding balance of the loan was \$12.7 million. In December 2016, the borrower repaid the outstanding balance of the loan receivable.

The @1377 Equity Method Investment

The Company formed a joint venture with an affiliate of Hines in 2011 related to the construction of @1377, a multi-family development project in Atlanta, Georgia. The Company provided a preferred equity investment in the partnership of \$3.6 million during 2012, representing a 51.7% ownership in the project and a \$3.2 million mezzanine loan commitment plus accrued interest made by the Company. In addition, the partnership obtained a \$23.3 million secured loan made by Cadence Bank, N.A., which is solely guaranteed by the Company's joint venture partner (the "JV Partner"). The Company has concluded that @1377 qualifies as a VIE. The JV Partner was the manager of the project, which allowed the JV Partner to direct the activities of the VIE that most significantly impact the VIE's financial performance. Based upon the loan guarantees and the JV Partner's ability to direct the activities that significantly impact the economic performance of the VIE, the Company has determined that it is not the primary beneficiary of this VIE and determined to account for its preferred equity investment in the project as an equity method investment. Other than the initial capital contributions provided by the Company, the Company did not provide any additional subordinated financial support.

The construction of @1377 was completed in March 2014 and in June 2016, the joint venture sold @1377 for \$51.0 million, excluding transaction costs and closing proration. As a result of the sale of the property, the Company's equity in earnings of the partnership included a gain of \$7.5 million and the Company received distributions of \$8.7 million as well as \$4.0 million related to the repayment of its mezzanine loan.

The table below presents the activity of the Company's unconsolidated entities as of and for the periods presented (in thousands):

Investment in Unconsolidated Affiliates	Years Ended December 31,		
	2016	2015	2014
Beginning balance	2,006	2,873	3,573
Equity in earnings	7,504	408	—
Distributions	(9,510)	(1,275)	(700)
Ending balance	—	2,006	2,873

The table below summarizes the Company's maximum loss exposure related to its unconsolidated VIEs as of December 31, 2016 and December 31, 2015, which is equal to the carrying value of its investment in the unconsolidated VIEs included in the balance sheet line item "Investment in unconsolidated entities" and the Company's outstanding loan receivable balance held by the VIEs which is included in the balance sheet line item "Real estate loans receivable" in the consolidated balance sheets as of December 31, 2016 and December 31, 2015 (in thousands).

Period	Investment in Unconsolidated VIEs ⁽¹⁾	Maximum Risk of Loss ⁽²⁾
December 31, 2016	\$ —	\$ —
December 31, 2015	\$ 2,006	\$ 18,619

- (1) Represents the Company's contributions, net of distributions, made to its VIEs, as well as the equity in earnings on the investments.
- (2) Maximum Risk of Loss is equal to the amount outstanding under the loan plus the Company's contributions made to the VIEs as of the date indicated. See Note 5 — Real Estate Loans Receivable for additional information regarding the loan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of the consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities and contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The Company evaluates its assumptions and estimates on an ongoing basis. The Company bases its estimates on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances. Additionally, application of the Company's accounting policies involves exercising judgments regarding assumptions as to future uncertainties. Actual results may differ from these estimates under different assumptions or conditions.

Basis of Presentation

The consolidated financial statements of the Company include the accounts of Hines Global REIT, Inc., the Operating Partnership and its wholly-owned subsidiaries and the joint ventures as well as amounts related to noncontrolling interests. All intercompany balances and transactions have been eliminated in consolidation.

The Company evaluates the need to consolidate joint ventures in accordance with GAAP. In accordance with GAAP, the Company will consolidate joint ventures that are determined to be variable interest entities for which it is the primary beneficiary. Further, partially owned real estate joint ventures over which the Company has a controlling financial interest are consolidated in its financial statements. In determining if the Company has a controlling financial interest, it considers factors such as ownership interest, authority to make decisions, kick-out rights and substantive participating rights. Management continually analyzes and assesses reconsideration events, including changes in these factors, to determine if the consolidation treatment remains appropriate. Partially owned real estate joint ventures where the Company does not have a controlling financial interest, but has the ability to exercise significant influence, are accounted for using the equity method.

The Company's investments in partially owned real estate joint ventures are reviewed for impairment periodically if events or circumstances change indicating that the carrying amount of its investments may not be recoverable. In such an instance, the Company will record an impairment charge if it determines that a decline in the value of an investment below its fair value is other than temporary. The Company's analysis will be dependent on a number of factors, including the performance of each investment, current market conditions, and its intent and ability to hold the investment to full recovery. Based on the Company's analysis of the facts and circumstances at each reporting period, no impairment was recorded related to its investments in unconsolidated, partially owned real estate joint ventures for the years ended December 31, 2016, 2015 or 2014. However, if market conditions deteriorate in the future and result in lower valuations or reduced cash flows of the Company's investments, impairment charges may be recorded in future periods.

Reclassifications

In connection with the recent amendments to the ASC, which are described below, issued by the FASB regarding the presentation of restricted cash in the cash flow statement, the Company reclassified \$19.8 million and \$20.0 million of

restricted cash from investing activities on the cash flow statement to the cash, cash equivalents, and restricted cash balances in 2015 and 2014, respectively, to be consistent with the 2016 presentation.

International Operations

The British pound (“GBP”) is the functional currency for the Company’s subsidiaries operating in the United Kingdom, the Russian rouble (“RUB”) is the functional currency for the Company’s subsidiaries operating in Russia, the Polish zloty (“PLN”) is the functional currency for the Company’s subsidiaries operating in Poland, the Australian dollar (“AUD”) is the functional currency for the Company’s subsidiaries operating in Australia and the Euro (“EUR”) is the functional currency for the Company’s subsidiaries operating in Germany and France.

These subsidiaries have translated their financial statements into U.S. dollars for reporting purposes. Assets and liabilities are translated at the exchange rate in effect as of the balance sheet date while income statement accounts are translated using the average exchange rate for the period and significant nonrecurring transactions using the rate on the transaction date. Gains or losses resulting from translation are included in accumulated other comprehensive income (loss) within stockholders’ equity. Foreign currency transaction gains and losses are recorded in foreign currency gains (losses) on the consolidated statement of operations and result from the effect of changes in exchange rates on transactions denominated in currencies other than a subsidiary’s functional currency, including transactions between consolidated subsidiaries. An exception is made where an intercompany loan or advance is deemed to be of a long-term investment nature, in which instance foreign currency transaction gains or losses are included as currency translation adjustments and are reported in the consolidated statement of equity as accumulated other comprehensive gains or losses. During the year ended December 31, 2015, intercompany loans with the consolidated subsidiaries in Australia were repaid and as a result, the Company recognized \$15.1 million of accumulated other comprehensive loss into earnings. The Company disposed of its investment in 144 Montague in November 2014 as well as its investment in Stonecutter Court in December 2014. Upon the disposal of these properties, the Company realized a loss of \$6.8 million related to the currency translation adjustment, which was included in the gain (loss) on sale of real estate in its consolidated statement of operations.

Investment Property and Lease Intangibles

Real estate assets acquired by the Company are stated at fair value at the date of acquisition less accumulated depreciation. Depreciation is computed using the straight-line method. The estimated useful lives for computing depreciation are generally 10 years for furniture and fixtures, 15-20 years for electrical and mechanical installations and 40 years for buildings. Major replacements that extend the useful life of the assets are capitalized and maintenance and repair costs are expensed as incurred.

Acquisitions of properties are accounted for utilizing the acquisition method and, accordingly, are recorded at the estimated fair values of the assets acquired and liabilities assumed. The results of operations of acquired properties are included in the Company’s results of operations from their respective dates of acquisition. Estimates of fair values are based upon estimates of future cash flows and other valuation techniques that the Company believes are similar to those used by market participants and are used to record the purchase of identifiable assets acquired, such as land, buildings and improvements, equipment and identifiable intangible assets related to in-place leases and liabilities assumed, such as amounts related to acquired out-of-market leases, asset retirement obligations, mortgage notes payable. Values of buildings and improvements are determined on an as if vacant basis. Initial valuations are subject to change until such information is finalized, no later than 12 months from the acquisition date. Acquisition-related costs such as transaction costs and acquisition fees paid to the Advisor are expensed as incurred.

The estimated fair value of acquired in-place leases are the costs the Company would have incurred to lease the properties to the occupancy level of the properties at the date of acquisition. Such estimates include the fair value of leasing commissions, legal costs and other direct costs that would be incurred to lease the properties to such occupancy levels. Additionally, the Company evaluates the time period over which such occupancy levels would be achieved. Such evaluation will include an estimate of the net market-based rental revenues and net operating costs (primarily consisting of real estate taxes, insurance and utilities) that would be incurred during the lease-up period. Acquired in-place leases as of the date of acquisition are amortized over the remaining lease terms. Should a tenant terminate its lease, the unamortized portion of the in-place lease value is charged to amortization expense.

Acquired out-of-market lease values (including ground leases) are recorded based on the present value (using a discount rate that reflects the risks associated with the lease acquired) of the difference between the contractual amounts paid pursuant to the in-place leases and management’s estimate of fair market value lease rates for the corresponding in-place leases. The capitalized out-of-market lease values are amortized as adjustments to rental revenue (or ground lease expense, as applicable) over the remaining terms of the respective leases, which include periods covered by bargain renewal options. Should a tenant terminate its lease, the unamortized portion of the out-of-market lease value is charged to rental revenue.

Management estimates the fair value of assumed mortgage notes payable based upon indications of then-current market pricing for similar types of debt with similar maturities. Assumed mortgage notes payable are initially recorded at their estimated fair value as of the assumption date, and the difference between such estimated fair value and the outstanding principal balance of the note will be amortized over the life of the mortgage note payable.

Real estate assets are reviewed for impairment each reporting period if events or changes in circumstances indicate that the carrying amount of the individual property may not be recoverable. In such an event, a comparison will be made of the current and projected operating cash flows and expected proceeds from the eventual disposition of each property on an undiscounted basis to the carrying amount of such property. If the carrying amount exceeds the undiscounted cash flows, it would be written down to the estimated fair value to reflect impairment in the value of the asset. The determination of whether investment property is impaired requires a significant amount of judgment by management and is based on the best information available to management at the time of the evaluation. No impairment charges were recorded during the years ended December 31, 2016, 2015 and 2014.

Cash and Cash Equivalents

The Company considers all short-term, highly liquid investments that are readily convertible to cash with an original maturity of three months or less at the time of purchase to be cash equivalents.

Restricted Cash

The Company has restricted cash primarily related to certain escrow accounts required by several of the Company's mortgage agreements.

Concentration of Credit Risk

As of December 31, 2016, the Company had cash and cash equivalents and restricted cash deposited in certain financial institutions in excess of federally insured levels. Management regularly monitors the financial stability of these financial institutions in an effort to manage the Company's exposure to any significant credit risk in cash and cash equivalents or restricted cash.

In addition, as of December 31, 2016, the Company had \$55.3 million of cash and cash equivalents deposited in certain financial institutions located in the United Kingdom, Russia, Poland, Australia, Germany, and France. Management regularly monitors the financial stability of these financial institutions in an effort to manage its exposure to any significant credit risk in cash and cash equivalents.

Tenant and Other Receivables

Receivable balances consist primarily of base rents, tenant reimbursements and receivables attributable to straight-line rent. An allowance for the uncollectible portion of tenant and other receivables is determined based upon an analysis of the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. Tenant and other receivables are shown at cost in the consolidated balance sheets, net of allowance for doubtful accounts of \$2.5 million and \$1.7 million at December 31, 2016 and 2015, respectively.

Deferred Leasing Costs

Direct leasing costs, primarily consisting of third-party leasing commissions, tenant inducements and legal costs are capitalized and amortized over the life of the related lease. Tenant inducement amortization is recorded as an offset to rental revenue and the amortization of other direct leasing costs is recorded in amortization expense.

Tenant inducement amortization was \$12.3 million, \$7.6 million and \$4.2 million for the years ended December 31, 2016, 2015 and 2014, respectively, and was recorded as an offset to rental revenue. In addition, the Company recorded \$4.0 million, \$2.5 million and \$1.8 million as amortization expense related to other direct leasing costs for the years ended December 31, 2016, 2015 and 2014, respectively.

Deferred Financing Costs

Deferred financing costs consist of direct costs incurred in obtaining debt financing (see Note 6 - Debt Financing). These fees are presented as a reduction to the related debt liability for permanent mortgages and presented as an asset for revolving credit arrangements. In total, deferred financing costs (net of amortization) were \$10.8 million and \$15.6 million as of December 31, 2016 and 2015. These costs are amortized into interest expense on a straight-line basis, which approximates the effective interest method, over the terms of the obligations. For the years ended December 31, 2016, 2015 and 2014, \$5.0 million, \$6.0 million and \$6.9 million, were amortized into interest expense in the accompanying consolidated statement of operations, respectively.

Real Estate Loans Receivable

Real estate loans receivable are shown at cost, net of any applicable allowance for uncollectibility and net of deferred loan origination fees. The Company defers certain loan origination fees and amortizes them as an adjustment of yield over the term of the related real estate loan receivable. The related amortization of the deferred loan origination fees are recorded in other revenue in the accompanying consolidated statement of operations and comprehensive income (loss). An allowance for the uncollectible portion of the real estate loans receivable is determined based upon an analysis of the economic conditions in the area in which the property is located and credit quality indicators which include: borrower's payment history, the financial condition of the borrower, and business conditions in the industry in which the borrower operates.

Additionally, a real estate loan receivable is considered to be impaired, when based upon current events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. If a real estate loan receivable is considered to be impaired, the amount of loss is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at its effective interest rate or to the value of the underlying collateral if the real estate loan receivable is collateral dependent. Evaluating real estate loans receivable for potential impairment can require management to exercise significant judgment. No impairment was recorded for the years ended December 31, 2016, 2015 and 2014, respectively. Further, as of December 31, 2016 and December 31, 2015, no allowances for uncollectibility have been recorded.

Other Assets

Other assets included the following (in thousands):

	December 31, 2016	December 31, 2015
Deferred costs	—	1,000
Prepaid expenses	2,647	3,401
Deferred tax assets	11,259	10,501
Other ⁽¹⁾	6,454	449
Other assets	<u>\$ 20,360</u>	<u>\$ 15,351</u>

- (1) Primarily consists of \$6.3 million held by an escrow agent as of December 31, 2016. This amount was returned to the Company in January 2017.

Revenue Recognition

Rental payments are generally paid by the tenants prior to the beginning of each month. As of December 31, 2016 and December 31, 2015, respectively, the Company recorded liabilities of \$27.3 million and \$33.4 million related to prepaid rental payments which were included in other liabilities in the accompanying consolidated balance sheets. The Company recognizes rental revenue on a straight-line basis over the life of the lease including rent holidays, if any. Straight-line rent receivable was \$89.4 million and \$72.2 million as of December 31, 2016 and December 31, 2015, respectively. Straight-line rent receivable consists of the difference between the tenants' rents calculated on a straight-line basis from the date of acquisition or lease commencement over the remaining terms of the related leases and the tenants' actual rents due under the lease agreements and is included in tenant and other receivables in the accompanying consolidated balance sheets. Revenues associated with operating expense recoveries are recognized in the period in which the expenses are incurred based upon the tenant lease provisions. Revenues relating to lease termination fees are recognized on a straight-line basis amortized from the time that a tenant's right to occupy the leased space is modified through the end of the revised lease term.

Other revenues consist primarily of parking revenue, tenant reimbursements and interest on loans receivable. Parking revenue represents amounts generated from contractual and transient parking and is recognized in accordance with contractual terms or as services are rendered. Other revenues relating to tenant reimbursements are recognized in the period that the expense is incurred.

Issuer Costs

The Company reimburses the Advisor for any issuer costs related to the Company's public offerings that it pays on the Company's behalf. Such costs consist of, among other costs, expenses of the Company's organization, legal, accounting, bona fide out-of-pocket itemized and detailed due diligence costs, printing, filing fees, transfer agent costs, postage, escrow fees, data processing fees, advertising and sales literature and other offering-related costs. Organizational issuer costs, such as expenses associated with the formation of the Company and its board of directors are expensed and other issuer costs related to our public offerings are recorded as an offset to additional paid-in capital.

Income Taxes

The Company has elected to be treated as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). The Company's management believes that it operates in such a manner as to qualify for treatment as a REIT and intends to operate in the foreseeable future in such a manner so that it will remain qualified as a REIT for federal income tax purposes. Accordingly, no provision has been made for U.S. federal income taxes for the years ended December 31, 2016, 2015 and 2014 in the accompanying consolidated financial statements. In 2016, 2015 and 2014, income tax expense recorded by the Company was primarily comprised of foreign income taxes related to the operation its international properties. The Company does not believe it has any uncertain tax positions or unrecognized tax benefits requiring disclosure.

Redemption of Common Stock

The Company complies with FASB ASC 480 "Distinguishing Liabilities from Equity" which requires, among other things, that financial instruments that represent a mandatory obligation of the Company to repurchase shares be classified as liabilities and reported at settlement value. When approved, the Company will reclassify such obligations from equity to an accrued liability based upon their respective settlement values. The Company has recorded liabilities of \$5.0 million and \$5.2 million in accounts payable and accrued expenses in the accompanying consolidated balance sheets as of December 31, 2016 and December 31, 2015, respectively, related to shares tendered for redemption and approved by the board of directors, but which were not redeemed until the subsequent month. Such amounts have been included in redemption of common shares in the accompanying consolidated statements of equity.

Per Share Data

Net income (loss) per common share is calculated by dividing the net income (loss) attributable to common stockholders for each period by the weighted average number of common shares outstanding during such period. Net income (loss) per common share on a basic and diluted basis is the same because the Company has no potentially dilutive common shares outstanding.

Recent Accounting Pronouncements

In May 2014, the FASB, issued ASU 2014-09 to provide guidance on recognizing revenue from contracts with customers. The amendments also replace prior guidance regarding the recognition of revenue from sales of real estate, except for revenue from sales that are part of a sale-leaseback transaction. Subsequent to ASU 2014-09, the FASB has issued multiple ASUs clarifying multiple aspects of the new revenue recognition standard, which include the deferral of the effective date by one year, and additional guidance for partial sales of non-financial assets. These amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 with retrospective or modified retrospective adoption. The Company is currently evaluating each of its revenue streams to identify differences in the timing, measurement or presentation of revenue recognition under the new standard, as well as evaluating methods of adoption, however a substantial portion of the Company's revenue consists of rental income from leasing arrangements, which is specifically excluded from ASU 2014-09 and will be evaluated with the adoption of the lease accounting standard, ASU 2016-02.

In February 2016, the FASB issued ASU 2016-02 intended to improve financial reporting about leasing transactions. The ASU will require companies that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The accounting by companies that own the assets leased by the lessee (the lessor) will remain largely unchanged from current GAAP. The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The standard is effective for fiscal years beginning after December 15, 2018 and early adoption is permitted. While the Company is still evaluating the effect that the ASU will have on its consolidated financial statements and related disclosures, it expects to recognize right-of-use assets and related lease liabilities on its consolidated balance sheets related to ground leases under which it is the lessee.

In June 2016, the FASB issued ASU 2016-13 that requires the impairment of financial instruments to be based on expected credit losses. The new standard requires a modified retrospective transition approach using a cumulative effect adjustment to retained earnings in the first reporting period for which the guidance is effective. These amendments are effective for fiscal years and interim periods within those years, beginning after December 15, 2019 and early adoption is permitted for years and interim periods within those years beginning after December 15, 2018. The Company is currently assessing the impact the adoption of this guidance will have on its financial statements.

In August 2016, the FASB issued ASU 2016-15 to add or clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows. The guidance requires the Company to make an accounting policy election to classify distributions received from equity method investees. The amendments in the ASU are effective for public entities for annual and interim periods in fiscal years beginning after December 15, 2017 and early adoption is permitted. The Company adopted this guidance as of December 31, 2016. The Company has elected the cumulative-earnings approach. Under this approach, distributions are presumed to be returns on investment and classified as operating cash inflows. The distributions in excess of cumulative equity in earnings are determined to be returns of investment, and such excess is classified as cash inflows from investing activities. This election did not change the Company's presentation in the statement of cash flows.

In November 2016, the FASB issued ASU 2016-18 which addressed the presentation of restricted cash in the cash flow statement whereby restricted cash should be included in the cash and cash equivalents balance in the statement of cash flows. The amendments in the ASU are effective for public entities for annual and interim periods in fiscal years beginning after December 15, 2017 and early adoption is permitted. The Company adopted this guidance as of December 31, 2016. See the "— Reclassifications" subheading above for the impact the adoption of this guidance had on the Company.

In January 2017, the FASB issued ASU 2017-01 to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in the ASU are effective for public entities for annual and interim periods in fiscal years beginning after December 15, 2017 and early adoption is permitted with prospective application. The Company expects the adoption of this guidance to require that most real estate transactions be accounted for under the asset acquisition guidance and, accordingly, acquisition expenses related to these acquisitions will be capitalized.

3. INVESTMENT PROPERTY

Investment property consisted of the following amounts as of December 31, 2016 and December 31, 2015 (in thousands):

	December 31, 2016	December 31, 2015
Buildings and improvements	\$ 2,612,274	\$ 2,776,740
Less: accumulated depreciation	(246,940)	(200,311)
Buildings and improvements, net	2,365,334	2,576,429
Land	684,309	691,448
Investment property, net	<u>\$ 3,049,643</u>	<u>\$ 3,267,877</u>

Recent Dispositions of Real Estate Investments

In December 2016, the Company completed the sale of Komo Plaza for a contract sales price of \$276.0 million. The property at Komo Plaza is a mixed-use two-building complex located in Seattle, Washington. The Company acquired the property in December 2011 for a purchase price of \$160.0 million. The Company recognized a gain on sale of this asset of \$127.3 million net of disposition costs, which was recorded in gain (loss) on sale of real estate investments on the consolidated statements of operations and comprehensive income (loss).

In December 2015, the Company completed the sale of 17600 Gillette for a contract sales price of \$30.9 million. The property at 17600 Gillette is an office building located in the Irvine, California submarket. The Company acquired the property in June 2010 for a purchase price of \$20.4 million. The Company recognized a gain on sale of this asset of \$15.8 million net of disposition costs, which was recorded in gain (loss) on sale of real estate investments on the consolidated statements of operations and comprehensive income (loss).

In November 2014, the Company completed the sale of 144 Montague for a contract sales price of 93.0 million AUD (approximately \$79.3 million based on an exchange rate of \$0.83 per AUD as of the transaction date). The property at 144 Montague is an office building located in the South Brisbane submarket. The Company acquired the property in April 2012 for a purchase price of 88.1 million AUD (approximately \$91.3 million based on an exchange rate of \$1.04 per AUD as of the transaction date). The Company recognized a gain on sale of this asset of \$1.8 million net of disposition costs, which was recorded in gain (loss) on sale of real estate investments on the consolidated statements of operations and comprehensive income (loss).

In December 2014, the Company completed the sale of Stonecutter Court for a contract sales price of £112.0 million (approximately \$175.6 million based on an exchange rate of \$1.57 per GBP as of the transaction date). Stonecutter Court is an office building located in London's Central Business District. The Company acquired Stonecutter Court in March 2011 for a purchase price of £90.9 million (approximately \$145.6 million based on an exchange rate of \$1.60 per GBP as of the transaction date). The Company recognized a gain on sale of this asset of \$61.1 million net of disposition costs, which was recorded in gain (loss) on sale of real estate investments on the consolidated statements of operations and comprehensive income (loss).

Additionally, the Brindleyplace JV sold Brindleyplace Project in February 2017. See Note 16 — Subsequent Events for information regarding the sale.

As of December 31, 2016, the cost basis and accumulated amortization related to lease intangibles was as follows (in thousands):

	Lease Intangibles		
	In-Place Leases	Out-of-Market Lease Assets	Out-of-Market Lease Liabilities
Cost	\$ 793,018	\$ 96,912	\$ (116,717)
Less: accumulated amortization	(334,249)	(49,606)	34,363
Net	<u>\$ 458,769</u>	<u>\$ 47,306</u>	<u>\$ (82,354)</u>

As of December 31, 2015, the cost basis and accumulated amortization related to lease intangibles was as follows (in thousands):

	Lease Intangibles		
	In-Place Leases	Out-of-Market Lease Assets	Out-of-Market Lease Liabilities
Cost	\$ 894,110	\$ 108,660	\$ (123,124)
Less: accumulated amortization	(286,903)	(43,083)	27,428
Net	<u>\$ 607,207</u>	<u>\$ 65,577</u>	<u>\$ (95,696)</u>

Amortization expense of in-place leases was \$100.3 million, \$115.7 million and \$127.2 million for the years ended December 31, 2016, 2015 and 2014, respectively. Amortization of out-of-market leases was a decrease to rental revenue of approximately \$2.8 million, \$2.8 million and \$5.4 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Anticipated amortization of in-place leases and out-of-market leases, net, for each of the years ending December 31, 2017 through December 31, 2021 are as follows (in thousands):

	In-Place Leases	Out-of-Market Leases, Net
2017	\$ 70,237	\$ (486)
2018	55,492	(2,135)
2019	44,366	(3,585)
2020	35,615	(3,347)
2021	24,248	(1,004)

Leases

The Company has entered into non-cancelable lease agreements with tenants for space. As of December 31, 2016, the approximate fixed future minimum rentals for each of the years ending December 31, 2017 through 2021 and thereafter were as follows (in thousands):

	Fixed Future Minimum Rentals
2017	\$ 321,902
2018	279,769
2019	259,635
2020	227,503
2021	191,071
Thereafter	1,145,134
Total	<u>\$ 2,425,014</u>

During the years ended December 31, 2016, 2015, and 2014, the Company did not earn more than 10% of its total rental revenue from any individual tenant, respectively.

4. RECENT ACQUISITIONS OF REAL ESTATE

For the year ended December 31, 2016, the Company did not have any acquisitions of new properties, but the Company did acquire an additional phase of The Rim for \$38.1 million. For each of the years ended December 31, 2015 and 2014, the Company acquired the assets and assumed certain liabilities of four real estate operating properties located in the United States and internationally, for an aggregate net purchase price of \$544.2 million and \$732.9 million, respectively. In 2015, the Company also acquired additional phases of Simon Hegele Logistics and The Rim.

The amounts recognized for major assets acquired as of the acquisition date were determined by allocating the purchase price of each property acquired in 2016, 2015 and 2014 as follows (in thousands):

Property Name	Acquisition Date	Building and Improvements ⁽¹⁾	Land ⁽¹⁾	In-place Lease Intangibles ⁽¹⁾	Out-of-Market Lease Intangibles, Net ⁽¹⁾	Total ⁽¹⁾
The Rim ⁽²⁾	02/13/2014, 04/30/2015, 12/30/2015, and 12/20/2016	\$ 153,082	\$ 102,170	\$ 59,450	\$ (28,810)	\$ 285,892
Simon Hegele Logistics ⁽³⁾	06/03/2014 & 01/07/2015	\$ 56,428	\$ 13,245	\$ 9,154	\$ 41	\$ 78,868
The Summit	03/04/2015	\$ 217,974	\$ 68,090	\$ 45,360	\$ (14,920)	\$ 316,504
Harder Logistics Portfolio ⁽⁴⁾	04/01/2015 & 12/03/2015	\$ 89,368	\$ 16,362	\$ 15,413	\$ 5,392	\$ 126,535
25 Cabot Square	03/28/2014	\$ 165,121	\$ —	\$ 206,640	\$ (16)	\$ 371,745
818 Bourke	10/31/2014	\$ 82,867	\$ 36,487	\$ 17,082	\$ (792)	\$ 135,644

- (1) For acquisitions denominated in a foreign currency, amounts have been translated at a rate based on the exchange rate in effect on the acquisition date.
- (2) In February 2014, the Company acquired The Rim retail center in San Antonio, Texas. In April 2015, December 2015, and December 2016, the Company acquired additional phases of the center.
- (3) In June 2014, the Company acquired the Simon Hegele Logistics facility in Forchheim, Germany. In January 2015, the Company acquired the second phase of the facility.
- (4) In April 2015, the Company acquired two logistics buildings in the Harder Logistics Portfolio located in Nuremberg and Karlsdorf, Germany. In December 2015, the Company acquired the second phase of the portfolio, which consisted of one logistics building located in Duisburg, Germany.

The weighted average amortization period for the intangible assets and liabilities acquired in connection with the 2016, 2015 and 2014 acquisitions, as of the date of the acquisition, was as follows (in years):

	In-Place Leases	Above-Market Lease Assets	Below-Market Lease Liabilities
2016 Acquisitions:			
<i>The Rim (4th Phase)</i>	20.0	12.8	5.9
2015 Acquisitions:			
Simon Hegele Logistics (2nd Phase)	11.3	—	—
The Summit	5.1	3.0	5.6
Harder Logistics Portfolio (1st Phase)	10.0	5.7	—
The Rim (2nd Phase)	11.3	9.8	6.0
The Rim (3rd Phase)	7.8	8.5	6.5
Harder Logistics Portfolio (2nd Phase)	13.9	15.0	—
2014 Acquisitions:			
The Rim (1st Phase)	16.5	12.9	35.3
25 Cabot Square ⁽¹⁾	11.7	0.5	3.0
Simon Hegele Logistics (1st Phase)	13.4	13.4	—
818 Bourke	4.1	3.3	3.1

(1) Excludes the effect of ground leases which significantly increase the weighted average useful life for these intangibles.

The table below includes the amounts of revenue and net income (loss) of the acquisitions completed during the year ended December 31, 2016, which are included in the Company's consolidated results of operations for the year ended December 31, 2016 (in thousands):

2016 Acquisitions		For the Year Ended December 31, 2016
The Rim ⁽¹⁾	Revenue	\$ 27,653
	Net income (loss)	\$ 4,898

(1) Includes the total revenue and net income of The Rim retail center, including the phases of the center acquired in February 2014, April 2015 and December 2015. The fourth phase of the center was acquired in December 2016 and includes 96,742 square feet of net rentable area, which represents 9.4% of the total net rentable area of The Rim retail center.

The following unaudited consolidated information is presented to give effect to current year acquisitions through December 31, 2016 as if the acquisitions occurred on January 1, 2015. This information excludes activity that is non-recurring and not representative of our future activity, primarily acquisition fees and expenses of \$0.6 million and \$19.3 million for the years ended December 31, 2016 and 2015, respectively. The information below is not necessarily indicative of what the actual results of operations would have been had we completed these transactions on January 1, 2016, nor does it purport to represent our future operations (amounts in thousands, except per share amounts):

	For the Years Ended December 31,	
	Pro Forma 2016	Pro Forma 2015
Revenues	\$ 478,783	\$ 477,778
Net income (loss)	\$ 156,395	\$ 11,853
Basic and diluted income (loss) per common share	\$ 0.54	\$ 0.02

The table below includes the amounts of revenue and net income (loss) of the acquisitions completed during the year ended December 31, 2015, which are included in the Company's consolidated results of operations for the year ended December 31, 2015 (in thousands):

2015 Acquisitions		For the Year Ended December 31, 2015
Simon Hegele Logistics ⁽¹⁾	Revenue	\$ 5,336
	Net income (loss)	\$ 48
The Summit	Revenue	\$ 21,756
	Net income (loss)	\$ 439
Harder Logistics Portfolio ⁽²⁾	Revenue	\$ 3,766
	Net income (loss)	\$ (8,762)
The Rim ⁽³⁾	Revenue	\$ 23,458
	Net income (loss)	\$ 2,853

- (1) Includes the total revenue and net income of the Simon Hegele Logistics facility, including the first phase of the facility acquired in June 2014. The second phase of the facility was acquired in January 2015 and includes 236,661 square feet of net rentable area, which represents 38.9% of the total net rentable area of the Simon Hegele Logistics facility.
- (2) Includes the total revenue and net income of The Harder Logistics Portfolio, including the first phase of the portfolio acquired in April 2015. The second phase of the portfolio was acquired in December 2015 and includes 677,374 square feet of net rentable area, which represents 52.7% of the total net rentable area of the Harder Logistics Portfolio.
- (3) Includes the total revenue and net income of The Rim retail center, including the first phase of the center acquired in February 2014. The second phase of the center was acquired in April 2015 and includes 259,316 square feet of net rentable area, which represents 27.8% of the total net rentable area of The Rim retail center. The third phase of the center was acquired in December 2015 and includes 28,901 square feet of net rentable area, which represents 3.1% of the total net rentable area of The Rim retail center.

The following unaudited consolidated information is presented to give effect to 2015 acquisitions through December 31, 2015 as if the acquisitions occurred on January 1, 2014. This information excludes activity that is non-recurring and not representative of our future activity, primarily acquisition fees and expenses of \$19.3 million and \$47.5 million for the years ended December 31, 2015 and 2014, respectively. The information below is not necessarily indicative of what the actual results of operations would have been had we completed these transactions on January 1, 2014, nor does it purport to represent our future operations (amounts in thousands, except per share amounts):

For the Years Ended December 31,			
	Pro Forma 2015	Pro Forma 2014	
Revenues	\$ 486,274	\$ 491,187	
Net income (loss)	\$ 13,854	\$ 58,514	
Basic and diluted income (loss) per common share	\$ 0.03	\$ 0.20	

The table below includes the amounts of revenue and net income (loss) of the acquisitions completed during the year ended December 31, 2014, which are included in the Company's consolidated results of operations for the year ended December 31, 2014 (in thousands):

2014 Acquisitions	For the Year Ended December 31, 2014		
The Rim	Revenue	\$	17,240
	Net income (loss)	\$	369
25 Cabot Square	Revenue	\$	26,666
	Net income (loss)	\$	(16,639)
Simon Hegele Logistics	Revenue	\$	2,110
	Net income (loss)	\$	(3,974)
818 Bourke	Revenue	\$	1,980
	Net income (loss)	\$	(7,700)

The following unaudited consolidated information is presented to give effect to 2014 acquisitions through December 31, 2014 as if the acquisitions occurred on January 1, 2013. This information excludes activity that is non-recurring and not representative of our future activity, primarily acquisition fees and expenses of \$47.5 million and \$82.1 million for the years ended December 31, 2014 and 2013, respectively. The information below is not necessarily indicative of what the actual results of operations would have been had we completed these transactions on January 1, 2013, nor does it purport to represent our future operations (amounts in thousands, except per share amounts):

For the Years Ended December 31,			
	Pro Forma 2014	Pro Forma 2013	
Revenues	\$ 477,692	\$ 392,489	
Net income (loss)	\$ 56,503	\$ (20,717)	
Basic and diluted income (loss) per common share	\$ 0.21	\$ (0.11)	

5. REAL ESTATE LOANS RECEIVABLE

Real estate loans receivable included the following at December 31, 2016 and 2015 (in thousands):

Property	Original Funding Date	Maturity Date	Interest Rate	Total Loan Commitment	Balance as of December 31, 2016	Balance as of December 31, 2015
Flagship Capital JV						
Falls of Kirkwood ⁽¹⁾	10/18/2013	8/15/2016	N/A	6,300	—	4,964
Precinct Villages ⁽²⁾	3/18/2014	9/30/2016	N/A	2,595	—	1,793
Randall's	7/28/2014	7/28/2017	6.25%	10,939	8,953	8,747
Finesilver	7/31/2014	7/31/2017	6.45%	7,233	6,271	5,684
Dymaxion Apartments ⁽²⁾	12/15/2014	12/15/2016	N/A	8,500	—	8,288
Marbach Park Apartments ⁽²⁾	12/15/2014	12/15/2016	N/A	9,500	—	9,319
			6.33%	\$ 45,067	\$ 15,224	\$ 38,795
(Origination)/Exit fees					67	(128)
Total Flagship Capital JV					<u>\$ 15,291</u>	<u>\$ 38,667</u>
Other Loans Receivable						
@1377 ⁽³⁾	6/29/2012	7/1/2016	N/A	\$ 3,962	\$ —	\$ 3,962
The Rim ⁽⁴⁾	9/8/2014	12/20/2016	N/A	\$ 20,750	\$ —	\$ 12,651
Total Real Estate Loans Receivable					<u>\$ 15,291</u>	<u>\$ 55,280</u>

- (1) In June 2016, the borrower repaid the outstanding principal balance of the loan.
- (2) In September 2016, each of the borrowers repaid the outstanding principal balances of each of these loans.
- (3) In June 2016, the borrower repaid the outstanding principal balance of the loan upon the sale of the property. See Note 1 — Organization for additional information concerning the sale of @1377.
- (4) In December 2016, the borrower repaid the outstanding principal balance of the loan upon the completion of the construction of the additional phase of the property. See Note 1 — Organization for additional information concerning the completion and acquisition of the additional phase of the The Rim retail center.

6. DEBT FINANCING

As of December 31, 2016 and 2015, the Company had \$2.2 billion and \$2.6 billion of principal outstanding, respectively, with a weighted average years to maturity of 2.4 years and 3.3 years, respectively, and a weighted average interest rate of 2.4% and 2.3%, respectively. The following table describes the Company's debt outstanding at December 31, 2016 and 2015 (in thousands, except percentages):

Description	Origination or Assumption Date	Maturity Date	Interest Rate Description	Interest Rate as of December 31, 2016	Principal Outstanding at December 31, 2016	Principal Outstanding at December 31, 2015
Secured Mortgage Debt						
Brindleyplace Project	7/1/2010	1/7/2017 ⁽¹⁾	Variable	1.98%	\$ 149,343	\$ 179,197
Southpark	10/19/2010	12/6/2016	Fixed	N/A	—	18,000
Fifty South Sixth	11/4/2010	11/3/2018	Variable	2.22%	125,000	125,000
Flagship Capital JV	7/2/2014	7/2/2019	Variable, subject to floor of 4.25%	4.25%	512	14,943
100 Brookes	7/13/2012	7/31/2017	Variable	4.14%	31,109	31,546
Poland Logistics Portfolio	8/2/2012	6/28/2019	Variable, subject to interest rate cap	2.00%	64,294	67,601
Minneapolis Retail Center	8/2/2012	8/10/2019	Fixed	3.50%	65,500	65,500
825 Ann	11/16/2012	11/20/2018	Variable, subject to interest rate cap	2.45%	58,320	59,139
Mercedes Benz Bank	2/7/2013	12/31/2019	Variable, subject to interest rate cap	1.24%	35,041	36,719
465 Victoria	2/28/2013	12/3/2018	Variable, subject to interest rate cap	3.10%	38,293	38,831
New City	3/28/2013	3/18/2018	Variable, subject to interest rate cap	2.30%	73,612	83,978
One Westferry Circus	5/9/2013	5/5/2020	Fixed	3.30%	59,213	71,050
The Campus at Playa Vista	5/14/2013	12/1/2018	Variable	2.02%	150,000	150,000
Perspective Defense	6/21/2013	7/25/2019	Variable, subject to interest rate cap	2.19%	73,612	76,342
Fiege Mega Centre	10/18/2013	10/31/2018	Variable, subject to interest rate cap	1.38%	23,924	25,135
55 M Street	12/9/2013	12/9/2017	Variable	2.22%	72,000	72,000
25 Cabot Square	3/26/2014	3/26/2020	Fixed	3.50%	152,658	183,175
Simon Hegele Logistics	4/28/2014	6/15/2019	Fixed	1.90%	37,167	38,940
818 Bourke	10/31/2014	10/31/2019	Variable, subject to interest rate cap	2.50%	62,254	64,952
The Summit	3/4/2015	4/1/2022	Variable	2.17%	170,000	170,000
Harder Logistics Portfolio	4/1/2015	2/28/2021	Variable, subject to interest rate cap	0.95%	72,275	76,106
Other Notes Payable						
JPMorgan Chase Revolving Credit Facility	4/13/2012	6/29/2019	Variable	2.34% ⁽²⁾	119,000	327,000
JPMorgan Chase Revolving Credit Facility - Term Loan	5/22/2013	6/29/2019	Variable	2.32%	495,000	495,000
WaterWall Place Construction Loan	6/29/2012	5/8/2018	Variable	2.36%	44,897	44,897
Aviva Coral Gables JV Construction Loan	5/10/2013	5/10/2017	Variable	2.77% ⁽²⁾	42,693	42,693
Total Principal Outstanding					\$ 2,215,717	\$ 2,557,744
Unamortized Premium/ (Discount)					—	105
Unamortized Deferred Financing Fees					(8,418)	(12,193)
Notes Payable					\$ 2,207,299	\$ 2,545,656

(1) In January 2017, the Company exercised an extension option, resulting in a new maturity date of July 7, 2017. In February 2017, the Brindleyplace JV sold the Brindleyplace Project and paid off the Brindleyplace Project secured mortgage loan with proceeds from the sale.

(2) Represents the weighted average interest rate as of December 31, 2016.

As of December 31, 2016, the variable rate debt has variable interest rates ranging from LIBOR, EURIBOR or the BBSY screen rate plus 0.65% to 2.50% per annum. Additionally, as of December 31, 2016, \$398.8 million of our variable rate debt was capped at strike rates ranging from 1.5% to 4.0%. See Note 7 — Derivative Instruments for more information regarding our interest rate contracts.

JP Morgan Chase Revolving Credit Facility

In April 2012, the Operating Partnership entered into a credit agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent for itself and various lenders named in the Credit Agreement. The Company refers to the Revolving Loan Commitment and Term Loan Commitment collectively as the “Revolving Credit Facility.” The borrowings under the Revolving Loan Commitment may be denominated in U.S. dollars, British pound sterling, Euros, Australian dollars or Canadian dollars with aggregate foreign currency commitments constituting up to \$212.5 million of the maximum amount available under the Revolving Loan Commitment.

In April 2014, the Company entered into an amendment to its Revolving Credit Facility, resulting in the following changes:

- an increase of the term loan commitment (the “Term Loan Commitment”) from \$200.0 million to \$378.0 million.
- an increase of the foreign currency commitments under the revolving loan commitment (the “Revolving Loan Commitment”) to \$400.0 million; and
- the removal of the \$750.0 million maximum under the Revolving Loan Commitment and the \$250.0 million maximum under the Term Loan Commitment. As a result of this amendment, the Company may request increases in each commitment so long as the aggregate commitments do not exceed \$1.0 billion.

In June 2015, the Company entered into an additional amendment to its Revolving Credit Facility, which resulted in the following changes:

- an increase in total commitments to \$920.0 million, consisting of a \$495.0 million increase to the Term Loan Commitment and a \$425.0 million increase to the Revolving Loan Commitment;
- the future ability to increase the maximum amount available to \$1.25 billion, subject to the Company’s satisfaction of certain conditions; and
- extended the maturity date to June 29, 2019, subject to an additional one-year extension at the Company’s option and subject to the satisfaction of certain conditions.

For the period from January 2016 through December 2016, the Company made draws of approximately \$159.0 million and payments of \$367.0 million under the Revolving Credit Facility through December 31, 2016 related to its borrowings on its loans denominated in a foreign currency. Additionally, from January 1, 2017 through March 28, 2017, the Company made draws of approximately \$38.0 million and payments of \$10.0 million under the Revolving Credit Facility resulting in an outstanding principal balance of \$642.0 million as of March 28, 2017.

Financial Covenants

The Company’s mortgage agreements and other loan documents for the debt described in the table above contain customary events of default, with corresponding grace periods, including payment defaults, cross-defaults to other agreements and bankruptcy-related defaults, and customary covenants, including limitations on liens and indebtedness and maintenance of certain financial ratios. In addition, the Company has executed customary recourse carve-out guarantees of certain obligations under its mortgage agreements and the other loan documents. The Company is not aware of any instances of noncompliance with financial covenants on any of its loans as of December 31, 2016.

Principal Payments on Debt

The Company is required to make the following principal payments on its outstanding notes payable for each of the years ending December 31, 2017 through December 31, 2021 and for the period thereafter. Amounts are in thousands:

	Payments due by Year					
	2017	2018	2019	2020	2021	Thereafter
Principal payments	\$ 301,993	\$ 515,915	\$ 946,990	\$ 212,979	\$ 67,840	\$ 170,000

7. DERIVATIVE INSTRUMENTS

The Company has entered into several interest rate swap contracts and interest rate cap agreements as economic hedges against the variability of future interest rates on its variable interest rate borrowings. The Company's interest rate swaps effectively fixed the interest rates on each of the loans to which they relate and the interest rate cap contracts have effectively limited the interest rate on the loans to which they relate. The Company has not designated any of these derivatives as hedges for accounting purposes. See Note 11 — Fair Value Measurements for additional information regarding the fair value of our interest rate contracts.

The Company has also entered into foreign currency forward contracts as economic hedges against the variability of foreign exchange rates on future international investments. These forward contracts economically fixed the currency exchange rates on each of the investments to which they related. The Company did not designate any of these contracts as fair value or cash flow hedges for accounting purposes. See Note 11 — Fair Value Measurements for additional information regarding the fair value of our foreign currency forwards. The Company had only interest rate cap contracts active as of December 31, 2016.

The table below provides additional information regarding these interest rate cap contracts (in thousands, except percentages).

Interest Rate Cap Contracts

Property	Effective Date	Expiration Date	Notional Amount ⁽¹⁾	Interest Rate Received	Pay Rate / Strike Rate
Poland Logistics Portfolio	August 2, 2012	June 30, 2017	\$ 48,759	EURIBOR	2.00%
Poland Logistics Portfolio	October 9, 2012	June 30, 2017	\$ 10,173	EURIBOR	2.00%
Poland Logistics Portfolio	June 30, 2017	June 28, 2019	\$ 56,710	EURIBOR	2.00%
Mercedes Benz Bank	March 11, 2013	March 31, 2018	\$ 35,041	EURIBOR	1.50%
465 Victoria	February 29, 2016	November 30, 2018	\$ 19,147	BBSW	2.50%
825 Ann	April 29, 2016	November 20, 2018	\$ 29,160	BBSW	3.25%
New City	April 11, 2013 May 6, 2013	March 16, 2018	\$ 55,070	EURIBOR	2.50%
Perspective Defense	July 25, 2013	July 25, 2019	\$ 73,612	EURIBOR	2.00%
Fiege Mega Centre	October 18, 2013	October 18, 2018	\$ 23,924	EURIBOR	2.00%
818 Bourke	November 27, 2014	October 27, 2017	\$ 31,577	BBSY	4.00%
Harder Logistics Portfolio	March 31, 2015	March 31, 2018	\$ 32,254	EURIBOR	1.50%
Harder Logistics Portfolio	December 2, 2015	December 31, 2018	\$ 40,049	EURIBOR	1.50%

(1) For notional amounts denominated in a foreign currency, amounts have been translated at a rate based on the exchange rate in effect on December 31, 2016.

The Company has not entered into any master netting arrangements with its third-party counterparties and does not offset on its consolidated balance sheets the fair value amounts recorded for derivative instruments. The table below presents the fair value of the Company's derivative instruments included in "Assets—Derivative Instruments" and "Liabilities—Derivative Instruments" on the Company's consolidated balance sheets, as of December 31, 2016 and December 31, 2015 (in thousands):

	Derivative Assets		Derivative Liabilities	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Derivatives not designated as hedging instruments:				
Interest rate caps	40	675	—	—
Total derivatives	<u>\$ 40</u>	<u>\$ 675</u>	<u>\$ —</u>	<u>\$ —</u>

The table below presents the effects of the changes in fair value of our derivative instruments in the Company's consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2016, 2015 and 2014 (in thousands):

	Gain (Loss) on Derivative Instruments		
	Year Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Derivatives not designated as hedging instruments:			
Interest rate swaps	\$ —	\$ 2,661	\$ 4,122
Interest rate caps	(689)	(2,099)	(4,131)
Foreign currency forward contracts	—	—	7,331
Total gain (loss) on derivatives	<u>\$ (689)</u>	<u>\$ 562</u>	<u>\$ 7,322</u>

8. DISTRIBUTIONS

The Company has declared distributions for the months of January 2014 through March 2017 at an amount equal to \$0.0017808 per share, per day. Additionally, the Brindleyplace JV declared distributions in the amount of \$3.6 million, \$3.4 million and \$4.3 million to Moorfield/Laser for the years ended December 31, 2016, 2015 and 2014, respectively, related to the operations of the Brindleyplace Project.

The table below outlines the Company's total distributions declared to stockholders and noncontrolling interests for the years ended December 31, 2016, 2015 and 2014, including the breakout between the distributions declared in cash and those reinvested pursuant to the Company's distribution reinvestment plan (in thousands). The Company declares distributions to the Company's stockholders as of daily record dates and aggregates and pays such distributions monthly.

Distributions for the Years Ended	Stockholders			Noncontrolling Interests
	Cash Distributions	Distributions Reinvested	Total Declared	Total Declared
December 31, 2016	\$ 85,820	\$ 94,003	\$ 179,823	\$ 5,691
December 31, 2015	\$ 83,481	\$ 93,812	\$ 177,293	\$ 4,221
December 31, 2014	\$ 79,555	\$ 91,530	\$ 171,085	\$ 4,668

9. RELATED PARTY TRANSACTIONS

The table below outlines fees and expense reimbursements incurred that are payable by the Company to Hines and its affiliates for the years ended December 31, 2016, 2015 and 2014 and amounts unpaid as of December 31, 2016 and 2015 (in thousands):

Type and Recipient	Incurred During the Years Ended December 31,			Unpaid as of December 31,	
	2016	2015	2014	2016	2015
Selling Commissions- Dealer Manager	\$ —	\$ —	\$ 27,021	\$ —	\$ —
Dealer Manager Fee- Dealer Manager	\$ —	\$ —	\$ 9,334	—	—
Issuer Costs- the Advisor	\$ 41	\$ 61	\$ 1,975	8	—
Acquisition Fee ⁽¹⁾ - the Advisor and affiliates of Hines	\$ 191	\$ 8,797	\$ 18,188	191	—
Asset Management Fee- the Advisor and affiliates of Hines	\$ 36,810	\$ 35,725	\$ 34,881	8,922	8,493
Disposition Fee- the Advisor	\$ 3,024	\$ 309	\$ 2,543	2,760	309
Other ⁽²⁾	\$ 6,834	\$ 6,768	\$ 6,713	1,644	1,574
Property Management Fee- Hines	\$ 7,564	\$ 7,518	\$ 6,680	(46)	(12)
Development/ Construction Management Fee- Hines	\$ 757	\$ 132	\$ 2,556	246	27
Leasing Fee- Hines	\$ 4,584	\$ 4,446	\$ 2,138	3,455	3,417
Redevelopment Construction Management- Hines	\$ —	\$ —	\$ 9	—	—
Expense Reimbursement- Hines (with respect to management and operations of the Company's properties)	\$ 11,835	\$ 11,098	\$ 10,777	734	661
Due to Affiliates				\$ 17,914	\$ 14,469

- (1) As described below, effective as of April 1, 2015, the Company, the Operating Partnership and the Advisor amended the Advisory Agreement in order to reduce the acquisition fee rate paid to the Advisor from 2.25% to 0.50%.
- (2) Includes amounts the Advisor paid on behalf of the Company such as general and administrative expenses and acquisition-related expenses. These amounts are generally reimbursed to the Advisor during the month following the period in which they are incurred.

@1377 Development

In June 2012, the Company entered into a \$3.2 million mezzanine loan commitment plus accrued interest to provide construction financing to the @1377 development, which was developed by an affiliate of Hines. In June 2016, the borrower repaid the outstanding principal balance of the loan upon the sale of the property. See Note 1 — Organization for additional information concerning the @1377 development and the mezzanine loan.

The WaterWall Place JV

In December 2011, a wholly-owned subsidiary of the Operating Partnership entered into a Limited Partnership Agreement with an affiliate of Hines for the formation of the WaterWall Place JV, for the purpose of developing a multi-family project in Houston, Texas. Hines serves as the initial general partner and as the development partner and the subsidiary of the Operating Partnership is the initial limited partner. The Company has a 93% interest in this joint venture. An affiliate of Hines owns the remaining 7% interest in this joint venture.

The Aviva Coral Gables JV

In July 2012, a wholly-owned subsidiary of the Operating Partnership entered into a Limited Partnership Agreement with an affiliate of Hines for the formation of Hines Ponce & Bird Holdings LP, a Delaware limited liability company, for the purpose of developing a multi-family project in Miami, Florida. Hines serves as the initial general partner and as the development partner and the subsidiary of the Operating Partnership is the initial limited partner. Hines owns a 17% interest in the joint venture and the Company owns the remaining 83% interest through its subsidiary. As compensation for providing development management services, Hines will be paid a fee equal to 4% of the development project costs. In addition, subject to certain return thresholds being achieved, the Aviva Coral Gables JV agreement provides that Hines may receive certain incentive distributions in the event the multi-family project is liquidated. The project was completed in April 2015. Hines did not receive any incentive distributions as of December 31, 2016.

Dealer Manager Agreement

In connection with the Company's two prior public offerings of primary shares, the second of which closed in April 2014, the Dealer Manager received a selling commission of up to 7.5% of gross offering proceeds and a dealer manager fee of up to 2.5% of gross offering proceeds, both of which were recorded as an offset to additional paid-in-capital in the Company's financial statements. Pursuant to separately negotiated agreements, the Dealer Manager reallocated up to 7.0% of gross proceeds as a selling commission and up to 1.5% of gross proceeds from its dealer manager fee as a marketing fee to broker-dealers participating in the Company's public offerings. The Dealer Manager paid broker-dealers up to an additional 1.0% of the gross offering proceeds as reimbursements for distribution and marketing-related costs and expenses. No selling commissions or dealer manager fees were or will be paid for sales under the Company's distribution reinvestment plan.

Advisory Agreement

Pursuant to the Advisory Agreement, the Company is required to pay the following fees and expense reimbursements:

Acquisition Fee – Prior to April 2012, the Advisor received an acquisition fee equal to 2.0% of (i) the purchase price of each real estate investment the Company acquired or originated, including any debt attributable to such investments or the principal amounts of any loans originated directly by the Company and (ii) with respect to indirect investments through another entity, such entity's pro rata share of the gross asset value of all real estate investments held by such entity. In March 2012, the Advisory Agreement was amended to increase the acquisition fee to 2.25% of these amounts. Effective as of April 1, 2015, the Advisory Agreement was further amended in order to reduce the acquisition fee paid to the Advisor from 2.25% to 0.50% of these amounts.

Asset Management Fee – The Advisor receives an asset management fee equal to 0.125% per month of the net equity capital invested by the Company in real estate investments as of the end of each month. The Advisor agreed to waive asset management fees otherwise payable to it for the years ended December 31, 2015 and 2014, respectively, to the extent that our modified funds from operations ("MFFO") for the years ended December 31, 2014 and 2015, as disclosed in our Annual Report on Form 10-K for such years, amounted to less than 100% of the aggregate distributions declared to our stockholders for such years. However, because MFFO exceeded distributions declared to the Company's stockholders for the years ended December 31, 2015 and 2014, the Advisor did not waive any asset management fees.

During the years ended December 31, 2016, 2015 and 2014, the Company incurred asset management fees of \$36.8 million, \$35.7 million and \$34.9 million, respectively.

Disposition Fee – The Advisor or its affiliates also will be paid a disposition fee of 1.0% of the sales price of any real estate investments sold or 1.0% of the Company's pro rata share of the sales price with respect to the Company's indirect investments. For the year ended December 31, 2014, the Company incurred \$2.5 million in disposition fees as a result of its dispositions of 144 Montague and Stonecutter Court. For the year ended December 31, 2015, the Company incurred \$0.3 million in disposition fees as a result of its disposition of 17600 Gillette. For the year ended December 31, 2016, the Company incurred \$3.0 million in disposition fees as a result of its disposition of @1377 and Komo Plaza. The Company's disposition fee related to the sale of Komo Plaza is included in the Gain (loss) on sale of real estate investments in the Consolidated Statement of Operations and Comprehensive Income (loss). The disposition fee on the sale of @1377 is included in Other Income (loss) on the Consolidated Statement of Operations and Comprehensive Income (loss), as the sale was made through the Company's equity method investment.

Special OP Units – Hines Global REIT Associates Limited Partnership, an affiliate of Hines, owns the special units of the Operating Partnership ("Special OP Units"), which entitle them to receive distributions in an amount equal to 15% of

distributions, including from sales of real estate investments, refinancings and other sources, but only after the Company's stockholders have received, or are deemed to have received, in the aggregate, cumulative distributions equal to their invested capital plus an 8.0% cumulative, non-compounded annual pre-tax return on such invested capital.

At the sole discretion of the Advisor, the acquisition fees, asset management fees, debt financing fees and disposition fees are payable, in whole or in part, in cash or units of the Operating Partnership ("OP Units"). For the purposes of the payment of these fees, each OP Unit will be valued at the per-share offering price of the Company's common stock in its most recent public offering less selling commissions and dealer manager fees. Upon the Advisor's request, each OP unit can be repurchased for cash or can be converted into one share of the Company's common stock. The decision to redeem each OP unit for cash or shares is at the Company's option except in certain circumstances such as the Company's decision to list its shares on a national securities exchange, a liquidation event or upon termination or nonrenewal of the Advisory Agreement for any reason other than by the Advisor. The Company will recognize the expense related to these OP Units as the related service is performed, as each OP Unit will be fully vested upon issuance.

The Company reimburses the Advisor for all expenses paid or incurred by the Advisor in connection with the services provided to the Company, subject to the limitation that the Company will not reimburse the Advisor for any amount by which its operating expenses (including the asset management fee) at the end of the four preceding fiscal quarters exceeds the greater of: (A) 2% of its average invested assets, or (B) 25% of its net income determined without reduction for any additions to reserves for depreciation, bad debts or other similar non-cash reserves and excluding any gain from the sale of the Company's assets for that period. Notwithstanding the above, the Company may reimburse the Advisor for expenses in excess of this limitation if a majority of the independent directors determines that such excess expenses are justified.

In addition, as described in Note 2 – Summary of Significant Accounting Policies – Issuer Costs, the Company reimburses the Advisor for any issuer costs paid on its behalf. However, the total compensation related to issuer costs, selling commissions and dealer manager fees may not exceed 15% of gross proceeds from the Company's public offerings.

Property Management and Leasing Agreements

The Company pays Hines fees for the management and leasing of some of its properties. Property management fees are equal to a market-based percentage of the gross revenues of the properties managed by Hines or the amount of property management fees recoverable from tenants of the properties managed by Hines under their leases. In addition, if Hines provides leasing services with respect to a property, the Company will pay Hines leasing fees which are usual and customary for that type of property in that geographic area. The Company generally will be required to reimburse Hines for certain operating costs incurred in providing property management and leasing services pursuant to the property management and leasing agreements. Included in this reimbursement of operating costs will be the cost of personnel and overhead expenses related to such personnel located at the property as well as off-site personnel located in Hines' headquarters and regional offices, to the extent the same relate to or support the performance of Hines' duties under the agreement.

Hines may perform construction management services for the Company for both re-development activities and tenant construction. These fees are considered incremental to the construction effort and will be capitalized to the associated real estate project as incurred. Costs related to tenant construction will be depreciated over the estimated useful life. Costs related to redevelopment activities will be depreciated over the estimated useful life of the associated project. Leasing activities will generally be performed by Hines on the Company's behalf. Leasing fees will be capitalized and amortized over the life of the related lease. Generally, as compensation for providing development management services, Hines will be paid a fee equal to 3% of the development project costs and as compensation for providing construction management services, an affiliate of Hines also will be paid a contractor's fee of 5% of the total construction costs of the project.

10. NONCONTROLLING INTERESTS

In December 2012, the Brindleyplace JV issued 2.5 million Series B3 Convertible Preferred Equity Certificates ("CPEC") to Moorfield as a result of their £2.5 million contribution (\$4.1 million based on the exchange rate in effect on the date of contribution). Each CPEC is convertible into one capital share of the Brindleyplace JV at any time. The CPECs may be redeemed at the option of the Brindleyplace JV any time prior to the earlier of the liquidation of the Brindleyplace Project or their expiration on July 7, 2059. If redeemed, they will be redeemed at a price of £1 per CPEC, plus any accrued and unpaid distributions thereon. However, the Brindleyplace JV may elect to satisfy any redemption request through the issuance of one capital share per CPEC.

In December 2013, the Brindleyplace JV issued 1.2 million Series B3 CPEC to Moorfield as a result of their £1.2 million contribution (\$2.0 million based on the exchange rate in effect on the date of contribution). In December 2014, the

Brindleyplace JV issued 1.3 million Series B3 CPEC to Moorfield as a result of their £1.3 million contribution (\$2.0 million based on the exchange rate in effect on the date of contribution). In February 2017, all of the outstanding CPECs were redeemed upon the sale of the Brindleyplace Project.

Distributions are declared and paid quarterly to Moorfield/Laser based on the distributable income of the Brindleyplace Project and payment of the distributions will be subject to the approval of the board of directors of the Brindleyplace JV. During the years ended December 31, 2016, 2015 and 2014, respectively, the Brindleyplace JV declared \$3.6 million, \$3.4 million and \$4.3 million of preferred dividends to Moorfield/Laser related to the CPECs. These amounts were included in the net (income) loss attributable to noncontrolling interests in the accompanying consolidated statements of operations and comprehensive income (loss) and offsets net income of \$2.1 million and \$2.3 million and \$1.5 million that was attributable to Moorfield/Laser during the years ended December 31, 2016, 2015 and 2014, respectively, related to the results of operations of the Brindleyplace JV.

During the year ended December 31, 2014 the noncontrolling interest partner in the Flagship JV, contributed \$0.4 million respectively to the Flagship Capital JV. In accordance with the partnership agreement that governs the joint venture, distributions are declared and paid when the joint venture has available cash (all cash held by the joint venture less what is reasonably needed to reserve or satisfy cash needs) with respect to an investment made by the joint venture. The Flagship Capital JV declared distributions to the noncontrolling interest partner for the years ended December 31, 2016, 2015 and 2014 of \$1.2 million, \$0.2 million, and \$0.3 million, respectively. See Note 1 — Organization for additional information regarding the Flagship Capital JV.

During the year ended December 31, 2015, the noncontrolling interest partner contributed \$1.0 million to the Aviva Coral Gables JV, for the funding of the repayment of the construction loan to Hines. The Aviva Coral Gables JV declared distributions to the noncontrolling interest partner for the years ended December 31, 2016 and 2015 of \$0.6 million and \$0.2 million, respectively. See Note 1 — Organization for additional information regarding the Aviva Coral Gables JV.

During the year ended December 31, 2014, the noncontrolling interest partner, an affiliate of Hines, contributed \$1.5 million to the WaterWall Place JV, for the funding of the repayment of the construction loan to Hines. The WaterWall Place JV declared distributions to the noncontrolling interest partner for the years ended December 31, 2016 and 2015 of \$0.3 million and \$0.3 million, respectively. See Note 1 — Organization for additional information regarding the WaterWall Place JV.

11. FAIR VALUE MEASUREMENTS

Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In instances in which the inputs used to measure fair value may fall into different levels of the fair value hierarchy, the level in the fair value hierarchy within which the fair value measurement in its entirety has been determined is based on the lowest level input significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Financial Instruments Measured on a Recurring Basis

As described in Note 7 – Derivative Instruments, the Company entered into several interest rate contracts as economic hedges against the variability of future interest rates on its variable interest rate borrowings. The valuation of these derivative instruments is determined based on assumptions that management believes market participants would use in pricing, using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate contracts have been determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

Although the Company has determined the majority of the inputs used to value its interest rate contracts fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties, Landesbank

Baden-Württemberg, Commonwealth Bank of Australia, Deutsche Pfandbriefbank AG, Crédit Agricole, SMBC Capital Markets, ING Capital Markets, and the Australia and New Zealand Banking Group Limited. In adjusting the fair values of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds and guarantees. However, as of December 31, 2016 and 2015, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuations of its derivatives. As a result, the Company has determined its derivative valuations are classified in Level 2 of the fair value hierarchy.

The following table sets forth the Company's derivatives which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2016 and December 31, 2015 (all amounts are in thousands):

Period	Fair Value of Assets (Liabilities)	Basis of Fair Value Measurements		
		Quoted Prices In Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016				
Interest rate caps	\$ 40	\$ —	\$ 40	\$ —
December 31, 2015				
Interest rate caps	\$ 675	\$ —	\$ 675	\$ —

Financial Instruments Fair Value Disclosures

As of December 31, 2016, the Company estimated that the fair value of its notes payable, which had a book value (excluding any unamortized discount or premium and deferred financing costs) of \$2.2 billion, was \$2.2 billion. As of December 31, 2015, the Company estimated that the fair value of its notes payable, which had a book value (excluding any unamortized discount or premium) of \$2.6 billion, was \$2.6 billion. Management has utilized available market information, such as interest rate and spread assumptions of notes payable with similar terms and remaining maturities, to estimate the amounts required to be disclosed. Although the Company has determined the majority of the inputs used to value its notes payable fall within Level 2 of the fair value hierarchy, the credit quality adjustments associated with its fair value of notes payable utilize Level 3 inputs. However, as of December 31, 2016 and 2015, the Company has assessed the significance of the impact of the credit quality adjustments on the overall valuations of its fair market value of notes payable and has determined that they are not significant. As a result, the Company has determined these financial instruments utilize Level 2 inputs. Since such amounts are estimates that are based on limited available market information for similar transactions, there can be no assurance that the disclosed values could be realized.

As of December 31, 2016 and 2015, the Company estimated that the book values of its real estate loans receivable approximated their fair values. Management has utilized available market information, such as interest rate and spread assumptions of loans receivable with similar terms and remaining maturities, to estimate the amounts required to be disclosed. Although the Company has determined the majority of the inputs used to value its real estate notes receivable fall within Level 2 of the fair value hierarchy, the credit quality adjustments associated with its fair value of real estate notes receivable utilize Level 3 inputs. However, as of December 31, 2016 and 2015, the Company has assessed the significance of the impact of the credit quality adjustments on the overall valuations of its fair market value of real estate notes receivable and has determined that they are not significant. As a result, the Company has determined these financial instruments utilize Level 2 inputs. Since such amounts are estimates that are based on limited available market information for similar transactions, there can be no assurance that the disclosed values could be realized.

Other financial instruments not measured at fair value on a recurring basis include cash and cash equivalents, restricted cash, tenant and other receivables, accounts payable and accrued expenses, other liabilities, due to affiliates and distributions payable. The carrying value of these items reasonably approximates their fair value based on their highly-liquid nature and/or short-term maturities. Due to the short-term nature of these instruments, Level 1 inputs are utilized to estimate the fair value of the cash and cash equivalents and restricted cash and Level 2 inputs are utilized to estimate the fair value of the remaining financial instruments.

Financial Instruments Measured on a Nonrecurring Basis

Certain long-lived assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments (i.e., impairments) in certain circumstances. The fair value methodologies used to measure long-lived assets are described in Note 2 — Summary of Significant Accounting Policies — Investment Property and Lease Intangibles. The inputs associated with the valuation of long-lived assets are generally included in Level 3 of the fair value hierarchy. There were no events during the years ended December 31, 2016, 2015 and 2014 which indicated that fair value adjustments of our long-lived assets were necessary.

12. REPORTABLE SEGMENTS

The Company's real estate investments are geographically diversified and management evaluates the operating performance of each at an individual investment level and considers each investment to be an operating segment. The Company has aggregated all of its operating segments into four reportable segments based on the location of the segment and the underlying asset class. Management has aggregated the Company's investments that are not office properties in "other" based on the geographic location of the investment due to the Company's ownership of interests in various different types of investments that do not stand alone as their own reportable segment.

- Domestic office investments (11 investments)
- Domestic other investments (8 investments)
- International office investments (10 investments)
- International other investments (12 investments)

The tables below provide additional information related to each of the Company's segments, geographic location and a reconciliation to the Company's net income (loss), as applicable. "Corporate-Level Accounts" includes amounts incurred by the corporate-level entities which are not allocated to any of the reportable segments (all amounts are in thousands, except for percentages):

	Years Ended December 31,		
	2016	2015	2014
Total Revenue			
Domestic office investments	\$ 177,048	\$ 168,962	\$ 145,941
Domestic other investments	123,384	119,083	104,753
International office investments	110,308	123,010	140,119
International other investments	67,168	65,818	65,451
Total Revenue	\$ 477,908	\$ 476,873	\$ 456,264

For the years ended December 31, 2016, 2015 and 2014, the Company's total revenue was attributable to the following countries:

	Years Ended December 31,		
	2016	2015	2014
United States	62%	60%	55%
United Kingdom	15%	17%	19%
Australia	7%	8%	8%
Poland	5%	5%	7%
Russia	3%	3%	5%
France	3%	3%	3%
Germany	5%	4%	3%

For the years ended December 31, 2016, 2015 and 2014, the Company's property revenues in excess of expenses by segment was as follows:

	Years Ended December 31,		
	2016	2015	2014
Property revenues in excess of expenses ⁽¹⁾			
Domestic office investments	\$ 113,763	\$ 107,116	\$ 91,932
Domestic other investments	78,729	76,835	67,297
International office investments	85,986	97,644	114,586
International other investments	47,181	45,608	45,348
Total property revenues in excess of expenses	\$ 325,659	\$ 327,203	\$ 319,163

(1) Revenues less property operating expenses, real property taxes and property management fees.

For the years ended December 31, 2016 and 2015, the Company's total assets by segment was as follows:

	Years Ended December 31,	
	2016	2015
Total Assets		
Domestic office investments	\$ 1,454,943	\$ 1,503,926
Domestic other investments	901,120	1,082,241
International office investments	1,003,616	1,090,483
International other investments	584,726	650,168
Corporate-level accounts	44,027	46,128
Total Assets	\$ 3,988,432	\$ 4,372,946

For the years ended December 31, 2016 and 2015, the Company's total assets were attributable to the following countries:

	Years Ended December 31,	
	2016	2015
United States	59%	60%
United Kingdom	15%	16%
Australia	8%	7%
Poland	6%	6%
Russia	2%	1%
France	3%	3%
Germany	7%	7%

For the years ended December 31, 2016, 2015 and 2014 the Company's reconciliation to the Company's property revenues in excess of expenses is as follows:

	Years Ended December 31,		
	2016	2015	2014
Reconciliation to property revenues in excess of expenses			
Net income (loss)	157,227	(4,954)	10,842
Depreciation and amortization	174,110	186,965	193,870
Acquisition related expenses	372	10,472	29,278
Asset management and acquisition fees	37,001	44,522	53,069
General and administrative expenses	11,149	8,597	6,782
(Gain) loss on derivatives	689	(562)	(7,322)
Equity in (earnings) losses of unconsolidated entity	(7,504)	—	—
(Gain) loss on sale of real estate investments	(127,294)	(14,684)	(64,003)
Foreign currency (gains) losses	8,240	21,468	13,074
Interest expense	64,473	71,288	78,273
Interest income	(130)	(427)	(506)
Benefit provision for income taxes	7,326	4,518	5,806
Total property revenues in excess of expenses	<u>\$ 325,659</u>	<u>\$ 327,203</u>	<u>\$ 319,163</u>

13. SUPPLEMENTAL CASH FLOW DISCLOSURES

Supplemental cash flow disclosures for the years ended December 31, 2016, 2015, and 2014 (in thousands):

	2016	2015	2014
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest	\$ 59,612	\$ 66,704	\$ 66,592
Cash paid for income taxes	\$ 7,634	\$ 6,696	\$ 4,161
Supplemental Schedule of Non-Cash Activities			
Distributions declared and unpaid	\$ 21,178	\$ 19,837	\$ 17,558
Other receivables	\$ —	\$ 5	\$ —
Distributions reinvested	\$ 94,071	\$ 93,785	\$ 90,198
Shares tendered for redemption	\$ 4,987	\$ 5,245	\$ 5,505
Non-cash net liabilities acquired	\$ 7,965	\$ 10,516	\$ 2,737
Accrued additions to investment property	\$ 2,602	\$ 883	\$ 2,373

14. COMMITMENTS AND CONTINGENCIES

In November 2013, Dorsey & Whitney LLP signed a lease renewal for its space in 50 South Sixth located in Minneapolis, Minnesota. In connection with this renewal, the Company committed to fund \$20.8 million of tenant improvements and leasing commissions related to its space, to be paid in future periods. As of December 31, 2016, \$8.6 million of the Company's commitment remained unfunded and is recorded in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

In May 2016, Stinson Leonard Street LLP signed a new lease for its space in 50 South Sixth located in Minneapolis, Minnesota. In connection with this lease, the Company committed to fund \$12.2 million of tenant improvements and leasing commissions related to its space, to be paid in future periods. As of December 31, 2016, \$10.9 million of the Company's commitment remained unfunded and is recorded in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets.

The Company may be subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes the final outcome of such matters will not have a material adverse effect on the Company's consolidated financial statements.

15. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents selected unaudited quarterly financial data for each quarter during the years ended December 31, 2016 and 2015 (in thousands except per share amounts):

	Quarters Ended			
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Revenues	\$ 118,936	\$ 121,637	\$ 121,854	\$ 115,481
Gain (loss) on sale of real estate investments	\$ —	\$ —	\$ —	\$ 127,294
Net income (loss)	\$ 6,476	\$ 9,155	\$ 12,368	\$ 129,228
Net (income) loss attributable to noncontrolling interests	\$ (1,286)	\$ (1,645)	\$ (2,160)	\$ (1,086)
Net income (loss) attributable to common stockholders	\$ 5,190	\$ 7,510	\$ 10,208	\$ 128,142
Income (loss) per common share, basic and diluted	\$ 0.02	\$ 0.03	\$ 0.04	\$ 0.46
	Quarters Ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Revenues	\$ 113,079	\$ 119,683	\$ 119,533	\$ 124,578
Gain (loss) on sale of real estate investments	\$ (1,127)	\$ —	\$ 55	\$ 15,756
Net income (loss)	\$ (13,908)	\$ (420)	\$ 2,153	\$ 7,221
Net (income) loss attributable to noncontrolling interests	\$ (1,170)	\$ (2,063)	\$ (1,086)	\$ (1,358)
Net income (loss) attributable to common stockholders	\$ (15,078)	\$ (2,483)	\$ 1,067	\$ 5,863
Income (loss) per common share, basic and diluted	\$ (0.06)	\$ (0.01)	\$ —	\$ 0.02

16. SUBSEQUENT EVENTS

Brindleyplace Project

In February 2017, the Brindleyplace JV, in which the Company owns a 60% interest, sold the Brindleyplace Project for a contract sales price of £260.0 million (approximately \$325.1 million based on an exchange rate of \$1.25 per GBP as of the transaction date). The Brindleyplace JV acquired the property in July 2010 for £186.2 million (approximately \$282.5 million based on an exchange rate of \$1.52 per GBP as of the transaction date).

Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Disclosure Controls and Procedures

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2016, to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management's assessment of the effectiveness of our internal control system as of December 31, 2016 was based on the framework for effective internal control over financial reporting described in the 2013 Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, as of December 31, 2016, our system of internal control over financial reporting was effective at the reasonable assurance level.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding control over financial reporting. Management's report was not subject to attestation by the company's independent registered public accounting firm pursuant to Section 989G of the Dodd-Frank Wall Street and Consumer Protection Act, which exempts non-accelerated filers from the auditor attestation requirement of section 404 (b) of the Sarbanes-Oxley Act.

March 28, 2017

Change in Internal Controls

No changes have occurred in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated by reference to our Definitive Proxy Statement to be filed with the SEC no later than May 1, 2017.

Item 11. Executive Compensation

The information required by this Item is incorporated by reference to our Definitive Proxy Statement to be filed with the SEC no later than May 1, 2017.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated by reference to our Definitive Proxy Statement to be filed with the SEC no later than May 1, 2017.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated by reference to our Definitive Proxy Statement to be filed with the SEC no later than May 1, 2017.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated by reference to our Definitive Proxy Statement to be filed with the SEC no later than May 1, 2017.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) *Financial Statements*

Hines Global REIT, Inc.

Consolidated Financial Statements — as of December 31, 2016 and 2015 and for the Years Ended December 31, 2016, 2015 and 2014

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(2) *Financial Statement Schedules*

Schedule II — Valuation and Qualifying Accounts is set forth beginning on page 105 hereof.

Schedule III — Real Estate Assets and Accumulated Depreciation is set forth beginning on page 106 hereof.

Schedule IV — Mortgage Loans on Real Estate is set forth beginning on page 109 hereof.

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are not applicable and therefore have been omitted.

(b) *Exhibits*

Reference is made to the Index beginning on page 111 for a list of all exhibits filed as a part of this report.

* * * * *

Hines Global REIT, Inc.
Schedule II — Valuation and Qualifying Accounts

Description	Balance at the Beginning of the Period	Charged to Costs and Expenses	Deductions (a)	Balance at the End of the Period
	(amounts in thousands)			
Allowance for Doubtful Accounts as of December 31, 2016	\$ 1,666	\$ 1,091	\$ (249)	\$ 2,508
Allowance for Doubtful Accounts as of December 31, 2015	\$ 1,872	\$ 558	\$ (764)	\$ 1,666
Allowance for Doubtful Accounts as of December 31, 2014	\$ 2,011	\$ 841	\$ (980)	\$ 1,872

(a) Write-offs of accounts receivable previously reserved.

Schedule III — Real Estate Assets and Accumulated Depreciation
December 31, 2016

Description ^(a)	Location	Encumbrances	Initial Cost ^(b)			Costs Capitalized Subsequent to Acquisition ^(c)	Gross Amount at Which Carried at 12/31/2016			Accumulated Depreciation ^(e)	Date of Construction	Date Acquired
			Land	Buildings and Improvements	Total		Land	Buildings and Improvements	Total ^(d)			
Brindleyplace Project	Birmingham, United Kingdom	149,343	—	207,592	207,592	(20,968)	—	186,624	186,624	(29,319)	1997 - 2000	July - 10
Hock Plaza	Durham, North Carolina	—	1,220	69,704	70,924	15	1,220	69,719	70,939	(11,005)	2004	September - 10
Southpark	Austin, Texas	—	3,920	20,507	24,427	—	3,920	20,507	24,427	(3,180)	2001	October - 10
Fifty South Sixth	Minneapolis, Minnesota	125,000	1,390	134,262	135,652	1,599	1,390	135,861	137,251	(20,848)	2001	November - 10
FM Logistic	Moscow, Russia	—	5,320	51,588	56,908	(30,624)	2,445	23,839	26,284	(3,390)	1998 - 2004	April - 11
Gogolevsky 11	Moscow, Russia	—	—	85,126	85,126	(44,354)	—	40,772	40,772	(6,198)	1996	August - 11
250 Royall	Canton, Massachusetts	—	8,910	22,860	31,770	—	8,910	22,860	31,770	(3,035)	2005	September - 11
Campus at Marlborough	Marlborough, Massachusetts	—	23,790	54,230	78,020	1,464	23,310	56,174	79,484	(7,218)	1999	October - 11
9320 Excelsior	Hopkins, Minnesota	—	2,730	51,110	53,840	—	2,730	51,110	53,840	(6,406)	2010	December - 11
WaterWall Place	Houston, Texas	44,897	8,229	54,825	63,054	163	8,229	54,988	63,217	(4,452)	2012	December - 11
Aviva Coral Gables	Miami, Florida	42,693	12,112	48,892	61,004	1,037	12,326	49,715	62,041	(2,764)	2012	July - 12
Poland Logistics Portfolio	Upper Silesia, Warsaw and Wroclaw, Poland	64,294	25,893	97,627	123,520	(26,735)	19,341	77,444	96,785	(8,907)	1995 - 2009	March - 12 & October - 12
100 Brookes St.	Brisbane, Australia	31,109	8,600	41,404	50,004	(14,496)	6,089	29,419	35,508	(3,280)	2008	July - 12
Minneapolis Retail Center	Minneapolis, Minnesota	65,500	30,792	78,711	109,503	8,863	30,792	87,574	118,366	(8,847)	1974	August - 12 & December - 12
550 Terry Francois	San Francisco, California	—	41,270	109,760	151,030	10	41,270	109,770	151,040	(11,938)	2002	August - 12
Mercedes Benz Bank	Stuttgart, Germany	35,041	11,953	47,643	59,596	(11,974)	9,286	38,336	47,622	(3,644)	2003	February - 13
One Westferry Circus	London, England	59,213	—	48,874	48,874	(8,240)	—	40,634	40,634	(3,925)	1992	February - 13
465 Victoria	Sydney, Australia	38,293	26,566	48,788	75,354	(21,265)	18,668	35,421	54,089	(3,320)	1995	February - 13
Riverside Center	Boston, Massachusetts	—	45,888	125,014	170,902	288	45,888	125,302	171,190	(11,814)	2000	March - 13
New City	Warsaw, Poland	73,612	—	115,208	115,208	(25,631)	—	89,577	89,577	(8,424)	2010	March - 13
825 Ann	Brisbane, Australia	58,320	20,669	83,802	104,471	(31,554)	14,408	58,509	72,917	(5,361)	2013	April - 13
The Campus at Playa Vista	Los Angeles, California	150,000	41,160	125,567	166,727	56	41,160	125,623	166,783	(11,612)	2009-2010	May - 13
Perspective Defense	Paris, France	73,612	29,039	109,704	138,743	(26,887)	23,293	88,563	111,856	(7,939)	2007	June - 13
The Markets at Town Center	Jacksonville, Florida	—	52,130	76,067	128,197	6	52,130	76,073	128,203	(6,550)	2009	July - 13
The Avenue at Murfreesboro	Nashville, Tennessee	—	54,940	71,990	126,930	26	54,940	72,016	126,956	(6,102)	2007	August - 13
2300 Main	Irvine, California	—	3,570	27,940	31,510	—	3,570	27,940	31,510	(2,335)	2002	August - 13
Fiege Mega Centre	Erfurt, Germany	23,924	10,107	36,005	46,112	(10,502)	7,771	27,839	35,610	(2,223)	1995	October - 13
55 M Street	Washington, D.C.	72,000	24,810	85,277	110,087	534	24,810	85,811	110,621	(6,600)	2009	December - 13
The Rim	San Antonio, Texas	—	102,170	150,321	252,491	3,174	102,170	153,495	255,665	(8,311)	2006-2014	February - 14, April - 15, December - 15, & December - 16

Description ^(a)	Location	Encumbrances	Initial Cost ^(b)			Costs Capitalized Subsequent to Acquisition ^(c)	Gross Amount at Which Carried at 12/31/2016			Accumulated Depreciation ^(e)	Date of Construction	Date Acquired
			Land	Buildings and Improvements	Total		Land	Buildings and Improvements	Total ^(d)			
25 Cabot Square	London, England	152,658	—	165,121	165,121	(33,930)	—	131,191	131,191	(8,520)	1991	March - 14
Simon Hegele Logistics	Forchheim, Germany	37,167	13,245	56,428	69,673	(13,149)	10,716	45,808	56,524	(2,679)	2012-2014	June - 14 & January - 15
818 Bourke	Melbourne, Australia	62,254	36,487	82,867	119,354	(21,720)	29,516	68,118	97,634	(3,692)	2008	October - 14
The Summit	Bellevue, Washington	170,000	68,090	217,974	286,064	674	68,090	218,648	286,738	(10,112)	2002, 2005	March - 15
Harder Logistics Portfolio	Nuremberg, Karlsruhe, and Duisburg, Germany	72,275	16,362	89,368	105,730	(2,815)	15,921	86,994	102,915	(2,990)	2003, 2010, 2015	April - 15 & December - 15
		<u>\$ 1,601,205</u>	<u>\$ 731,362</u>	<u>\$ 2,892,156</u>	<u>\$3,623,518</u>	<u>\$ (326,935)</u>	<u>\$ 684,309</u>	<u>\$ 2,612,274</u>	<u>\$3,296,583</u>	<u>\$ (246,940)</u>		

- (a) Assets consist of quality office, mixed-use and retail properties, industrial/distribution facilities and multi-family development.
- (b) Components of initial cost for properties acquired using a foreign currency were converted using the currency exchange rate as of the date of acquisition.
- (c) Includes the effect of changes in the exchange rate between the date of acquisition and December 31, 2016 for properties that are denominated in a foreign currency.
- (d) The aggregate cost for federal income tax purposes is \$3.4 billion as of December 31, 2016.
- (e) Real estate assets are depreciated or amortized using the straight-line method over the useful lives of the assets by class. The estimated useful lives for computing depreciation are generally 10 years for furniture and fixtures, 15-20 years for electrical and mechanical installations and 40 years for buildings.

The changes in total real estate assets for the years ended December 31, (in thousands):

	2016	2015	2014
Gross real estate assets			
Balance, beginning of period	\$ 3,468,188	\$ 3,103,520	\$ 2,894,264
Additions during the period:			
Acquisitions	34,396	479,628	484,499
Other additions	20,154	10,905	45,879
Disposals of fully-depreciated assets	(132)	(38)	(23)
Costs of real estate sold	(135,519)	(10,101)	(139,539)
Effect of changes in foreign currency exchange rates	(90,504)	(115,726)	(181,560)
Balance, end of period	<u>\$ 3,296,583</u>	<u>\$ 3,468,188</u>	<u>\$ 3,103,520</u>
Accumulated Depreciation			
Balance, beginning of period	\$ (200,311)	\$ (138,821)	\$ (94,414)
Depreciation	(69,805)	(68,722)	(64,846)
Effect of changes in foreign currency exchange rates	8,562	6,184	9,573
Disposals of fully-depreciated assets	132	38	23
Retirement or sales of assets	14,482	1,010	10,843
Balance, end of period	<u>\$ (246,940)</u>	<u>\$ (200,311)</u>	<u>\$ (138,821)</u>

Schedule IV — Mortgage Loans on Real Estate
December 31, 2016
(amounts in thousands)

Description	Location	Interest Rate	Final Maturity Date	Periodic Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages ^(a)
Construction Loans:							
<i>Office</i>							
Finesilver	San Antonio, TX	6.45%	7/31/2017	Monthly interest- only payments for first year; then amortizes based on a 25-year amortization schedule.	—	7,233	6,271
<i>Shopping Centers</i>							
Randalls	Pasadena and Friendswood, TX	6.25%	7/28/2017	Monthly interest- only payments for first 18-months; then amortizes based on a 25-year amortization schedule.	—	10,939	8,953
					<u>\$ —</u>	<u>\$ 18,172</u>	<u>\$ 15,224</u>

(a) The aggregate cost for federal income tax purposes is \$15.2 million as of December 31, 2016.

Changes in mortgage loans on real estate are summarized below (in thousands):

	2016	2015	2014
Balance at beginning of period	<u>\$ 55,408</u>	<u>\$ 75,040</u>	<u>\$ 43,591</u>
Additions during period:			
New loans	—	—	45,680
Additional advances on existing loans	6,073	13,183	4,736
Interest income added to principal	694	754	525
Deductions during period:			
Collection of principal	(46,951)	(33,569)	(19,492)
Balance at close of period	<u>\$ 15,224</u>	<u>\$ 55,408</u>	<u>\$ 75,040</u>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized representative.

HINES GLOBAL REIT, INC.
(registrant)

March 28, 2017 By: /s/ Sherri W. Schugart
 Sherri W. Schugart
 President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 28, 2017.

Signature	Title	Date
<u>/s/ Jeffrey C. Hines</u> Jeffrey C. Hines	Chairman of the Board of Directors	March 28, 2017
<u>/s/ Sherri W. Schugart</u> Sherri W. Schugart	President and Chief Executive Officer (Principal Executive Officer)	March 28, 2017
<u>/s/ Ryan T. Sims</u> Ryan T. Sims	Chief Financial Officer and Secretary (Principal Financial Officer)	March 28, 2017
<u>/s/ J. Shea Morgenroth</u> J. Shea Morgenroth	Chief Accounting Officer and Treasurer (Principal Accounting Officer)	March 28, 2017
<u>/s/ Charles M. Baughn</u> Charles M. Baughn	Director	March 28, 2017
<u>/s/ Jack L. Farley</u> Jack L. Farley	Director	March 28, 2017
<u>/s/ Colin P. Shepherd</u> Colin P. Shepherd	Director	March 28, 2017
<u>/s/ Thomas L. Mitchell</u> Thomas L. Mitchell	Director	March 28, 2017
<u>/s/ John S. Moody</u> John S. Moody	Director	March 28, 2017
<u>/s/ Peter Shaper</u> Peter Shaper	Director	March 28, 2017

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Articles of Amendment and Restatement of Hines Global REIT, Inc. (filed as Exhibit 3.1 to Pre-Effective Amendment No. 3 to the Registrant's Registration Statement on Form S-11, SEC File No. 333-156742 (the "Registration Statement"), on August 3, 2009 and incorporated by reference herein)
3.2	Bylaws of Hines Global REIT, Inc. (filed as Exhibit 3.2 to Pre-Effective Amendment No. 1 to the Registration Statement on March 18, 2009 and incorporated by reference herein)
3.3	Amendment No. 1 to Bylaws of Hines Global REIT, Inc. (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K on September 21, 2015 and incorporated by reference herein)
4.1	Hines Global REIT, Inc. Distribution Reinvestment Plan (included as Appendix A to the Prospectus contained in the Registrant's Registration Statement on Form S-3 (File No. 333-195478) filed on April 24, 2014 and incorporated by reference herein)
10.1*	Agreement of Sale and Purchase, dated November 15, 2016, by and between Hines Global REIT 100/140 Fourth Ave LLC and GI TC Seattle LLC
21.1*	List of Subsidiaries of Hines Global REIT, Inc.
23.1*	Consent of Independent Registered Public Accounting Firm of Hines Global REIT, Inc. and subsidiaries, Deloitte & Touche LLP
31.1*	Certification
31.2*	Certification
32.1*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Pursuant to SEC Release 34-47551 this Exhibit is furnished to the SEC and shall not be deemed to be "filed."
99.1*	Consent of Independent Valuer, Cushman & Wakefield, Inc.
99.2*	Consent of Independent Valuer, Knight Frank, LLP
99.3*	Consent of Independent Valuer, Jones Lang LaSalle Incorporated
99.4*	Consent of Independent Valuer, Altus Group U.S., Inc.
101*	The following materials from Hines Global REIT, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 28, 2017, are formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Statements of Equity, (iv) of Cash Flows, and (v) Notes to the Consolidated Financial Statements.

* Filed herewith

AGREEMENT OF SALE AND PURCHASE

BETWEEN

HINES GLOBAL REIT 100/140 FOURTH AVE LLC,

a Delaware limited liability company

as Seller

AND

GI TC SEATTLE LLC,

a Delaware limited liability company

as Purchaser

pertaining to

KOMO Plaza

100 and 140 Fourth Avenue North, Seattle Washington

EXECUTED EFFECTIVE AS OF

November 15, 2016

AGREEMENT OF SALE AND PURCHASE

THIS AGREEMENT OF SALE AND PURCHASE (this “**Agreement**”) is entered into and effective for all purposes as of November 15, 2016 (the “**Effective Date**”), by and between Hines Global REIT 100/140 Fourth Ave LLC, a Delaware limited liability company (“**Seller**”), and GI TC Seattle LLC, a Delaware limited liability company (“**Purchaser**”).

In consideration of the mutual promises, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser agree as follows:

ARTICLE I _

DEFINITIONS

Section 1.1 **Definitions.** For purposes of this Agreement, the following capitalized terms have the meanings set forth in this Section 1.1:

“**Acceptable Estoppel Certificates**” has the meaning ascribed to such term in Section 7.2.

“**Additional Earnest Money Deposit**” has the meaning ascribed to such term in Section 4.1.

“**Affiliate**” means any person or entity that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with Purchaser or Seller, as the case may be. For the purposes of this definition, “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise, and the terms “controlling” and “controlled” have the meanings correlative to the foregoing.

“**Agreement**” has the meaning ascribed to such term in the opening paragraph.

“**Approval Notice**” has the meaning ascribed to such term in Section 5.4.

“**Authorities**” means the various governmental and quasi-governmental bodies or agencies having jurisdiction over Seller, the Real Property, the Improvements, or any portion thereof.

“**Blocked Person**” has the meaning ascribed to such term in Section 7.3.

“**Broker**” has the meaning ascribed to such term in Section 11.1.

“**Business Day**” means any day other than a Saturday, Sunday or a day on which national banking associations are authorized or required to close in Houston, Texas or the City and State in which the Property is located. In the event that any date or any period provided for in this Agreement shall end on a day other than a Business Day, the applicable date shall be, or the period shall end on, the next Business Day.

“**CERCLA**” means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. § 9601 et seq.), as amended by the Superfund Amendments Reauthorization Act of 1986 (42 U.S.C. § 9601 et seq.), as the same may be amended.

“Certificate as to Foreign Status” has the meaning ascribed to such term in Section 10.3(e).

“Certifying Party” has the meaning ascribed to such term in Section 4.6.

“Claims” has the meaning ascribed to such term in Section 5.6(a).

“Closing” means the consummation of the purchase and sale of the Property contemplated by this Agreement, as provided for in Article X.

“Closing Date” means the date on which the Closing occurs, which date shall be December 20, 2016, which date may be extended by Purchaser in accordance with Section 10.1, or such earlier or later date to which Purchaser and Seller may hereafter agree in writing.

“Closing Documents” has the meaning ascribed to such term in Section 16.1.

“Closing Statement” has the meaning ascribed to such term in Section 10.4(a).

“Closing Surviving Obligations” means the covenants, rights, liabilities and obligations set forth in Sections 3.2, 4.8, 4.10, 5.2 (b), 5.2(d), 5.3, 5.5, 5.6, 7.1(l), 8.1 (subject to Section 16.1), 8.2, 9.1, 9.2, 9.3, 10.3, 10.4 (subject to the limitations therein), 10.5, 10.6, 10.7, 11.1, 13.3, 14, 15.1, 16.1, 17 and, subject to the limitations set forth in Section 16.1, Claims resulting from Seller’s breach of the covenants set forth in Section 7.1 occurring prior to Closing.

“Closing Time” has the meaning ascribed to such term in Section 10.4(a).

“Code” has the meaning ascribed to such term in Section 4.10.

“Conduit Easement Agreement” has the meaning ascribed to such term in Section 7.2(c).

“Conduit Easement Estoppel Certificate” has the meaning ascribed to such term in Section 7.2(c).

“Contingency Date” means November 15, 2016.

“Deed” has the meaning ascribed to such term in Section 10.3(a).

“Delinquent” has the meaning ascribed to such term in Section 10.4(b).

“Deposit Time” means 2:00 p.m. Pacific Time on the Business Day that is immediately prior to the Closing Date.

“Documents” has the meaning ascribed to such term in Section 5.2(a).

“Due Diligence Items” has the meaning ascribed to such term in Section 5.4.

“Earnest Money Deposit” has the meaning ascribed to such term in Section 4.1.

“Effective Date” has the meaning ascribed to such term in the opening paragraph of this Agreement.

“Environmental Laws” means all federal, state and local laws, rules, statutes, directives, binding written interpretations, binding written policies, court decisions, ordinances and regulations, now or hereafter in force and effect and as amended from time to time, issued by any Authorities in any way relating to or regulating human health, safety, industrial hygiene or environmental conditions, or the protection of the environment or pollution or contamination of the air (whether indoor or outdoor), soil gas, soil, surface water or groundwater, including but not limited to CERCLA, the Hazardous Substances Transportation Act (49 U.S.C. § 1802 et seq.), RCRA, the Solid Waste Disposal Act, the Clean Water Act, the Federal Insecticide, Fungicide, and Rodenticide Act, the Endangered Species Act, the Water Pollution Control Act (33 U.S.C. § 1251 et seq.), the Safe Drinking Water Act (42 U.S.C. § 300f et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Emergency Planning and Community Right-to-Know Act of 1986 (42 U.S.C. § 11001 et seq.), the Radon and Indoor Air Quality Research Act (42 U.S.C. § 7401 note, et seq.), the National Environmental Policy Act (42 U.S.C. § 4321 et seq.), the Occupational Safety and Health Act (29 U.S.C. § 651 et seq.), the Washington Model Toxics Control Act (RCW 70.105D), Washington Hazardous Waste Management (RCW 70.105), Washington Solid Waste Management (RCW 70.95), and any and all other comparable state and local equivalents.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Escrow Instructions” has the meaning ascribed to such term in Section 4.3.

“Executive Order” has the meaning ascribed to such term in Section 7.3.

“Gap Notice” has the meaning ascribed to such term in Section 6.2(b).

“General Conveyance” has the meaning ascribed to such term in Section 10.3(b).

“Governmental Regulations” means all laws, ordinances, rules and regulations of the Authorities applicable to Seller or Seller’s use and operation of the Property or any portion thereof.

“Hazardous Substances” means any substance or material that is described as a toxic or hazardous substance, waste or material or a pollutant, effluent, emission, or contaminant, or words of similar import, in any of the Environmental Laws, and includes (a) petroleum (including crude oil or any fraction thereof, natural gas, natural gas liquids, radon gas, liquefied natural gas, or synthetic gas usable for fuel, or any mixture thereof), petroleum-based products and petroleum additives and derived substances, lead-based or lead-containing paint, mold, fungi or bacterial matter, polychlorinated biphenyls (PCBs), radioactive matter, medical waste, and chemicals which may cause cancer or reproductive toxicity, asbestos, asbestos-containing material, electromagnetic waves, urea formaldehyde foam insulation and transformers or other equipment that contains dielectric fluid containing PCBs, and (b) any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, waste, phosphates, or chlorine.

“Hines TRS” has the meaning ascribed to such term in the definition of “Tenant Leases”.

“Hines TRS Agreements” has the meaning ascribed to such term in Section 8.1(h).

“Hines TRS General Assignment” has the meaning ascribed to such term in the definition of “Tenant Leases”.

“Hines TRS Lease” has the meaning ascribed to such term in the definition of “Tenant Leases”.

“Improvements” means all buildings, structures, fixtures, parking areas and improvements located on the Real Property, other than those owned by Tenants or other third parties pursuant to the express terms of their respective Leases.

“Independent Consideration” has the meaning ascribed to such term in Section 4.2.

“Initial Earnest Money Deposit” has the meaning ascribed to such term in Section 4.1.

“Intangible Personal Property” means, to the extent assignable or transferable without the necessity of consent or approval (and if consent or approval is required, to the extent such consent or approval has been obtained), (i) all trade names, trademarks, logos, and service marks (in each case, if any) utilized by Seller or which Seller has a right to utilize in connection with the operation of the Real Property and Improvements thereon (other than the names or variations thereof of Seller, its Affiliates, the property manager and Tenants), including, without limitation, the name “KOMO Plaza”, (ii) if still in effect, guaranties and warranties received by Seller from any contractor, manufacturer or other person in connection with the construction or operation of the Real Property or Improvements, (iii) books, records, plans and specifications and other similar documents (if any) applicable to the Real Property or Improvements, and (iv) Seller’s web address for the Property.

“Inspection Agreement” means that certain Inspection Agreement and Confidentiality Agreement, executed prior to the date hereof by Seller and GI RE Acquisitions LLC. The Inspection Agreement is hereby terminated as of the Effective Date.

“Leasing Costs” has the meaning ascribed to such term in Section 10.4(e).

“Licensee Parties” has the meaning ascribed to such term in Section 5.1(a).

“Licenses and Permits” means, collectively, to the extent assignable without the necessity of consent or assignable only with consent and such consent has been obtained, all licenses, permits, certificates of occupancy, approvals, dedications, subdivision maps and entitlements issued, approved or granted by the Authorities prior to Closing in connection with the Real Property and/or the Improvements, together with all renewals and modifications thereof.

“Major Tenants” has the meaning ascribed to such term in Section 7.2.

“Must-Cure Matters” has the meaning ascribed to such term in Section 6.2(c).

“New Exception” has the meaning ascribed to such term in Section 6.2(b).

“OFAC” has the meaning ascribed to such term in Section 7.3.

“Official Records” means the Recorder’s Office of King County, Washington.

“Operating Expense Recoveries” has the meaning ascribed to such term in Section 10.4(c).

“Other Party” has the meaning ascribed to such term in Section 4.6.

“Permitted Exceptions” has the meaning ascribed to such term in Section 6.3.

“Permitted Outside Parties” has the meaning ascribed to such term in Section 5.2 (b).

“Personal Property” means all equipment, appliances, tools, supplies, machinery, artwork, furnishings supplies (including, without limitation, fuel in tanks) and other tangible personal property attached to, appurtenant to, located in and/or used in connection with the ownership or operation of the Improvements, including, without limitation, racks for servers, but specifically excluding (i) any items of personal property owned by Tenants (other than Hines TRS) of the Improvements, and (ii) any items of personal property owned by third parties and leased to Seller.

“Property” has the meaning ascribed to such term in Section 2.1.

“Property Approval Period” shall have the meaning ascribed to such term in Section 5.4.

“Proration Items” has the meaning ascribed to such term in Section 10.4(a).

“PTR” has the meaning ascribed to such term in Section 6.2(a).

“Purchase Price” has the meaning ascribed to such term in Section 3.1.

“Purchaser” has the meaning ascribed to such term in the opening paragraph of this Agreement.

“Purchaser’s Representatives” shall mean Alexander Fraser, Michael Wong and Patrick Lawler.

“RCRA” means the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), as amended by the Hazardous and Solid Wastes Amendments of 1984, and as further amended.

“Real Property” means those certain parcels of or interests in the real property located at 100 and 140 Fourth Avenue North, Seattle, Washington, as more particularly described on **Exhibit A** attached hereto, together with all of Seller’s right, title and interest, if any, in and to the appurtenances pertaining thereto, including but not limited to Seller’s right, title and interest in and to the streets, alleys and right-of-ways which abut such real property, and any easement rights, air rights, subsurface rights, development rights and water rights appurtenant to such real property.

“Rent Roll” has the meaning ascribed to such term in Section 5.2(a).

“Rentals” has the meaning ascribed to such term in Section 10.4(b), and some may be **“Delinquent”** in accordance with the meaning ascribed to such term in Section 10.4(b).

“Reporting Person” has the meaning ascribed to such term in Section 4.10(a).

“**Seller**” has the meaning ascribed to such term in the opening paragraph of this Agreement.

“**Seller Certificate**” has the meaning ascribed to such term in Section 7.2(b).

“**Seller Released Parties**” has the meaning ascribed to such term in Section 5.6(a).

“**Seller’s Response**” has the meaning ascribed to such term in Section 6.2(a).

“**Service Contracts**” means all service agreements, maintenance contracts, equipment leasing agreements, warranties, guarantees, bonds, leasing agreements and other contracts for the provision of labor, services, materials or supplies relating to the Real Property, Improvements or Personal Property, together with all renewals, supplements, amendments and modifications thereof, and any new such agreements and any supplements, amendments or modifications to any new or existing such agreements entered into after the Effective Date, to the extent permitted by Section 7.1(e).

“**Significant Portion**” means (A) human error or other circumstances (i) which would allow a Tenant(s) of the Property paying six hundred thousand dollars (\$600,000) or more in gross rent per year, in the aggregate, to terminate its Tenant Lease(s), or (ii) which would allow a Tenant(s) of the Property an abatement, or credit against rent, or other amounts payable under its Tenant Lease(s) in excess of three million dollars (\$3,000,000) in the aggregate, or (B) damage by fire or other casualty (or loss of value due to condemnation or eminent domain proceedings) to the Real Property and Improvements or a portion thereof (i) requiring repair costs (or resulting in a loss of value) in excess of an amount equal to six million three hundred thousand dollars (\$6,300,000), or (ii) which would allow a Tenant(s) of the Property paying six hundred thousand dollars (\$600,000) or more in gross rent per year, in the aggregate, to terminate its Tenant Lease(s), or (iii) which would allow a Tenant(s) of the Property an abatement of, or credit against, rent or other amounts payable under its Tenant Lease(s) in excess of three million dollars (\$3,000,000) in the aggregate.

“**Tenant Deposits**” means all security deposits, paid or deposited by the Tenants to Seller, as landlord, or any other person on Seller’s behalf pursuant to the Tenant Leases, which have not been applied prior to the Contingency Date (or with Purchaser’s consent (in its sole discretion) after the Contingency Date) to obligations under Tenant Leases (together with any interest which has accrued thereon, but only to the extent such interest has accrued for the account of the respective Tenants). “**Tenant Deposits**” shall also include all non-cash security deposits, such as letters of credit. Seller shall provide Purchaser notice of Seller’s election to apply any such security deposit at least five (5) Business Days prior to such application by Seller.

“**Tenant Leases**” means the following pertaining to the Improvements: (i) any and all written leases, rental agreements, occupancy agreements and license agreements, including any agreement related to leasing or license of conduit to the Tenants (and any and all written renewals, amendments, modifications and supplements thereto) to which Seller is a party and guaranties thereof entered into on or prior to the Effective Date for space in the Real Property and/or the Improvements, (ii) any and all new written leases, rental agreements, occupancy agreements and license agreements for space in the Real Property and/or the Improvements entered into after the Effective Date and prior to the Closing Date and guaranties thereof, and (iii) any and all new written renewals, amendments, modifications and supplements to any of the foregoing entered into after the Effective Date and prior to the Closing Date, and, as to (ii) and (iii) only, to the extent the same are entered into by Seller in accordance with the terms of Section 7.1(d) or are otherwise approved

by Purchaser pursuant to Section 7.1(d) to the extent such approval is required under Section 7.1 (d). Other than with respect to the Hines TRS Lease (as defined below), Tenant Leases will not include subleases, franchise agreements, licenses or other agreements entered into by Tenants which, by their nature, are subject to Tenant Leases. Tenant Leases shall include that certain Lease dated as of December 15, 2011 between Seller and Hines Global REIT 100/140 Fourth Ave Services, Inc. (“**Hines TRS**”), as amended by First Amendment dated August 1, 2016, for approximately 1,477 rentable square feet in the Improvements (as amended, the “**Hines TRS Lease**”), the Tenant’s interest in which Seller shall cause Hines TRS to assign to Purchaser’s designee on the Closing Date pursuant to the Hines TRS General Assignment attached as Exhibit R hereto (the “**Hines TRS General Assignment**”).

“**Tenant Notice Letters**” has the meaning ascribed to such term in Section 10.7.

“**Tenants**” means all persons or entities leasing, renting or occupying space within the Improvements pursuant to the Tenant Leases, but expressly excludes any subtenants, licensees, concessionaires, franchisees or other persons or entities whose occupancy is derived through Tenants other than Hines TRS.

“**Termination Notice**” has the meaning ascribed to such term in Section 6.2.

“**Termination Surviving Obligations**” means the rights, liabilities and obligations set forth in Sections 4.6, 4.7, 5.2, 5.3, 5.4, 5.5, 5.6, 7.3, 11.1, 12.1, and Articles XIII, XIV, XV and XVII.

“**Title Company**” means First American Title Company, at its offices located at 601 Travis, Suite 1875, Houston, Texas 77002, Attn: Elvira Fuentes, Telephone No.: 800-683-5552, Facsimile No.: 866-899-6403, Email: efuentes@firstam.com.

“**Title Notice**” has the meaning ascribed to such term in Section 6.2(a).

“**Title Notice Date**” has the meaning ascribed to such term in Section 6.2(a).

“**Title Policy**” has the meaning ascribed to such term in Section 6.3.

“**To Seller’s Knowledge**” and similar terms means the present actual (as opposed to constructive or imputed) knowledge solely of Ken Jett, Ty Bennion, Andy Albrecht and Ted Campbell, without any independent investigation or inquiry whatsoever. Such individuals are named in this Agreement solely for the purpose of establishing the scope of Seller’s knowledge. Such individuals shall not be deemed to be parties to this Agreement nor to have made any representations or warranties hereunder, and no recourse shall be had to such individuals for any of Seller’s representations and warranties hereunder (and Purchaser hereby waives any liability of or recourse against such individuals). Seller represents and warrants that the Seller’s representatives named herein are the persons within Seller’s organization responsible for the management and operation of the Property and the persons most likely to have knowledge of material matters affecting the Property.

“**Updated Survey**” has the meaning ascribed to such term in Section 6.1.

Section 1.2 **References; Exhibits and Schedules.** Except as otherwise specifically indicated, all references in this Agreement to Articles or Sections refer to Articles or Sections of this Agreement, and all references to Exhibits or Schedules refer to Exhibits or

Schedules attached hereto, all of which Exhibits and Schedules are incorporated into, and made a part of, this Agreement by reference. The words “herein,” “hereof,” “hereinafter” and words and phrases of similar import refer to this Agreement as a whole and not to any particular Section or Article.

ARTICLE II _

AGREEMENT OF PURCHASE AND SALE

Section 2.1 Agreement. Subject to the terms and conditions of this Agreement, Seller hereby agrees to sell, convey and assign to Purchaser, and Purchaser hereby agrees to purchase and accept from Seller, on the Closing Date, the Real Property, together with: (a) the Improvements; (b) all of Seller’s right, title and interest in and to the Personal Property; (c) all of Seller’s right, title and interest in and to the Tenant Leases and, subject to the terms of the respective applicable Tenant Leases and Section 10.3(f), the Tenant Deposits (if any); (d) all of Seller’s right, title and interest in and to the Service Contracts which Purchaser elects to assume, (e) all of Seller’s right, title and interest in and to the Licenses and Permits; (f) all of Seller’s right, title and interest in and to the Intangible Personal Property (collectively with the Real Property, the “**Property**”); and (g) all of Hines TRS’ right, title and interest in the Hines TRS Agreements (including the Hines TRS Lease) and the other agreements and matters described in the Hines TRS General Assignment.

Section 2.2 Indivisible Economic Package. Purchaser has no right to purchase, and Seller has no obligation to sell, less than all of the Property, it being the express agreement and understanding of Purchaser and Seller that, as a material inducement to Seller and Purchaser to enter into this Agreement, Purchaser has agreed to purchase, and Seller has agreed to sell, all of the Property, subject to and in accordance with the terms and conditions hereof.

ARTICLE III _

CONSIDERATION

Section 3.1 Purchase Price. The purchase price for the Property (the “**Purchase Price**”) will be \$276,000,000 in lawful currency of the United States of America, payable as provided in Section 3.3.

Section 3.2 Assumption of Obligations. As additional consideration for the purchase and sale of the Property, Purchaser assumes and agrees to perform or pay, as applicable, (i) all of the covenants and obligations of Seller or Seller’s predecessor in title in the Tenant Leases, Service Contracts which Purchaser elects to assume and Licenses and Permits assigned to Purchaser and which are to be performed on or subsequent to the Closing Date, (ii) all of the covenants and obligations of Seller under the Tenant Leases, Service Contracts which Purchaser elects to assume and the Licenses and Permits assigned to Purchaser and relating to the physical or environmental condition of the Property, regardless of whether such obligations arise before or after the Closing Date (provided, this clause (ii) shall not limit Seller’s representations, warranties and covenants expressly set forth in this Agreement, as limited by Section 16.1 of this Agreement), and (iii) the Leasing Costs, if any, for which Purchaser is responsible under Section 10.4(e) below.

Section 3.3 Method of Payment of Purchase Price. No later than 1:00 p.m. Pacific time on the Closing Date, Purchaser will deposit in escrow with the Title Company the Purchase Price (subject to adjustments described in Section 10.4 and any credit for the Earnest

Money Deposit being applied to the Purchase Price), together with all other costs and amounts to be paid by Purchaser at Closing pursuant to the terms of this Agreement, by Federal Reserve wire transfer of immediately available funds to an account to be designated by the Title Company. No later than 2:00 p.m. Pacific time on the Closing Date: (a) Purchaser will cause the Title Company to (i) pay to Seller by Federal Reserve wire transfer of immediately available federal funds to an account to be designated by Seller, the Purchase Price (subject to adjustments described in Section 10.4 and any credit for the Earnest Money Deposit being applied to the Purchase Price), less any costs or other amounts to be paid by Seller at Closing pursuant to the terms of this Agreement, and (ii) pay to all appropriate payees the other costs and amounts to be paid by Purchaser at Closing pursuant to the terms of this Agreement, and (b) Seller will direct the Title Company to pay to the appropriate payees out of the proceeds of Closing payable to Seller, all costs and amounts to be paid by Seller at Closing pursuant to the terms of this Agreement.

ARTICLE IV

EARNEST MONEY DEPOSIT AND ESCROW INSTRUCTIONS

Section 4.1 **Earnest Money Deposit.** Within three (3) Business Days after the Effective Date, Purchaser shall deposit with the Title Company, in immediately available federal funds, the sum of \$3,000,000 (the “Initial Earnest Money Deposit”), which will be held in escrow by the Title Company pursuant to the terms of this Agreement. Provided that this Agreement remains in full force and effect, within two (2) Business Days after the Contingency Date, Purchaser shall deposit an additional amount of \$9,000,000 (the “Additional Earnest Money Deposit” and together with the Initial Earnest Money Deposit, the “Earnest Money Deposit”) with the Title Company. If Purchaser fails to deposit the Initial Earnest Money Deposit or the Additional Earnest Money Deposit within the time periods described above, this Agreement shall automatically terminate.

Section 4.2 **Independent Consideration.** Upon the execution hereof, Purchaser shall pay to Seller One Hundred Dollars (\$100) as independent consideration (the “Independent Consideration”) for Purchaser’s right to purchase the Property and Seller’s execution, delivery, and performance of this Agreement. Notwithstanding anything to the contrary contained herein (including any reference to the return of the Earnest Money Deposit to Purchaser), Seller shall, in all events, retain the Independent Consideration, but the Independent Consideration shall be applied as a credit against the Purchase Price at the Closing. Purchaser and Seller hereby acknowledge and agree that the Independent Consideration constitutes adequate and sufficient consideration for Purchaser’s right to purchase the Property and Seller’s execution, delivery, and performance of this Agreement, and that the loss of Purchaser’s ability to use the funds constituting the Earnest Money Deposit as provided in this Agreement constitutes further consideration therefor.

Section 4.3 **Escrow Instructions.** Article IV of this Agreement constitutes the escrow instructions of Seller and Purchaser to the Title Company with regard to the Earnest Money Deposit and the Closing (the “**Escrow Instructions**”). By its execution of the joinder attached hereto, the Title Company agrees to be bound by the provisions of this Article IV. If the Title Company requires additional reasonable instructions, the parties agree to make such reasonable additions to the Escrow Instructions as Purchaser and Seller hereafter mutually approve in writing and which do not substantially alter this Agreement or its intent. In the event of any conflict between this Agreement and such additional escrow instructions, this Agreement will control.

Section 4.4 Documents Deposited into Escrow. On or before the Deposit Time (except as to item (a) which shall be delivered in accordance with Section 3.3), (a) Purchaser will cause the difference between the Purchase Price and the Earnest Money Deposit and interest thereon (subject to the prorations provided for in Section 10.4 and with the addition of all Closing costs to be paid by Purchaser) to be transferred to the Title Company's escrow account, in accordance with the timing and other requirements of Section 3.3, (b) Purchaser will deliver in escrow to the Title Company the documents described in Section 10.2, and (c) Seller will deliver in escrow to the Title Company the documents described in Section 10.3.

Section 4.5 Close of Escrow. When Purchaser and Seller have delivered the documents required by Section 4.4, the Title Company will:

(a) If applicable and when required, file with the Internal Revenue Service (with copies to Purchaser and Seller) the reporting statement required under Section 6045(e) of the Internal Revenue Code and Section 4.10;

(b) Insert the applicable Closing Date as the date of any document delivered to the Title Company undated, and assemble counterparts into single instruments;

(c) Disburse to Seller, by wire transfer to Seller of immediately available federal funds, in accordance with wiring instructions to be obtained by the Title Company from Seller, all sums to be received by Seller from Purchaser at the Closing, consisting of the Purchase Price as adjusted in accordance with the provisions of this Agreement;

(d) Deliver the Deed to Purchaser by agreeing to cause the same to be recorded in the Official Records and agreeing to obtain conformed copies of the recorded Deed for delivery to Purchaser and to Seller following recording;

(e) Issue to Purchaser the Title Policy required by Section 6.3 of this Agreement;

(f) Deliver to Seller, in addition to Seller's Closing proceeds, all documents deposited with the Title Company for delivery to Seller at the Closing; and

(g) Deliver to Purchaser (i) all documents deposited with the Title Company for delivery to Purchaser at the Closing and (ii) any funds deposited by Purchaser in excess of the amount required to be paid by Purchaser pursuant to this Agreement.

Section 4.6 Termination Notices. If at any time prior to the expiration of the Property Approval Period, the Title Company receives a notice from Purchaser that Purchaser has exercised its termination right under Section 5.4, or if Purchaser does not timely deliver its Approval Notice under Section 5.4, the Title Company, within two (2) Business Days after the receipt of such notice or after the Contingency Date, as applicable, will deliver the Earnest Money Deposit to Purchaser. If at any time, except as provided in the preceding sentence, the Title Company receives a certificate of either Seller or of Purchaser (for purposes of this Section 4.6, the "**Certifying Party**") stating that: (a) the Certifying Party is entitled to receive the Earnest Money Deposit pursuant to the terms of this Agreement, and (b) a copy of the certificate was delivered as provided herein to the other party (for purposes of this Section 4.6, the "**Other Party**") prior to or contemporaneously with the giving of such certificate to the Title Company, then, unless the Title Company has then previously received, or receives within five (5) Business Days after receipt of the Certifying Party's certificate, contrary instructions from the Other Party,

the Title Company, within one (1) Business Day after the expiration of the foregoing five (5) Business Day period, will deliver the Earnest Money Deposit to the Certifying Party, and thereupon the Title Company will be discharged and released from any and all liability hereunder. If the Title Company receives contrary instructions from the Other Party within five (5) Business Days following the Title Company's receipt of said certificate, the Title Company will not so deliver the Earnest Money Deposit, but will continue to hold the same pursuant hereto, subject to Section 4.7.

Section 4.7 Conflicting Demands on Title Company. In the event conflicting demands are made or notices served upon Title Company with respect to this Agreement, or if there is uncertainty as to the meaning or applicability of the terms of this Agreement or the Escrow Instructions, Purchaser and Seller expressly agree that the Title Company will be entitled to file a suit in interpleader and to obtain an order from the court requiring Purchaser and Seller to interplead and litigate their several claims and rights among themselves. Upon the filing of the action in interpleader and the deposit of the Earnest Money Deposit into the registry of the court, the Title Company will be fully released and discharged from any further obligations imposed upon it by this Agreement after such deposit.

Section 4.8 Maintenance of Confidentiality by Title Company. Except as may otherwise be required by law or by this Agreement, the Title Company will maintain in strict confidence and not disclose to anyone the existence of this Agreement, the identity of the parties hereto, the amount of the Purchase Price, the provisions of this Agreement or any other information concerning the transactions contemplated hereby, without the prior written consent of Purchaser and Seller in each instance.

Section 4.9 Investment of Earnest Money Deposit. Title Company will invest and reinvest the Earnest Money Deposit, at the instruction and sole election of Purchaser, only in (a) bonds, notes, Treasury bills or other securities constituting direct obligations of, or guaranteed by the full faith and credit of, the United States of America, and in no event maturing beyond the Closing Date, or (b) an interest-bearing account at a commercial bank mutually acceptable to Seller, Purchaser and Title Company. The investment of the Earnest Money Deposit will be at the sole risk of Purchaser and no loss on any investment will relieve Purchaser of its obligations to pay to Seller as liquidated damages the original amount of the Earnest Money Deposit as provided in Article XIII, or of its obligation to pay the Purchase Price. All interest earned on the Earnest Money Deposit will be the property of Purchaser and will be reported to the Internal Revenue Service as income until such time as Seller is entitled to the Earnest Money Deposit pursuant to this Agreement. Purchaser will provide the Title Company with a taxpayer identification number and will pay all income taxes due by reason of interest accrued on the Earnest Money Deposit.

Section 4.10 Designation of Reporting Person. In order to assure compliance with the requirements of Section 6045 of the Internal Revenue Code of 1986, as amended (for purposes of this Section 4.10, the "**Code**"), and any related reporting requirements of the Code, the parties hereto agree as follows:

(a) The Title Company (for purposes of this Section 4.10, the "**Reporting Person**"), by its execution hereof, hereby assumes all responsibilities for information reporting required under Section 6045(e) of the Code.

(b) Seller and Purchaser each hereby agree:

(i) to provide to the Reporting Person all information and certifications regarding such party, as reasonably requested by the Reporting Person or otherwise required to be provided by a party to the transaction described herein under Section 6045 of the Code; and

(ii) to provide to the Reporting Person such party's taxpayer identification number and a statement (on Internal Revenue Service Form W-9 or an acceptable substitute form, or on any other form the applicable current or future Code sections and regulations might require and/or any form requested by the Reporting Person), signed under penalties of perjury, stating that the taxpayer identification number supplied by such party to the Reporting Person is correct.

(c) Each party hereto agrees to retain this Agreement for not less than four (4) years from the end of the calendar year in which Closing occurred, and to produce it to the Internal Revenue Service upon a valid request therefor.

(d) The addresses for Seller and Purchaser are as set forth in Section 14.1 hereof, and the real estate subject to the transfer provided for in this Agreement is described in **Exhibit A**.

ARTICLE V

INSPECTION OF PROPERTY

Section 5.1 Entry and Inspection.

(a) From the Effective Date until Closing, Purchaser and its prospective lenders and their respective agents, representatives, contractors and consultants shall have the right to inspect and investigate the Property and shall conduct such tests, evaluations and assessments of the Property as Purchaser deems necessary, appropriate or prudent in any respect and for all purposes in connection with Purchaser's acquisition of the Property and the consummation of the transaction contemplated by this Agreement. Subject to the provisions of this Section 5.1 and subject to the obligations set forth in Section 5.3 below, Seller will permit Purchaser and its authorized agents and representatives (collectively, the "**Licensee Parties**") the right to enter upon the Real Property and Improvements at all reasonable times, during normal business hours, to perform inspections of the Property and communicate with Tenants and service providers; provided, however, Purchaser shall not have the right to communicate with Tenants unless interviews and communications are coordinated through Seller and Seller shall have the right to participate in any such communications. Purchaser will provide to Seller written notice of the intention of Purchaser or the other Licensee Parties to enter the Real Property or Improvements at least twenty-four (24) hours prior to such intended entry and specify the intended purpose therefor and the inspections and examinations contemplated to be made. At Seller's option, Seller may be present for any such entry, inspection and communication with any Tenants and service providers. Purchaser shall have the right to conduct a Phase I Environmental Assessment to the extent the same is to be completed by a reputable, bonded and insured consultant licensed in the State in which the Real Property is located carrying the insurance required under Section 5.3 below; provided, however, that no physical or invasive testing or sampling shall be conducted during any such entry by Purchaser or any Licensee Party upon the Real Property without Seller's specific prior written consent, which consent may be withheld, delayed or conditioned in Seller's sole and absolute discretion; and provided, further, that prior to giving any such approval, Seller shall be provided with a written sampling plan in reasonable

detail in order to allow Seller a reasonable opportunity to evaluate such proposal. If Purchaser or the other Licensee Parties undertake any borings or other disturbances of the soil, the soil shall be recompacted to substantially its condition as existed immediately before any such borings or other disturbances were undertaken.

(b) Subject to the obligations set forth in Section 5.3 below, the Licensee Parties shall have the right to communicate directly with the Authorities for any good faith reasonable purpose in connection with this transaction contemplated by this Agreement (so long such communications can be conducted without disclosing that a sale of the Property is contemplated); provided, however, Purchaser, except with respect to routine requests for information, shall provide Seller at least twenty-four (24) hours prior written notice of Purchaser's intention to communicate with any Authorities and Seller shall have the right to participate in any such communications.

Section 5.2 Document Review.

(a) Seller shall make available, either via electronic virtual data room, by delivery of materials to Purchaser's representatives, by access to the Title Company's data room, or by being made available at the office of the Property's property manager provided the same cannot reasonably be placed in Seller's electronic virtual data room and Seller identifies the same as available only in the office of the Property's property manager in a notice delivered to Purchaser prior to the Effective Date, the following, to Purchaser and its authorized agents or representatives for review, inspection, examination, analysis and verification: (i) all existing environmental reports and studies of the Property issued on behalf of Seller; (ii) assessments (special or otherwise), ad valorem and personal property tax bills, covering the three (3) years preceding the Effective Date; (iii) Seller's most currently available rent roll (the "**Rent Roll**"); (iv) Operating Statements and rent rolls for the stub period of the current calendar year plus the prior two calendar years; (v) copies of Tenant Leases, Service Contracts, and Licenses and Permits; (vi) a current inventory of the Personal Property; (vii) to the extent in Seller's possession or control, engineering, mechanical and other drawings, blueprints and specifications and similar documentation relating to the Property; and (viii) to the extent in Seller's possession or control, all those other documents and materials described on Exhibit N (collectively, the "**Documents**"). Purchaser acknowledges that it has received copies of all the Tenant Leases listed on **Exhibit F**, and the Service Contracts listed on **Exhibit B**. Subject to the limitations set forth in the next sentence and Section 5.2(b), Seller shall reasonably cooperate with Purchaser to provide additional documents or information regarding the Property reasonably requested by Purchaser or Purchaser's prospective lenders. "**Documents**" shall not include (and Seller shall have no obligation to provide written materials requested by Purchaser or its lender that constitute) (1) any document or correspondence which would be subject to the attorney-client privilege; (2) any document or item which Seller is contractually or otherwise bound to keep confidential; (3) any documents pertaining to the marketing of the Property for sale to prospective purchasers, including any separate agreements with Broker; (4) any internal memoranda, reports or assessments of Seller or Seller's Affiliates to the extent relating to Seller's valuation of the Property; (5) any appraisals of the Property, whether prepared internally by Seller or Seller's Affiliates or externally; or (6) any materials projecting or relating to the future performance of the Property.

(b) Purchaser acknowledges that any and all of the Documents may be proprietary and confidential in nature and shall be made available to Purchaser solely to assist Purchaser in determining the feasibility of purchasing the Property. Prior to Closing, Purchaser agrees not to disclose the contents of the Documents, or any of the provisions, terms or conditions contained therein, to any party outside of Purchaser's organization other than its attorneys, partners,

accountants, consultants, advisors, affiliates, affiliated funds, officers, directors, current and prospective lenders and investors (collectively, for purposes of this Section 5.2(b), the “**Permitted Outside Parties**”). Purchaser further acknowledges that the Documents and other information relating to the leasing arrangements between Seller and the Tenants or prospective tenants are proprietary and confidential in nature. Prior to Closing, Purchaser agrees not to divulge the contents of such Documents and other information except in strict accordance with the confidentiality standards set forth in this Section 5.2 and Section 12.1. In permitting Purchaser and the Permitted Outside Parties to review the Documents or information to assist Purchaser, Seller has not waived any privilege or claim of confidentiality with respect thereto, and no third party benefits or relationships of any kind, either express or implied, have been offered, intended or created by Seller and any such claims are expressly rejected by Seller and waived by Purchaser and the Permitted Outside Parties, for whom, by its execution of this Agreement, Purchaser is acting as an agent with regard to such waiver. Nothing contained in this Section 5.2(b) will preclude or limit either party to this Agreement from disclosing or accessing any information otherwise deemed confidential under this Section 5.2(b) in connection with that party’s enforcement of its rights following a disagreement hereunder, or in response to a request or requirement by law, regulatory authority, the rules of any national securities exchange or other applicable judicial or governmental order, or otherwise are legally compelled (e.g., by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process), lawful process or subpoena or other valid or enforceable order of a court of competent jurisdiction or any filings with governmental authorities required by reason of the transactions provided for herein pursuant to an opinion of counsel; provided, however, in the event such disclosure is required or requested pursuant to a subpoena or court order, the applicable party shall promptly notify the other party thereof to the extent not prohibited by law or an authority so that the other party may seek a protective order, waive compliance with this Section 5.2(b), and/or take any other action mutually agreed upon by the parties and disclosure of information by Purchaser shall not be prohibited if that disclosure is of information that (i) is or becomes a matter of public record or public knowledge from sources other than Purchaser or its agents, employees, contractors, consultants or attorneys in violation of the terms of this Agreement, (ii) is or becomes available to Purchaser on a non-confidential basis from a source other than Seller or its advisors, provided that, to Purchaser’s knowledge, such source was not prohibited from disclosing such information to Purchaser by a legal, contractual or fiduciary obligation owed to Seller; (iii) is already in Purchaser’s possession (other than information furnished by or on behalf of Seller) prior to the Effective Date; or (iv) is or becomes independently developed by Purchaser or any Permitted Outside Party without use of or reference to the Documents.

(c) Purchaser shall promptly destroy all copies Purchaser has made (and computer files of same) of any Documents containing confidential information before or after the execution of this Agreement, not later than ten (10) Business Days following the time this Agreement is terminated for any reason, and provide Seller with a certified notice of the completion of such destruction. Notwithstanding anything to the contrary in this Agreement, Purchaser and the Permitted Outside Parties may retain information: (a) stored in standard archival or computer back-up systems or retained pursuant to such person’s normal document retention practices, for litigation and regulatory purposes or to the extent required by law, and/or (b) pursuant to their professional accounting obligations or bona fide document retention policy requirements.

(d) Purchaser acknowledges that some of the Documents may have been prepared by third parties and may have been prepared prior to Seller’s ownership of the Property. Purchaser hereby acknowledges that, except as expressly provided in Sections 8.1 and 11.1, Seller has not made and does not make any representation or warranty regarding the truth, accuracy or

completeness of the Documents or the sources thereof (whether prepared by Seller, Seller's Affiliates or any other person or entity), and Seller has not undertaken any independent investigation as to the truth, accuracy or completeness of the Documents and is providing the Documents solely as an accommodation to Purchaser.

(e) Notwithstanding any provision of this Agreement to the contrary, no termination of this Agreement will terminate Purchaser's obligations pursuant to this Section 5.2; however, this Section 5.2 shall not survive and be binding upon Purchaser following the earlier to occur of the Closing or that date which occurs twenty-four (24) months after the Effective Date.

Section 5.3 Entry and Inspection Obligations.

(a) Purchaser agrees that in entering upon and inspecting or examining the Property and communicating with any Tenants, Purchaser and the other Licensee Parties will take all reasonable steps necessary to not: disturb the Tenants or interfere with their use of the Property pursuant to their respective Tenant Leases; interfere with the operation and maintenance of the Property; damage any part of the Property or any personal property owned or held by any Tenant or any other person or entity; injure or otherwise cause bodily harm to Seller or any Tenant, or to any of their respective agents, guests, invitees, contractors and employees, or to any other person or entity; permit any liens to attach to the Property by reason of the exercise of Purchaser's rights under this Article V; communicate with the Tenants or service providers except in accordance with this Article V; or prior to Closing, reveal or disclose any information obtained concerning the Property and the Documents to anyone outside Purchaser's organization and the Permitted Outside Parties, except in accordance with the confidentiality standards set forth in Section 5.2. Purchaser will: (i) maintain and cause those entering the Property to maintain commercial general liability (occurrence) insurance in an amount not less than Two Million and No/100 Dollars (\$2,000,000.00) covering any accident arising in connection with the presence or activities of Purchaser or the other Licensee Parties on the Property, and deliver to Seller a certificate of insurance verifying such coverage and Seller and its property manager (Hines Interests Limited Partnership) being named as an additional insured on such coverage prior to entry upon the Property; (ii) promptly pay when due the costs of all inspections, entries, samplings and tests conducted by Purchaser and/or any Licensee Parties and examinations done with regard to the Property; and (iii) promptly restore the Property to substantially its condition as existed immediately prior to any such inspection, investigations, examinations, entries, samplings and tests.

(b) Purchaser hereby indemnifies, defends and holds Seller and its members, partners, agents, officers, directors, employees, successors, assigns and Affiliates harmless from and against any and all liens, claims, causes of action, damages, liabilities, demands, suits, and obligations, together with all losses, penalties, actual out-of-pocket costs and expenses relating to any of the foregoing (including but not limited to court costs and reasonable attorneys' fees) arising out of any inspections, investigations, examinations, entries, samplings or tests conducted by Purchaser or any Licensee Party, whether prior to or after the date hereof, with respect to the Property or any violation of the provisions of this Section 5.3; except to the extent arising due to the negligence or willful misconduct of Seller or Seller's Affiliates, or their respective members, partners, agents, officers, directors, employees, successors, assigns; provided that the foregoing indemnity shall not apply to any claims, damages or other costs arising by virtue of the mere discovery of any pre-existing condition at the Property in connection with any inspections, investigations, examinations, entries, samplings or tests conducted by Purchaser or any Licensee Party, but only to the extent such parties do not intentionally exacerbate such pre-existing condition.

(c) Notwithstanding any provision of this Agreement to the contrary, neither the Closing nor a termination of this Agreement will terminate Purchaser's obligations pursuant to this Section 5.3, which shall survive Closing or termination.

Section 5.4 **Property Approval Period.** Between the Effective Date and 5:00 p.m. (Pacific time) on the Contingency Date (the "**Property Approval Period**") and continuing thereafter, Purchaser shall have the right to review and investigate the Property and the items set forth in Sections 5.1 and 5.2 above (collectively, the "**Due Diligence Items**"). Purchaser, in Purchaser's sole and absolute discretion, may determine whether or not the Property is acceptable to Purchaser within the Property Approval Period. If Purchaser determines to proceed with the purchase of the Property in accordance with this Agreement, then Purchaser shall, prior to 5:00 p.m. (Pacific time) on the Contingency Date, notify Seller in writing (an "**Approval Notice**") that Purchaser has approved the Property and all Due Diligence Items, which determination shall be made by Purchaser in its sole and absolute discretion. If Purchaser fails to timely deliver an Approval Notice pursuant to the foregoing, the Easement Money Deposit thereupon shall be returned to Purchaser (and Seller shall have no right to object to such return) and this Agreement shall automatically terminate and the Earnest Money Deposit shall thereupon be returned to Purchaser. Purchaser shall pay any cancellation fees or charges of Title Company, and except for Purchaser's and Seller's indemnity and confidentiality obligations under this Agreement which expressly survive termination of this Agreement, the parties shall have no further rights or obligations to one another under this Agreement.

Section 5.5 **Sale "As Is".** THE TRANSACTION CONTEMPLATED BY THIS AGREEMENT HAS BEEN NEGOTIATED BETWEEN SELLER AND PURCHASER, THIS AGREEMENT REFLECTS THE MUTUAL AGREEMENT OF SELLER AND PURCHASER, AND PURCHASER HAS CONDUCTED (OR WILL CONDUCT PRIOR TO THE EXPIRATION OF THE PROPERTY APPROVAL PERIOD) ITS OWN INDEPENDENT EXAMINATION OF THE PROPERTY. OTHER THAN ANY SPECIFIC MATTERS REPRESENTED IN SECTIONS 8.1 AND 11.1 HEREOF (AS MAY BE LIMITED HEREIN, INCLUDING BY SECTION 16.1 OF THIS AGREEMENT), PURCHASER HAS NOT RELIED UPON AND WILL NOT RELY UPON, EITHER DIRECTLY OR INDIRECTLY, ANY REPRESENTATION OR WARRANTY OF SELLER OR ANY OF SELLER'S AFFILIATES, AGENTS OR REPRESENTATIVES, AND PURCHASER HEREBY ACKNOWLEDGES THAT NO SUCH REPRESENTATIONS OR WARRANTIES HAVE BEEN MADE. SELLER SPECIFICALLY DISCLAIMS, AND NEITHER SELLER NOR ANY OF SELLER'S AFFILIATES NOR ANY OTHER PERSON IS MAKING, ANY REPRESENTATION, WARRANTY OR ASSURANCE WHATSOEVER TO PURCHASER AND, EXCEPT AS SET FORTH IN SECTIONS 8.1 AND 11.1 HEREOF, NO WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EITHER EXPRESS OR IMPLIED, ARE MADE BY SELLER OR RELIED UPON BY PURCHASER WITH RESPECT TO THE STATUS OF TITLE TO OR THE MAINTENANCE, REPAIR, CONDITION, DESIGN OR MARKETABILITY OF THE PROPERTY, OR ANY PORTION THEREOF, INCLUDING BUT NOT LIMITED TO (A) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (B) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, (C) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, (D) ANY RIGHTS OF PURCHASER UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION, (E) ANY CLAIM BY PURCHASER FOR DAMAGES BECAUSE OF DEFECTS, WHETHER KNOWN, OR UNKNOWN, OR LATENT, WITH RESPECT TO ANY

REAL PROPERTY, IMPROVEMENTS OR THE PERSONAL PROPERTY, (F) THE FINANCIAL CONDITION OR PROSPECTS OF THE PROPERTY OR THE TENANTS AND (G) THE COMPLIANCE OR LACK THEREOF OF ANY REAL PROPERTY OR THE IMPROVEMENTS WITH GOVERNMENTAL REGULATIONS, IT BEING THE EXPRESS INTENTION OF SELLER AND PURCHASER THAT, EXCEPT AS EXPRESSLY SET FORTH TO THE CONTRARY IN SECTIONS 8.1 AND 11.1 HEREOF (AS LIMITED BY SECTION 16.1 OF THIS AGREEMENT), THE PROPERTY WILL BE CONVEYED AND TRANSFERRED TO PURCHASER IN ITS PRESENT CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS", WITH ALL FAULTS. Purchaser represents that it is a knowledgeable, experienced and sophisticated purchaser of real estate, and that, except as set forth in Sections 8.1 and 11.1, as limited by Section 16.1 of this Agreement, it is relying solely on its own expertise and that of Purchaser's consultants in purchasing the Property. Upon expiration of the Property Approval Period, Purchaser shall be deemed to have conducted such inspections, investigations and other independent examinations of the Property and related matters as Purchaser deems necessary, including but not limited to the physical and environmental conditions thereof, and will rely upon same and not upon any statements of Seller (excluding the limited specific matters represented by Seller in Sections 8.1 and 11.1, as limited by Section 16.1 of this Agreement) or of any Affiliate, officer, director, employee, agent or attorney of Seller. Purchaser acknowledges that all information obtained by Purchaser was obtained from a variety of sources and, except as set forth in Sections 8.1 and 11.1, as limited by Section 16.1 of this Agreement, Seller will not be deemed to have represented or warranted the completeness, truth or accuracy of any of the Documents or other such information heretofore or hereafter furnished to Purchaser. Upon Closing, except for the limited specific matters represented by Seller in Sections 8.1 and 11.1, as limited by Section 16.1 of this Agreement, Purchaser will assume the risk that adverse matters, including, but not limited to, adverse physical and environmental conditions, may not have been revealed by Purchaser's inspections and investigations. Purchaser further hereby assumes the risk of changes in applicable Environmental Laws relating to past, present and future environmental health conditions on, or resulting from the ownership or operation of, the Property. Except for the limited specific matters represented by Seller in Sections 8.1 and 11.1, as limited by Section 16.1 of this Agreement, Purchaser acknowledges and agrees that upon Closing, Seller will sell and convey to Purchaser, and Purchaser will accept the Property, "**AS IS, WHERE IS,**" with all faults. Purchaser further acknowledges and agrees that there are no oral agreements, warranties or representations, collateral to or affecting the Property, by Seller, an Affiliate of Seller, any agent of Seller or any third party. Seller is not liable or bound in any manner by any oral or written statements, representations or information pertaining to the Property furnished by any real estate broker, agent, employee, servant or other person, unless the same are specifically set forth or referred to herein. Purchaser acknowledges that the Purchase Price reflects the "**AS IS, WHERE IS**" nature of this sale and any faults, liabilities, defects or other adverse matters that may be associated with the Property. Purchaser, with Purchaser's counsel, has fully reviewed the disclaimers and waivers set forth in this Agreement, and understands the significance and effect thereof. Purchaser acknowledges and agrees that the disclaimers and other agreements set forth herein are an integral part of this Agreement, and that Seller would not have agreed to sell the Property to Purchaser for the Purchase Price without the disclaimer and other agreements set forth in this Agreement. The terms and conditions of this Section 5.5 will expressly survive the Closing and will not merge with the provisions of any closing documents.

Section 5.6

Purchaser's Release of Seller.

(a) Seller Released From Liability. Effective as of the Closing, except as otherwise provide in this Agreement, Purchaser, on behalf of itself and its partners, officers, directors, agents, controlling persons and Affiliates, hereby releases Seller and Seller's Affiliates and their respective partners, members, owners, officers, directors, agents, representatives and controlling persons (collectively, the "**Seller Released Parties**") from any and all liability, responsibility, penalties, fines, suits, demands, actions, losses, damages, expenses, causes of action, proceedings, judgments, executions, costs of any kind or nature whatsoever and claims (collectively, "**Claims**") arising out of or related to any matter or any nature relating to the Property or its physical condition (including, without limitation, the presence in the soil, soil gas, air, structures and surface and subsurface waters, of any Hazardous Substances or any chemical, material or substance that may in the future be determined to be toxic, hazardous, undesirable or subject to regulation and/or that may need to be specially treated, handled and/or removed from the Property under current or future federal, state and local laws, regulations or guidelines, any latent or patent construction defects, errors or omissions, compliance with law matters, any statutory or common law right Purchaser may have for property damage Claims, bodily injury Claims, contribution or cost recovery Claims or any other Claims under Environmental Laws and/or to receive disclosures from Seller, including, without limitation, any disclosures as to the Property's location within areas designated as subject to flooding, fire, seismic or earthquake risks by any federal, state or local entity, the need to obtain flood insurance, the certification of water heater bracing and/or the advisability of obtaining title insurance, or any other condition or circumstance affecting the Property, its financial viability, use of operation, or any portion thereof), valuation, salability or utility of the Property, or its suitability for any purpose. Without limiting the foregoing, Purchaser specifically releases Seller and the Seller Released Parties from any claims Purchaser may have against Seller and/or the other Seller Released Parties now or in the future arising from the environmental condition of the Property or the presence of Hazardous Substances or contamination on or emanating from the Property, including any rights of contribution or indemnity. The foregoing waivers and releases by Purchaser shall survive either (i) the Closing and shall not be deemed merged into the provisions of any closing documents, or (ii) any termination of this Agreement.

(b) Purchaser's Waiver of Objections. Subject to the express representations, warranties and covenants of Seller set forth in Section 8.1 of this Agreement, as limited by Section 16.1 of this Agreement, Purchaser acknowledges that it has (or shall have prior to the expiration of the Property Approval Period) inspected the Property, observed its physical characteristics and existing conditions and had the opportunity to conduct such investigations and studies on and off said Property and adjacent areas as it deems or deemed necessary, and Purchaser hereby waives any and all objections to or complaints (including but not limited to actions based on federal, state or common law and any private right of action under CERCLA, RCRA or any other state and federal law to which the Property are or may be subject, including any rights of contribution or indemnity) against Seller, its Affiliates, or their respective officers, directors, partners, members, owners, employees or agents regarding physical characteristics and existing conditions, including without limitation structural and geologic conditions, subsurface soil and water conditions and solid and hazardous waste and Hazardous Substances on, under, adjacent to or otherwise affecting the Property or related to prior uses of the Property.

(c) Purchaser Assumes Risks of Change in Laws. Subject to the express representations, warranties and covenants of Seller set forth in Section 8.1 of this Agreement, as limited by Section 16.1 of this Agreement, Purchaser further hereby assumes the risk of changes in

applicable laws and regulations relating to past, present and future environmental, safety or health conditions on, or resulting from the ownership or operation of, the Property, and the risk that adverse physical characteristics and conditions, including without limitation the presence of Hazardous Substances or other substances, may not be revealed by its investigation.

(d) Flood Hazard Zone. Purchaser acknowledges that if the Real Property is located in an area which the Secretary of the Department of Housing and Urban Development has found to have special flood hazards, then pursuant to the National Flood Insurance Program, Purchaser will be required to purchase flood insurance in order to obtain a loan secured by the Real Property from a federally regulated financial institution or a loan insured or guaranteed by an agency of the United State government. Seller shall have no responsibility to determine whether the Real Property is located in an area which is subject to the National Flood Insurance Program.

(e) Survival. The provisions of this Section 5.6 shall survive either (i) the Closing and shall not be deemed merged into the provisions of any Closing Documents, or (ii) any termination of this Agreement.

(f) Limitations. Nothing set forth in Sections 5.5 and 5.6 above shall release Seller (i) to the extent of any fraud perpetrated by Seller or its Affiliates (or their respective officers, directors, members, agents, representatives or employees), or (ii) from any obligation of Seller which expressly survives the Closing or termination of this Agreement, subject to any limitations set forth in Section 16.1 hereof.

ARTICLE VI_

TITLE AND SURVEY MATTERS

Section 6.1 Survey. Prior to the execution and delivery of this Agreement, Seller has, at its own cost, delivered to Purchaser a copy of that certain survey of the Real Property, dated September 12, 2016, prepared by Bush, Roed & Hitchings, Inc. (the “**Updated Survey**”). Seller shall have no obligations to obtain any modification, update, or recertification of the Updated Survey. Seller and Purchaser acknowledge that Purchaser has caused the Updated Survey to be updated to a last revision date of October 24, 2016 and such update, and any other modification, update or recertification of the Updated Survey has been obtained by Purchaser at its sole cost and expense.

Section 6.2 Title and Survey Review.

(a) Prior to the execution and delivery hereof, Purchaser has caused the Title Company to furnish or otherwise make available to Purchaser a preliminary title commitment for the Real Property dated with an effective date of August 16, 2016 (the “**PTR**”), and copies of all underlying title documents described in the PTR. Purchaser shall have until November 5, 2016 (the “**Title Notice Date**”) to provide written notice (the “**Title Notice**”) to Seller of any matters shown on the PTR and/or the Updated Survey which are not satisfactory to Purchaser. If Purchaser has not delivered such written notice to Seller by the Title Notice Date, Purchaser shall be deemed to have unconditionally approved of the condition of title to the Real Property and Improvements and the Updated Survey, subject to Seller’s obligations set forth in Section 6.2(c) below. Except as expressly provided herein, Seller shall have no obligation whatsoever to expend or agree to expend any funds, to undertake or agree to undertake any obligations, or otherwise to cure or agree to cure any title objections. To the extent Purchaser timely delivers a Title Notice, then Seller shall deliver, no later than the date which is two (2) Business Days following delivery to Seller of the

Title Notice, written notice to Purchaser and Title Company identifying which disapproved items, if any, Seller shall undertake to cure (by either having the same removed or by obtaining affirmative insurance over the same as part of the final Title Policy in form approved by Purchaser) (“**Seller’s Response**”). If Seller delivers Seller’s Response electing to cure any title objections identified in the Title Notice, then Seller shall cure such objections identified in Purchaser’s notification prior to the Closing Date. If Seller does not deliver Seller’s Response prior to such date, Seller shall be deemed to have elected to not remove or otherwise cure any exceptions disapproved by Purchaser. If Seller elects, or is deemed to have elected, not to remove or otherwise cure an exception disapproved in Purchaser’s Title Notice, Purchaser shall have until the Contingency Date to (i) deliver a written notice terminating this Agreement (“**Termination Notice**”) to Seller, or (ii) waive any such objection to the PTR and the Updated Survey (whereupon such objections shall be deemed Permitted Exceptions for all purposes hereof). If Purchaser does not deliver to Seller a Termination Notice by the Contingency Date, such failure shall be deemed Purchaser’s waiver of all such objections to the PTR and the Updated Survey.

(b) Purchaser may, at or prior to Closing, notify Seller in writing (the “**Gap Notice**”) of any objections to title (i) raised by the Title Company between the Effective Date and the Closing, (ii) not disclosed in writing by the Title Company to Purchaser prior to the Effective Date, and (iii) not disclosed in writing by Seller to Purchaser and the Title Company prior to the expiration of the Property Approval Period (“**New Exceptions**”); provided that Purchaser must notify Seller of any objection to any such New Exception prior to the date which is three (3) Business Days after such New Exception is disclosed to Purchaser in writing (and, if necessary, Purchaser may extend the Closing Date to provide for such three (3) Business Day period). If Purchaser fails to deliver to Seller a notice of objections on or before such date, Purchaser will be deemed to have waived any objection to the New Exceptions, and the New Exceptions will be included as Permitted Exceptions. Seller will have three (3) Business Days from the receipt of Purchaser’s notice (and, if necessary, Seller may extend the Closing Date to provide for such three (3) Business Day period and for three (3) Business Days following such period for Purchaser’s response), within which time Seller may, but is under no obligation to, remove or otherwise obtain affirmative insurance over the objectionable New Exceptions, or commit to remove or otherwise obtain affirmative insurance over the same, in form reasonably acceptable to Purchaser at or prior to Closing. If, within the three (3) Business Day period, Seller does not remove or otherwise obtain such affirmative insurance over the objectionable New Exceptions, then Purchaser may terminate this Agreement upon delivering a written notice to Seller and Title Company no later than three (3) Business Days following expiration of the three (3) Business Day cure period (and, if necessary, Purchaser may extend the Closing Date to provide for such three (3) Business Day period), in which case Purchaser shall be entitled to return of the Earnest Money Deposit. If Purchaser fails to terminate this Agreement in the manner set forth above, the New Exceptions (except those Seller has removed or otherwise affirmatively insured over in form reasonably acceptable to Purchaser, or committed to do the same as set forth above) will be included as Permitted Exceptions.

(c) Notwithstanding any provision of this Section 6.2 to the contrary, Seller agrees to cause the removal of (a) all mortgages, deeds of trust or other security instruments encumbering all or any portion of the Property; (b) all mechanics’ or materialmen’s liens encumbering all or any portion of the Property arising from work contracted for by Seller; (c) judgment liens against Seller; (d) tax liens against Seller for delinquent taxes (other than the lien of property taxes which are prorated in accordance with Section 10.1 and not yet due and payable); and (e) any other monetary liens granted by Seller encumbering the Property (collectively, the “**Must-Cure Matters**”).

Section 6.3 Title Insurance. At the Closing, and as a condition thereto, the Title Company shall issue to Purchaser an ALTA extended coverage Owner's Policy of Title Insurance (the "**Title Policy**") with liability in the amount of the Purchase Price, showing title to the Real Property vested in the Purchaser, with such endorsements as Purchaser shall request and Title Company shall have agreed to issue prior to the expiration of the Property Approval Period, subject only to: (i) the pre-printed standard exceptions in such Title Policy, (ii) exceptions approved or deemed approved by Purchaser pursuant to Section 6.2 above, (iii) the Tenant Leases, (iv) any taxes and assessments for the year of Closing and for any other year if not yet due and payable as of the Closing, (v) any liens or claims of liens for work, service, labor or materials performed or supplied by, for or on behalf of any Tenant under the Tenant Leases (provided, that, any such liens which in the aggregate exceed \$100,000 shall constitute New Exceptions for purposes of Section 6.2(b) above), (vi) all matters shown on the Updated Survey, or any updates thereto, and (vii) any exceptions arising from Purchaser's actions (collectively, the "**Permitted Exceptions**"). In the event Purchaser elects not to pay for any additional premium for the ALTA extended coverage policy, then the Title Policy to be issued as of the Closing shall be a standard ALTA Owner's Policy of Title Insurance which shall include, among other things, a general survey exception. Seller covenants to deliver an owner's affidavit and other documents (if any) required by Title Company at Closing including the language required by the Title Company to remove any exception for the Sinclair right of first opportunity from the Title Policy.

ARTICLE VII

INTERIM OPERATING COVENANTS AND ESTOPPELS

Section 7.1 Interim Operating Covenants. Seller covenants to Purchaser, that Seller will:

(a) Operations. From the Effective Date until Closing, continue to operate, manage and maintain the Improvements in the ordinary course of Seller's business and substantially in accordance with Seller's present practice, subject to ordinary wear and tear and Article IX of this Agreement. In connection therewith, Seller shall comply with all of Seller's obligations under the Tenant Leases, the Service Contracts and the Licenses and Permits through Closing.

(b) Maintain Insurance. From the Effective Date until Closing, maintain fire and extended coverage insurance on the Improvements which is at least equivalent in all material respects to Seller's insurance policies covering the Improvements as of the Effective Date.

(c) Personal Property. From the Effective Date until Closing, not transfer or remove any Personal Property from the Improvements except for the purpose of repair or replacement thereof. Any items of Personal Property replaced after the Effective Date will be installed prior to Closing and will be of substantially similar quality of the item of Personal Property being replaced.

(d) Leases. From the Effective Date until Closing, not, and not permit Hines TRS to, enter into any new lease, license, occupancy agreement or similar agreement or any amendments, expansions or renewals of Tenant Leases or Hines TRS Agreements, or terminate any Tenant Lease or any Hines TRS Agreements, or consent to any sublease, sublicense or similar agreement, without the prior written consent of Purchaser, which consent will not be unreasonably withheld, delayed or conditioned prior to the Contingency Date, but which may be withheld in Purchaser's sole discretion following the Contingency Date. Furthermore, nothing herein shall be

deemed to require Purchaser's consent to any expansion or renewal which Seller, as landlord, is required to honor pursuant to any Tenant Lease or any Hines TRS Agreements. Seller shall not, and not permit Hines TRS to, accept any rent from any tenant under any Tenant Lease or any Hines TRS Agreements (or any new tenant under any new Tenant Lease to which Purchaser has consented) for more than one (1) month in advance of the payment date provided for in such Tenant Lease or Hines TRS Agreements without Purchaser's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed prior to the Contingency Date, but which may be withheld in Purchaser's sole discretion following the Contingency Date).

(e) Service Contracts. From the Effective Date until Closing, not, and not permit Hines TRS to, enter into, or renew the term of, any property management agreement, service agreement, maintenance contract, equipment lease agreement or other contract for the provision of services, materials or supplies other than in the ordinary course of business, unless such contract or agreement is terminable on thirty (30) days (or less) prior notice without penalty or unless Purchaser consents thereto in writing, which approval will not be unreasonably withheld, delayed or conditioned (unless such contract or agreement cannot be terminated on thirty (30) days (or less) prior notice without payment of penalty, in which case, Purchaser may withhold its consent in Purchaser's sole and absolute discretion). Seller shall, at Seller's sole cost and expense, cause all property management agreements applicable to the Property (other than any new property management agreement entered into between Seller's property manager Affiliate and Purchaser or its Affiliates) to be terminated as of the Closing. Any Service Contract which is not approved by Purchaser in writing to Seller on or prior to the Contingency Date shall be terminated by Seller, without cost or liability to Purchaser, on or prior to the Closing Date and such disapproved Service Contract shall no longer be a Service Contract for purposes of this Agreement.

(f) Notices. To the extent received by Seller, from the Effective Date until Closing, (i) promptly deliver to Purchaser copies of written default notices, notices of lawsuits, notices of violations or other material notices affecting the Property and (ii) promptly notify Purchaser of any event or circumstance of which Seller has knowledge subsequent to the Effective Date which (a) materially, adversely affects the Property or any portion thereof or the use or operation of the Property or any portion thereof, or (b) makes any representation or warranty of Seller to Purchaser under this Agreement untrue or misleading in any material respect.

(g) Encumbrances. Without Purchaser's prior approval in its sole discretion, Seller shall not subject the Property to any additional liens, encumbrances, covenants or easements.

(h) Comply with Governmental Regulations. From the Effective Date until Closing, not knowingly take or fail to take any action that would result in a failure to comply in all material respects with all Governmental Regulations applicable to the Property, it being understood and agreed that prior to Closing, Seller will have the right to contest any such Governmental Regulations.

(i) Exclusivity; Lease Negotiations. From the Effective Date until Closing (or earlier termination of this Agreement), (i) remove the Property from the market and cease and refrain from any and all negotiations with any other prospective purchasers of the Property and (ii) advise Purchaser of any negotiations with current or potential tenants at the Property.

(j) Litigation. Not allow to be commenced on its behalf any action, suit or proceeding with respect to all or any portion of the Property without Purchaser's prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned prior to the

Contingency Date, but which may be withheld in Purchaser's sole and absolute discretion following the Contingency Date).

(k) Cooperation. Deliver subordination, non-disturbance and attornment agreements and other agreements requested by Purchaser's lenders to the Tenants and follow up with Tenants regarding the execution and delivery thereof (provided that obtaining any such subordination, non-disturbance or attornment agreements or other agreements shall in no event be a condition to Closing). Nothing set forth in this Agreement shall create (or be deemed to create) a condition to Closing that Purchaser have obtained financing for the acquisition of the Property prior to or at Closing.

(l) Suite 250. Seller shall use commercially reasonable efforts to complete the extension of the Tenant Lease with respect to the Tenant in Suite 250 in KOMO Plaza West on terms reflected in the First Amendment to Lease attached hereto as **Exhibit O** (such terms, the "**Suite 250 Extension Terms**", and such extension, the "**Suite 250 Extension**") prior to Closing; provided, however, that the failure to obtain the Suite 250 Extension shall not be a condition to Closing. Seller and Purchaser acknowledge and agree that the version of the First Amendment to Lease attached as Exhibit O has not been finally agreed upon or approved by the Tenant in Suite 250. However, any changes to such version of the First Amendment to Lease are subject to approval by Purchaser prior to execution of the First Amendment to Lease by Seller. If the Suite 250 Extension is not completed prior to Closing, at Closing Seller shall escrow two million five hundred thousand dollars (\$2,500,000) (the "**Suite 250 Escrow Amount**") with the Title Company. Seller or its agents (as reasonably agreed to by Purchaser) shall have the right to continue to pursue the Suite 250 Extension following Closing, provided that Purchaser shall have the right to approve any changes in the Suite 250 Extension Terms and all other terms proposed by Seller for the Suite 250 Extension. In the event the Suite 250 Extension is executed within six (6) months after the Closing Date (Purchaser hereby agreeing to execute the Suite 250 Extension once finally approved by Purchaser), a portion of the Suite 250 Escrow Amount sufficient to pay the sum of (i) any tenant improvement allowances, leasing commissions for which Purchaser did not receive a credit at Closing or other concessions and costs related to the Suite 250 Extension, if any and (ii) the difference between (x) the in-place revenues received or to be received by Purchaser from the Property from the Closing Date to the date of execution of the Suite 250 Extension and (y) the revenues that would have been received by Purchaser from the Property from the Closing Date to the date of execution of the Suite 250 Extension had the Suite 250 Extension been executed prior to or at Closing (the "**Suite 250 Extension Payment**"), shall be paid to Purchaser from the Suite 250 Escrow Amount, and the balance of the Suite 250 Escrow Amount shall be paid to Seller. If the Suite 250 Extension has not been executed within such six (6) month period, then the Suite 250 Escrow Amount shall be paid to Purchaser.

(m) Consents. Following Purchaser's delivery to Seller of Purchaser's request for the same from time-to-time, Seller shall use commercially reasonable efforts to obtain consents required for the assignment of Seller's interest in and to the Personal Property, the Intangible Personal Property and the Licenses and Permits.

Whenever in this Section 7.1 Seller is required to obtain Purchaser's approval with respect to any transaction described therein, Purchaser shall, within five (5) Business Days after receipt of Seller's request therefor, notify Seller of its approval or disapproval of same and, if Purchaser fails to notify Seller of its approval within said five (5) Business Day period, Purchaser shall be deemed to have approved same. The covenants set forth in this Section 7.1 shall not survive the Closing, but any claims against Seller for any breach by Seller of the covenants set forth in this

Section 7.1 occurring prior to the Closing shall survive the Closing (subject to the limitations set forth in Section 16.1 below).

Section 7.2 Tenant Lease Estoppels.

(a) It will be a condition to Closing that Seller obtains and delivers to Purchaser executed Acceptable Estoppel Certificates from each of the tenants listed on **Exhibit C-1** (“**Major Tenants**”), and from such other Tenants leasing space at the Improvements, which when added to the Major Tenants aggregates at least seventy-five percent (75%) of the rentable square footage leased at the Improvements. Seller shall use commercially reasonable efforts to (i) obtain an Acceptable Estoppel Certificate from Tenant in Suite 250 in KOMO Plaza West and (ii) cause the guarantor of the Tenant Lease with Tierpoint to execute the Acceptable Estoppel Certificate with respect to such Tenant Lease, but such instruments shall not be required as a condition to Closing. “**Acceptable Estoppel Certificates**” are estoppel certificates in the form of the estoppel certificate attached hereto as **Exhibit C-2**, which shall have all blanks completed and exhibits thereto attached and shall not contain any material modifications or inconsistencies with respect to the Rent Roll and the Tenant Leases and which shall not disclose any alleged material default or unfulfilled material obligation on the part of the landlord not previously disclosed in writing to Purchaser prior to the Effective Date; provided that an estoppel certificate executed by a Tenant in the form prescribed by its Tenant Lease shall constitute an Acceptable Estoppel Certificate if it is otherwise consistent with this Section 7.2 and the subject Lease. Seller shall use good faith efforts to obtain Acceptable Estoppel Certificates as soon as practicable. Notwithstanding anything contained herein to the contrary, in no event shall Seller’s failure to obtain the required number of Acceptable Estoppel Certificates in accordance with the provisions of this Section 7.2 constitute a default by Seller under this Agreement. Purchaser’s sole and exclusive remedy for a failure of the condition to obtain the required number of Acceptable Estoppel Certificates shall be to terminate this Agreement and receive a refund of the Earnest Money Deposit. Prior to delivery of the forms of estoppel certificates to the Major Tenants (but not any other Tenants), Seller will deliver to Purchaser completed forms of estoppel certificates, in the form attached hereto as **Exhibit C-2** and containing the information contemplated thereby for all Tenants. Within two (2) Business Days following Purchaser’s receipt thereof, Purchaser will send to Seller notice either (i) approving such forms as completed by Seller or (ii) setting forth in detail all changes to such forms which Purchaser reasonably believes to be appropriate to make the completed forms of estoppel certificates accurate and complete. Seller will make such changes to the extent Seller agrees such changes are appropriate, except that Seller will not be obligated to make any changes which request more expansive information than is contemplated by **Exhibit C-2** or the form required by the applicable Major Tenant Tenant Lease. Purchaser’s failure to respond within such two (2) Business Day period shall be deemed approval of such estoppel certificate. Seller shall deliver to Purchaser all executed estoppel certificates within two (2) Business Days after Seller’s receipt of the same.

(b) Seller, at its sole option, may elect to satisfy part of the requirements under Section 7.2(a) by delivering a representation certificate of Seller in the form attached hereto as **Exhibit C-3** (a “**Seller Certificate**”) for up to ten percent (10%) of the rentable area at the Improvements, but not for any Major Tenant, any such Seller Certificate constituting an Acceptable Estoppel Certificate. The statements made by Seller shall be deemed to be representations and warranties of Seller regarding the Property for purposes of Section 8.1, subject to the limitations set forth in Section 16.1. If Seller subsequently obtains an estoppel certificate meeting the requirements of Section 7.2(a) hereof from a Tenant for which Seller has delivered Seller Certificate,

the delivered Seller Certificate will be null and void, and Purchaser will accept such estoppel certificate in its place.

(c) Seller shall use commercially reasonable efforts to obtain an estoppel certificate in the form of Exhibit C-4 attached hereto (the “**Conduit Easement Estoppel Certificates**”), from The City of Seattle with respect to that Easement Agreement for Telecommunications Conduit dated February 15, 2001, as amended, between the City of Seattle and Fisher Communications Inc. (the “**Conduit Easement Agreement**”). Seller shall forward to Purchaser such executed estoppel certificate within two (2) Business Days after Seller’s receipt of the same, provided, however, in no event shall receipt of such Conduit Easement Estoppel Certificate be a condition to Closing. Seller shall also use commercially reasonable efforts to obtain (i) the unconditional written consent of The City of Seattle to the assignment by Sinclair Television of Seattle, Inc. (formerly known as Fisher Communications Inc.) of its interest in the Conduit Easement Agreement to Seller, and (ii) the unconditional written consent of The City of Seattle to the assignment by Seller of its interest in the Conduit Easement Agreement to Purchaser. In no event shall receipt of the consent described in the preceding sentence be a condition to Closing. If such consent is not obtained prior to Closing, Seller shall cooperate with Purchaser to continue to pursue such consent following Closing.

Section 7.3 **OFAC.** Pursuant to United States Presidential Executive Order 13224 (“**Executive Order**”), Seller is required to ensure that it does not transact business with persons or entities determined to have committed, or to pose a risk of committing or supporting, terrorist acts and those persons (i) described in Section 1 of the Executive Order or (ii) listed in the “Alphabetical Listing of Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Specially Designated Global Terrorists, Foreign Terrorist Organizations, and Specially Designated Narcotics Traffickers” published by the United States Office of Foreign Assets Control (“**OFAC**”), 31 C.F.R. Chapter V, Appendix A, as in effect from time to time (as to (i) and (ii), a “**Blocked Person**”). If, prior to Closing, Seller learns that Purchaser is, becomes, or appears to be a Blocked Person, Seller may delay the sale contemplated by this Agreement pending its conclusion of its investigation into the matter of Purchaser’s status as a Blocked Person. If, prior to Closing, Seller determines that Purchaser is or becomes a Blocked Person, Seller shall have the right to immediately terminate this Agreement and take all other actions necessary, or in the opinion of Seller, appropriate to comply with applicable law and Purchaser shall receive a return of the Earnest Money Deposit. The provisions of this Section 7.3 will survive termination of this Agreement.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES

Section 8.1 **Seller’s Representations and Warranties.** The following representations and warranties (along with the representations and warranties set forth in Section 11.1 below) constitute the sole representations and warranties of Seller with respect to the purchase and sale of the Property contemplated hereby. Subject to the limitations set forth in Article XVI of this Agreement, Seller represents and warrants to Purchaser the following as of the Effective Date and shall remake the following representation and warranties as of the Closing Date:

(a) **Status.** Seller is a limited liability company duly organized and validly existing under the laws of the State of Delaware, and is qualified to transact business within the State of Washington.

(b) Authority, Enforceability. The execution and delivery of this Agreement and the performance of Seller's obligations hereunder have been or will be duly authorized by all necessary action on the part of Seller, and this Agreement constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, subject to equitable principles and principles governing creditors' rights generally. All of the documents to be delivered by Seller at the Closing will be authorized and properly executed and will constitute the valid and binding obligation of Seller, enforceable in accordance with their terms, subject to equitable principles and principles governing creditors' rights generally.

(c) Non-Contravention. The execution and delivery of this Agreement by Seller and the performance by Seller of Seller's obligations under this Agreement will not violate any judgment, order, injunction, decree, regulation or ruling of any court or Authority or conflict with, result in a breach of, or constitute a default under the organizational documents of Seller, any note or other evidence of indebtedness, any mortgage, deed of trust or indenture, or any lease or other material agreement or instrument to which Seller is a party or by which it is bound.

(d) Suits and Proceedings, No Violation Notices. As of the Effective Date, except as listed in **Exhibit E**, there are no legal actions, suits or similar proceedings pending and served, or To Seller's Knowledge, threatened (in writing) against (i) the Property, (ii) Seller, or (iii) Seller's ownership or operation of the Property, including without limitation, condemnation, takings or similar proceedings. Seller has received no written notice of any violations of any laws, codes, statutes, or other governmental regulations relating to the Property. There are no pending or, To Sellers' Knowledge, threatened (in writing) challenges relating to any Licenses or Permits. Seller has not received written notices of defaults that remain uncured by Seller under any recorded instruments that affect the Property. To Seller's knowledge, all amounts billed to and payable by Seller under such recorded instruments affecting the Property have been paid in full.

(e) No Bankruptcy. Seller has not made a general assignment for the benefit of creditors, filed any voluntary petition in bankruptcy, admitted in writing its inability to pay its debts as they come due, or made an offer of settlement, extension or composition to its creditors generally, and Seller has received no written notice of and has no knowledge of (i) the filing of any involuntary petition by Seller's creditors, (ii) the appointment of a receiver to take possession of all, or substantially all, of Seller's assets, or (iii) the attachment or other judicial seizure of all, or substantially all, of Seller's assets.

(f) Non-Foreign Entity. Seller is not a "foreign person" or "foreign corporation" as those terms are defined in the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(g) Tenant Leases and Tenants. Seller has delivered to Purchaser for review, true and complete copies of all Tenant Leases set forth on **Exhibit F** attached hereto which represent all written leases, rental agreements, occupancy agreements and license agreements (and any and all written renewals, amendments, modifications and supplements thereto) entered into with Tenants on or prior to the Effective Date affecting the Real Property. The list of Tenants, as set forth on **Exhibit F** attached hereto, constitutes all of the Tenants from whom Seller is currently accepting rental payments for the Property. **Exhibit F** also sets forth all sublease consent agreements that Seller has entered into with respect to subleases at the Property. Except as shown on **Exhibit E**, (i) Seller has not delivered to a Tenant written notice that such Tenant is in default under its Tenant Lease that remains uncured, (ii) Seller has not received from a Tenant written notice that Seller is in default under a Tenant Lease that remains uncured, (iii) no rent or other amount has been prepaid

under any of the Tenant Leases more than thirty (30) days in advance, and (iv) no Tenant under any of the Tenant Leases has delivered to Seller written notice exercising any termination right or notifying Seller of its insolvency, bankruptcy, assignments for the benefit of creditors or some other similar proceeding. Attached hereto as **Exhibit K** is Seller's current aged accounts receivable report. To Seller's Knowledge, there is no material inaccuracy in **Exhibit K**. Other than as set forth on **Exhibit G**, no tenant improvement allowance or other compensation will be due or payable with respect to any of the existing Tenant Leases after the Closing that remains unpaid. Other than as set forth on **Exhibit G**, Seller has completed all tenant improvements required under the Tenant Leases to be performed by the landlord, and To Seller's Knowledge, Seller has completed any other improvement work required under the Tenant Leases to be performed by the landlord.

(h) **Hines TRS**. Seller has delivered to Purchaser for review, true and complete copies of the Hines TRS Lease and that certain Services Agreement and Ancillary Assignment dated as of December 15, 2011 (together, the "**Hines TRS Agreements**"), which represent all the agreements to which Hines TRS is a party other than certain of the Tenant Leases. Except as shown on **Exhibit S**, (i) Hines TRS has not delivered to another party to a Hines TRS Agreement, or to a Tenant under a Tenant Lease, written notice that such other party is in default under the applicable instrument that remains uncured, (ii) Hines TRS has not received from another party written notice that Hines TRS is in default under a Hines TRS Agreement or a Tenant Lease that remains uncured, (iii) no rent or other amount has been prepaid under any of the Hines TRS Agreements more than thirty (30) days in advance, and (iv) no other party under any of the Hines TRS Agreements or under any Tenant Lease to which Hines TRS is a party has delivered to Hines TRS written notice exercising any termination right or notifying Hines TRS of its insolvency, bankruptcy, assignments for the benefit of creditors or some other similar proceeding. **Exhibit K** also includes the current aged accounts receivable report for Hines TRS. No tenant improvement allowance or other compensation will be due or payable with respect to any of the Hines TRS Agreements after the Closing that remains unpaid. Hines TRS has completed all work required under the Hines TRS Agreements to be performed by it.

(i) **Documents**. The Documents made available to Purchaser pursuant to Section 5.2(a) hereof include copies of all Service Contracts listed on **Exhibit B**. **Exhibit B** is a true and correct list of the Service Contracts in effect as of the date hereof and Seller has delivered or made available to Purchaser for review, true and complete copies of all Service Contracts set forth on **Exhibit B**. Seller has not delivered, or received, written notice of a default under any Service Contracts or the Licenses and Permits that remains uncured.

(j) **Hazardous Materials**. The Documents include all environmental reports commissioned by the Seller or the Seller's Affiliates with respect to the Property in Seller's possession.

(k) **Consents**. No consent, waiver, approval or authorization is required from any person or entity (that has not already been obtained) in connection with the execution and delivery of this Agreement by Seller or the performance by Seller of the transactions contemplated hereby.

(l) **Employee Matters**. Seller has no employees, and there are no employment agreements, union agreements, benefit agreements, pension plans, multi-employer plans or collective bargaining agreements, at or otherwise affecting the Property to which Seller is bound which will survive the Closing and for which Purchaser will be responsible or have any liability after the Closing.

(m) Patriot Act. Seller is not a person or entity with whom Purchaser is restricted from doing business under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, H.R. 3162, Public Law 107-56 (commonly known as the “**USA Patriot Act**”) or Executive Order Number 13224 on Terrorism Financing, effective September 24, 2001 and regulations promulgated pursuant thereto (collectively, “**Anti Terrorism Laws**”), including without limitation persons and entities named on the Office of Foreign Asset Control Specially Designated Nationals and Blocked Persons List. Seller is not, and To Seller’s Knowledge, no Affiliate of Seller is, or has been determined by the U.S. Secretary of the Treasury to be acting on behalf of, a Blocked Person, or has otherwise been designated as a Person (i) with whom an entity organized under the laws of the United States (or a state hereof) is prohibited from entering into transactions or (ii) from whom such an entity is prohibited from receiving money or other property or interests in property, pursuant to the Executive Order or otherwise. In addition, no Seller Release Party is located in, or operating from, a country subject to U.S. economic sanctions administered by OFAC.

(n) Leased Property. Exhibit M includes a list of Seller’s furniture, fixtures, equipment or other personal property used in connection with the operation of the Real Property that is leased to Seller.

(o) Preferential Rights to Purchase. Seller has not granted any options or rights of first refusal or rights of first offer to third parties to purchase or otherwise acquire an interest in the Property, except for the right granted to Major Tenant Sinclair Television of Seattle, Inc. in its Tenant Lease, which right has been waived in connection with the sale of the Property to Purchaser.

Section 8.2 **Purchaser’s Representations and Warranties.** Purchaser represents and warrants to Seller the following:

(a) Status. Purchaser is a limited liability company duly organized and validly existing under the laws of the State of Delaware.

(b) Authority; Enforceability. The execution and delivery of this Agreement and the performance of Purchaser’s obligations hereunder have been or will be duly authorized by all necessary action on the part of Purchaser and its constituent owners and/or beneficiaries and this Agreement constitutes the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, subject to equitable principles and principles governing creditors’ rights generally. All of the documents to be delivered by Purchaser at the Closing will be authorized and properly executed and will constitute the valid and binding obligation of Purchaser, enforceable in accordance with their terms, subject to equitable principles and principles governing creditors’ rights generally.

(c) Non-Contravention. The execution and delivery of this Agreement by Purchaser and the consummation by Purchaser of the transactions contemplated hereby will not violate any judgment, order, injunction, decree, regulation or ruling of any court or Authority or conflict with, result in a breach of, or constitute a default under the organizational documents of Purchaser, any note or other evidence of indebtedness, any mortgage, deed of trust or indenture, or any lease or other material agreement or instrument to which Purchaser is a party or by which it is bound.

(d) Consents. No consent, waiver, approval or authorization is required from any person or entity (that has not already been obtained) in connection with the execution and

delivery of this Agreement by Purchaser or the performance by Purchaser of the transactions contemplated hereby.

(e) Prohibited Persons. Purchaser is not, and to Purchaser's knowledge, no Affiliate of Purchaser, is, or has been determined by the U.S. Secretary of the Treasury to be acting on behalf of, a Blocked Person, or has otherwise been designated as a Person (i) with whom an entity organized under the laws of the United States (or a state hereof) is prohibited from entering into transactions or (ii) from whom such an entity is prohibited from receiving money or other property or interests in property. In addition, neither Purchaser nor any Affiliate of Purchaser is located in, or operating from, a country subject to U.S. economic sanctions administered by OFAC.

ARTICLE IX_

CONDEMNATION AND CASUALTY

Section 9.1 Significant Casualty. If, prior to the Closing Date, all or any portion of the Property is damaged (which for purposes of this Article IX shall include damage by fire or other casualty and the occurrence of any human error or other circumstance which would allow a Tenant(s) of the Property to terminate its Tenant Lease(s) or which would allow a Tenant(s) of the Property an abatement, or credit against rent, or other amounts payable under its Tenant Lease(s)), Seller will notify Purchaser of such damage within two (2) Business Days of the occurrence of the same, which notice shall identify (i) whether the subject damage is to a Significant Portion of the Property, (ii) if so, the reason such damage is to a Significant Portion of the Property, (iii) the uninsured or underinsured amount of the abatement of, or credit against, rent and other amounts payable under Tenant Lease(s) to which Tenant(s) are entitled, and (iv) the uninsured or underinsured amount of costs to repair the subject damage. Purchaser will have the option, in the event all or any Significant Portion of the Property is so damaged to terminate this Agreement upon notice to Seller given not later than ten (10) Business Days after receipt of Seller's notice described above. In addition, Purchaser will have the option, in the event of an uninsured or underinsured (other than by reason of the applicable deductible to be credited against the Purchase Price, as provided below) damage to terminate this Agreement upon notice to Seller given not later than ten (10) Business Days after receipt of Seller's notice described above; provided, Seller may elect within ten (10) Business Days after receipt of Purchaser's notice described in the preceding sentence to elect to provide Purchaser a credit against the Purchase Price equal to the sum of (i) the cost of repairing the uninsured damage or the underinsured portion of the cost of repairing the underinsured damage, as applicable, and (ii) all rental abatement and/or credits to which Tenants may be entitled under their Tenant Leases in connection with the subject damage, as mutually agreed upon by Purchaser and Seller, to the extent not payable to Purchaser pursuant to Seller's insurance proceeds assigned to Purchaser at Closing, in which case, this Agreement shall not terminate, and such credit shall be applied to the Purchase Price at Closing. Notwithstanding the foregoing, Seller shall not have the right described in the proviso of the preceding sentence if (x) such uninsured or underinsured amount is greater than or equal to the cost to repair the subject damage amount set forth in clause (B)(i) of the definition of Significant Portion or (y) such uninsured or underinsured damage would allow a Tenant(s) of the Property paying six hundred thousand dollars (\$600,000) or more in gross rent per year, in the aggregate, to terminate its Tenant Lease(s) or (z) such uninsured or underinsured amount of rent abatements and other credits against rent to which Tenant(s) are entitled is greater than or equal to the amount set forth in clause (A)(ii) of the definition of Significant Portion. If this Agreement is terminated, the Earnest Money Deposit will be returned to Purchaser within three (3) Business Days and thereafter neither

Seller nor Purchaser will have any further rights or obligations to the other hereunder except with respect to the Termination Surviving Obligations. If this Agreement is not terminated by Purchaser, Seller will not be obligated to repair such damage, but (a) Seller will assign and turn over to Purchaser all of the insurance proceeds net of reasonable collection costs (or, if such have not been awarded, all of its right, title and interest therein) payable with respect to such damage (excluding any proceeds of insurance that are payable on account of any business interruption, rental insurance or similar coverage intended to compensate Seller for loss of rental or other income from the Property attributable to periods prior to the Closing, but including any such proceeds attributable to periods following the Closing), which obligation shall survive the Closing, and (b) the parties will proceed to Closing pursuant to the terms hereof without abatement of the Purchase Price, except that Purchaser will receive a credit against cash due at Closing for the sum of (i) the amount of the deductible on such insurance policy less any reasonable amounts expended by Seller to collect any such insurance proceeds or to make such repairs or to remedy any unsafe conditions at the Property, and (ii) the amount of any uninsured cost to repair the subject damage, provided that if such uninsured amount is greater than or equal to the amount set forth in clause (B)(i) of the definition of Significant Portion, Seller shall have the right to terminate this Agreement by delivering notice to Purchaser within three (3) Business Days after Purchaser has elected not to terminate this Agreement in accordance with this Section 9.1, and (iii) all rental abatement and/or credits to which Tenants may be entitled under their Tenant Leases in connection with the subject event, as mutually agreed upon by Purchaser and Seller, to the extent not payable to Purchaser pursuant to Seller's insurance proceeds assigned to Purchaser at Closing, provided that if the subject event rental abatement and/or credits to which Tenants may be entitled under their Tenant Leases exceeds the amount of Seller's insurance proceeds for the same by more than the amount set forth in clause (A)(ii) of the definition of Significant Portion, then Seller shall have the right to terminate this Agreement by delivering notice to Purchaser within three (3) Business Days after Purchaser has elected not to terminate this Agreement in accordance with this Section 9.1. If Purchaser does not elect to terminate this Agreement by reason of any damage, Purchaser shall have the right to participate in any adjustment of the insurance claim and Seller shall not compromise, settle or adjust any such claim without Purchaser's prior written consent (which consent may be withheld in Purchaser's sole and absolute discretion following the Contingency Date).

Section 9.2 Casualty of Less Than a Significant Portion. If less than a Significant Portion of the Property is damaged as aforesaid, neither Purchaser nor Seller shall have the right to terminate this Agreement and Seller will not be obligated to repair such damage, but (a) Seller will assign and turn over to Purchaser all of the insurance proceeds net of reasonable collection costs (or, if such have not been awarded, all of its right, title and interest therein) payable with respect to such damage (excluding any proceeds of insurance that are payable on account of any business interruption, rental insurance or similar coverage intended to compensate Seller for loss of rental or other income from the Property attributable to periods prior to the Closing, but including any such proceeds attributable to periods following the Closing), which obligation shall survive the Closing, and (b) the parties will proceed to Closing pursuant to the terms hereof without abatement of the Purchase Price, except that Purchaser will receive a credit against cash due at Closing for the sum of (i) the amount of the deductible on such insurance policy less any reasonable amounts expended by Seller to collect any such insurance proceeds or to make such repairs or to remedy any unsafe conditions at the Property, other than repairs which are the responsibility of Tenants under Tenant Leases as mutually agreed by Seller and Purchaser, (ii) the amount of any underinsured and uninsured costs to repair the subject damage and (iii) all rental abatement and/or credits to which Tenants may be entitled

under their Tenant Leases in connection with the subject damage, as mutually agreed upon by Purchaser and Seller, to the extent not payable to Purchaser pursuant to Seller's insurance proceeds assigned to Purchaser at Closing. If Purchaser does not elect to terminate this Agreement by reason of any damage, Purchaser shall have the right to participate in any adjustment of the insurance claim and Seller shall not compromise, settle or adjust any such claim without Purchaser's prior written consent (which consent may be withheld in Purchaser's sole and absolute discretion following the Contingency Date).

Section 9.3 Condemnation of Property. In the event of condemnation or sale in lieu of condemnation of all or any Significant Portion of the Real Property and the Improvements, or if Seller shall receive an official notice from any governmental authority having eminent domain power over a Property and the Improvements thereon of its intention to take, by eminent domain proceeding, all or any Significant Portion of the Real Property and Improvements, prior to the Closing, Purchaser will have the option, by providing Seller written notice within ten (10) Business Days after receipt of Seller's notice of such condemnation or sale, of terminating Purchaser's obligations under this Agreement or electing to have this Agreement remain in full force and effect. In the event Purchaser does not terminate this Agreement pursuant to the preceding sentence, the Seller will assign to Purchaser any and all claims for the proceeds of such condemnation or sale to the extent the same are applicable to the Property, which obligation shall survive the Closing, and Purchaser will take title to the Property with the assignment of such proceeds and subject to such condemnation and without reduction of the Purchase Price. Should Purchaser elect to terminate Purchaser's obligations under this Agreement under the provisions of this Section 9.3, the Earnest Money Deposit will be returned to Purchaser within three (3) Business Days and neither Seller nor Purchaser will have any further obligation under this Agreement except for the Termination Surviving Obligations. Notwithstanding anything to the contrary herein, if any eminent domain or condemnation proceeding is instituted (or notice of same is given) solely for the taking of any subsurface rights for utility easements or for any right-of-way easement, and the surface may, after such taking, be used in substantially the same manner as though such rights have not been taken, Purchaser will not be entitled to terminate this Agreement as to any part of the applicable Property, but any award resulting therefrom will be assigned to Purchaser at Closing and will be the exclusive property of Purchaser upon Closing. If Purchaser does not elect to terminate this Agreement by reason of any such eminent domain or condemnation proceeding, Seller shall not compromise, settle or adjust any award without Purchaser's prior written consent (which consent may be withheld in Purchaser's sole and absolute discretion following the Contingency Date).

ARTICLE X _

CLOSING

Section 10.1 Closing. The Closing of the sale of the Property by Seller to Purchaser will occur on the Closing Date, through the escrow established with the Title Company. So long as Purchaser is working in good faith to consummate the purchase of the Property, Purchaser shall also have the right to extend the Closing Date one or more times to a date not later than forty-five (45) days after the scheduled Closing Date (the "**Extended Closing Date**"). If Purchaser desires to extend Closing pursuant to this Section 10.1, Purchaser shall notify the Seller in writing not later than three (3) Business Days prior to the then-scheduled Closing Date. At Closing, the events set forth in this Article X will occur, it being understood that the

performance or tender of performance of all matters set forth in this Article X are mutually concurrent conditions which may be waived by the party for whose benefit they are intended.

Section 10.2 Purchaser's Closing Obligations. On or before the Deposit Time (except with respect to the Purchase Price which shall be delivered in accordance with Section 3.3 above), Purchaser, at its sole cost and expense, will deliver the following items in escrow with the Title Company pursuant to Section 4.4, for delivery to Seller at Closing as provided herein:

(a) The Purchase Price, after all adjustments are made at the Closing as herein provided, by Federal Reserve wire transfer of immediately available funds, in accordance with the timing and other requirements of Section 3.3;

(b) Four (4) counterparts of the General Conveyance, duly executed by Purchaser;

(c) Four (4) counterparts of the Hines TRS General Assignment, duly executed by Purchaser's designee;

(d) One (1) counterpart of each of the Tenant Notice Letters, duly executed by Purchaser;

(e) Evidence reasonably satisfactory to Seller that the person executing the Closing Documents on behalf of Purchaser has full right, power, and authority to do so;

(f) Such other transfer and tax forms, if any, as may be required by state and local Authorities as part of the transfer of the Property; and

(g) Such other documents as may be reasonably necessary or appropriate to effect the consummation of the transactions which are the subject of this Agreement, including, without limitation, the "**Closing Statement**" as that term is defined in Section 10.4 below, duly executed and delivered.

Section 10.3 Seller's Closing Obligations. Seller, at its sole cost and expense, will deliver (i) the following items (a), (b), (c), (d), (e), (f), (j), (k) and (l) in escrow with the Title Company pursuant to Section 4.4 on or before the Deposit Time for delivery to Purchaser concurrently with the delivery of the Purchase Price (subject to prorations and other adjustments in accordance with the terms of this Agreement), to Seller, and (ii) upon receipt of the Purchase Price (subject to prorations and other adjustments pursuant to the terms of this Agreement), Seller shall deliver items (g), (h) and (i) to Purchaser at the Property:

(a) A special warranty deed in the form attached hereto as **Exhibit I** (the "**Deed**"), duly executed and acknowledged by Seller conveying to Purchaser the Real Property and the Improvements, which Deed shall be delivered to Seller by the Title Company agreeing to cause same to be recorded in the Official Records;

(b) Four (4) counterparts of the general conveyance in the form attached hereto as **Exhibit H** (the "**General Conveyance**"), duly executed by Seller;

(c) Four (4) counterparts of the Hines TRS General Assignment, duly executed by Hines TRS;

(d) Four (4) counterparts of the form of Tenant Notice Letters, duly executed by Seller;

(e) Evidence reasonably satisfactory to Title Company and Purchaser that the person executing the Closing Documents on behalf of Seller and Hines TRS has full right, power and authority to do so;

(f) A certificate in the form attached hereto as **Exhibit J** (“**Certificate as to Foreign Status**”) from Seller certifying that Seller is not a “foreign person” as defined in Section 1445 of the Internal Revenue Code of 1986, as amended;

(g) The Tenant Deposits, at Seller’s option, either (i) in the form of a cashier’s check issued by a bank reasonably acceptable to Purchaser, or (ii) as part of an adjustment to the Purchase Price. With respect to those Tenant Leases for which Seller or its lender are holding letters of credit as security deposits, Seller shall deliver such original letters of credit to Purchaser at Closing, together with all necessary transfer documentation, so that Purchaser and the applicable Tenants can arrange to have the letters of credit reissued in favor of, or endorsed to, Purchaser. Seller agrees to cooperate with Purchaser post-Closing in connection with the reissuance or endorsement of any letters of credit and act at the reasonable discretion of Purchaser with respect thereto, until the letters of credit are re-issued or endorsed to Purchaser, provided Seller shall pay all transfer and/or other fees relating to such transfers of letters of credit;

(h) The Personal Property for the Property;

(i) All original Licenses and Permits, Service Contracts. Tenant Leases and Hines TRS License Agreements for the Property in Seller’s possession and control;

(j) All keys which are in Seller’s possession for the Property;

(k) Such other transfer and tax forms, if any, as may be required by state and local Authorities;

(l) One (1) counterpart of a Real Estate Excise Tax Affidavit, completed and duly executed by the Seller; and

(m) Such other documents as may be reasonably necessary or appropriate to effect the consummation of the transactions which are the subject of this Agreement, including, without limitation, the Closing Statement duly executed and delivered and customary title company affidavits and indemnity agreements, including an Owner’s Affidavit in the form attached hereto as **Exhibit T**.

Section 10.4 Prorations.

(a) Seller and Purchaser agree to adjust, as of 11:59 p.m. on the day immediately preceding the Closing Date (the “**Closing Time**”), the following (collectively, the “**Proration Items**”): real estate and personal property taxes and assessments for the year in which Closing occurs, utility bills (except as hereinafter provided), collected Rentals (subject to the terms of (b) below), operating expenses payable by the owner of the Property (on the basis of a 365 day year, actual days elapsed) and amounts payable under Service Contracts assumed by Purchaser on an accrual basis. Seller shall pay all amounts due thereunder which accrue prior to the Closing and Purchaser shall pay all amounts accruing on the Closing Date and thereafter. All capital and other

improvements (including labor and materials) which are performed or contracted for or by Seller at or prior to the Closing will be paid by the Seller at or prior to Closing, without contribution or proration from Purchaser. Seller will be charged and credited for the amounts of all of the Proration Items relating to the period up to and including the Closing Time, and Purchaser will be charged and credited for all of the Proration Items relating to the period after the Closing Time. Such preliminary estimated Closing prorations shall be set forth on a preliminary closing statement to be prepared by Seller and submitted to Purchaser for Purchaser's approval (which approval shall not be unreasonably withheld, delayed or conditioned) two (2) Business Days prior to the Closing Date (the "**Closing Statement**"). The Closing Statement, once agreed upon, shall be signed by Purchaser and Seller and delivered to the Title Company for purposes of making the preliminary proration adjustment at Closing subject to the final cash settlement provided for below. The preliminary proration shall be paid at Closing by Purchaser to Seller (if the preliminary prorations result in a net credit to Seller) or by Seller to Purchaser (if the preliminary prorations result in a net credit to Purchaser) by increasing or reducing the cash to be delivered by Purchaser in payment of the Purchase Price at the Closing. If the actual amounts of the Proration Items are not known as of the Closing Time, the prorations will be made at Closing on the basis of the best evidence then available; thereafter, when actual figures are received, re-prorations will be made on the basis of the actual figures, and a final cash settlement will be made between Seller and Purchaser. No prorations will be made in relation to insurance premiums (except to the extent covered by the proration of Operating Expense Recoveries), and Seller's insurance policies will not be assigned to Purchaser except as otherwise provided in Section 9 above. Final readings and final billings for utilities will be made if possible as of the Closing Time, in which event no proration will be made at the Closing with respect to utility bills (except to the extent covered by the proration of Operating Expense Recoveries). Seller will be entitled to all deposits presently in effect with the utility providers, and Purchaser will be obligated to make its own arrangements for deposits with the utility providers. A final reconciliation of Proration Items shall be made by Purchaser and Seller within sixty (60) days after Closing, provided that such reconciliation, as it relates to real estate taxes shall be made within thirty (30) days following the issuance of the tax bills for the Real Property for the year in which Closing occurs. The provisions of this Section 10.4 will survive the Closing until the date which is six (6) months following the Closing Date (the "**Reconciliation Period**"), and in the event any items subject to proration hereunder are discovered within such period, the same shall be promptly prorated by the parties in accordance with the terms of this Section 10.4. Seller and Purchaser, pursuant to RCW 60.80.020(1), hereby waive the services of Title Company in administering the disbursement of closing funds necessary to satisfy any unpaid utility charges. Purchaser shall transfer all utilities at the Property to its name as of the Closing Date, and where necessary, post deposits with the utility companies. Seller shall use commercially reasonable efforts to cause all utility meters to be read as of the Closing Date. Seller shall be entitled to recover any and all deposits held by any utility company as of the Closing Date. All charges for utilities shall be prorated outside of the escrow contemplated herein within sixty (60) days after the Closing Date. All prorations shall be made in accordance with customary practice in the jurisdiction in which the Real Property is located, except as expressly provided herein. Following the Closing, Seller and Purchaser shall reasonably cooperate with each other in order to calculate and determine the correct amount of all prorations required to be made pursuant to this Section 10.

(b) Purchaser will receive a credit on the Closing Statement for the prorated amount (as of the Closing Time) of all Rentals previously paid to and collected by Seller and attributable to any period following the Closing Time. After the Closing, Seller will cause to be paid or turned over to Purchaser all Rentals, if any, received by Seller after Closing and properly attributable to any period following the Closing Time. "**Rentals**" as used herein includes fixed

monthly rentals, additional rentals, percentage rentals, escalation rentals (which include each Tenant's proportionate share of building operation and maintenance costs and expenses as provided for under the applicable Tenant Lease, to the extent the same exceeds any expense stop specified in such Tenant Lease), retroactive rentals, all administrative charges, utility charges, tenant or real property association dues, storage rentals, special event proceeds, temporary rents, telephone receipts, locker rentals, vending machine receipts and other sums and charges payable to Seller or its successor by Tenants under the Tenant Leases or from other occupants or users of the Property, excluding specific tenant billings which are governed by Section 10.4(d). Rentals are "**Delinquent**" if they were due prior to the Closing Time and payment thereof has not been made on or before the Closing Time. Delinquent Rentals will not be prorated. Purchaser agrees to use good faith collection procedures with respect to the collection of any Delinquent Rentals, but Purchaser will have no liability for the failure to collect any Delinquent Rentals payable to Seller and will not be required to conduct lock-outs or take any other legal action to enforce collection of any such amounts owed to Seller by Tenants of the Property. All sums collected by Purchaser within one (1) year after Closing from each Tenant (excluding Tenant payments for Operating Expense Recoveries attributable to the period prior to the Closing Time governed by Section 10.4(c) below and tenant specific billings for tenant work orders and other specific services as described in and governed by Section 10.4(d) below, which shall be payable to and belong to Seller in all events) will be applied first to amounts currently owed by such Tenant to Purchaser (including Delinquent Rentals attributable to the period after the Closing Time), then any collection costs of Purchaser related to such Tenant, and then to prior delinquencies owed by such Tenant to Seller. In no event shall Seller initiate litigation or other legal action after the Closing Date to pursue collection of Delinquent Rentals. Any sums collected by Purchaser and due Seller will be promptly remitted to Seller, and any sums collected by Seller and due Purchaser will be promptly remitted to Purchaser.

(c) Seller will prepare a reconciliation as of the Closing Time of the amounts of all billings and charges for operating expenses and taxes in excess of the applicable base year, if any, specified in each Tenant Lease (collectively, "**Operating Expense Recoveries**") for the calendar year in which the Closing occurs. If less amounts have been collected from Tenants for Operating Expense Recoveries for such calendar year than would have been owed by Tenants under the Tenant Leases if the reconciliations under such Tenant Leases were completed as of the Closing Time based on the operating expenses and taxes incurred by Seller for such calendar year up to the Closing Time (as prorated pursuant to Section 10.4(a) above), Purchaser will pay such difference to Seller at Closing as an addition to the Purchase Price. If more amounts have been collected from Tenants for Operating Expense Recoveries for such calendar year than would have been owed by Tenants under the Tenant Leases if the reconciliations under the Tenant Leases were completed as of the Closing Time based on the operating expenses and taxes incurred by Seller for such calendar year up to the Closing Time (as prorated pursuant to Section 10.4(a) above), Seller will pay to Purchaser at Closing as a credit against the Purchase Price such excess collected amount. Purchaser and Seller agree that such proration of Operating Expense Recoveries at Closing for such calendar year will fully relieve Seller from any responsibility to Tenants or Purchaser for such matters subject to Seller's and Purchaser's right and obligation to finalize prorations before the expiration of the Reconciliation Period, solely to make adjustments necessary to the extent estimates used in the calculation of such reconciliation at Closing differ from actual bills received after Closing for those items covered by such reconciliation at Closing or to correct any errors or as the result of any audit by any Tenant (and the Reconciliation Period shall be extended, as necessary, until the completion of any such Tenant audit and the final resolution of any dispute with any such Tenant relating thereto). In this regard, Purchaser will be solely responsible, from and after Closing, for (i) collecting from Tenants the amount of any outstanding Operating Expense Recoveries for the calendar year

in which Closing occurs for periods before and after Closing, and (ii) where appropriate, reimbursing Tenants for amounts attributable to Operating Expense Recoveries for such calendar year, as may be necessary based on annual reconciliations for Operating Expense Recoveries for such calendar year.

(d) With respect to specific tenant billings for work orders, special items performed or provided at the request of a given Tenant or other specific services, which are collected by Purchaser or Seller after the Closing Time but relate to any such specific services rendered by Seller or its property manager prior to the Closing Time and which are identified on the Tenant's payment as relating to such specific services or which are clearly identifiable as being payment for any such specific services, Purchaser shall cause such collected amounts to be paid to Seller, or Seller may retain such payment if such payment is received by Seller after the Closing Time.

(e) Seller shall pay (i) those tenant improvement allowances or to be incurred rent abatements, other allowances and concessions, legal fees and other expenditures incurred in connection with the lease of space in the Property ("**Leasing Costs**") for all Leases executed prior to the Effective Date and those others identified on **Exhibit G** attached hereto as Seller's obligations to the extent unpaid as of the Closing Date and (ii) all brokerage commissions in connection with Tenant Leases in effect as of the Effective Date. To the extent Leasing Costs and brokerage commissions described in the preceding sentence remain unpaid as of Closing, then Purchaser shall receive a credit from Seller therefor at Closing and Purchaser shall be responsible after Closing for paying any Leasing Costs and brokerage commissions for which Purchaser received such a credit. Except as otherwise provided in Section 7.1(l), Purchaser will be solely responsible for and shall pay all Leasing Costs and brokerage commissions, incurred or to be incurred in connection with any new Tenant Lease, or the renewal, expansion, or modification of any Tenant Lease executed on or after the Effective Date (approved, if applicable, by Purchaser in accordance with Section 7.1 (d)). If any estoppel certificate received from a Tenant sets forth any Leasing Costs that are Seller's responsibility under the applicable Tenant Lease and are not identified on **Exhibit G**, then, at Closing, Seller shall either (A) provide Purchaser a credit in the amount of such Leasing Costs if Seller does not contest Seller's responsibility for such alleged Leasing Cost under the terms of the applicable Tenant Lease, in which case, Purchaser shall be responsible after Closing for paying or performing the same or, (B) if Seller contests such alleged Leasing Costs, the parties shall hold back in escrow a portion of the Purchase Price proceeds in an amount equal to the purported Leasing Costs pending final resolution with the applicable Tenant of whether such Leasing Costs are actually owed under the terms of the applicable Tenant Lease. If any such dispute is finally resolved in favor of the applicable Tenant, then such amount shall be released from escrow to Purchaser or the applicable Tenant to satisfy the Leasing Costs in accordance with the terms of the applicable Tenant Lease. If any such dispute is finally resolved in favor of Seller, then the applicable amount shall be released from escrow to Seller. If Title Company requires further escrow instructions in connection with any holdback escrow to be established under this Section, the parties shall cooperate to execute such instructions as are required by Title Company, consistent with the terms and intent of these provisions.

(f) Amounts payable and incurred pursuant to, and in connection with, the Hines TRS Agreements shall be prorated in the same manner as specified above in this Section 10.4.

This Section 10.4 shall survive the Closing.

Section 10.5 Delivery of Real Property. Upon completion of the Closing, Seller will deliver to Purchaser possession of the Real Property and Improvements, subject to the Tenant Leases and the Permitted Exceptions.

Section 10.6 Costs of Title Company and Closing Costs. Costs of the Title Company and other Closing costs incurred in connection with the Closing will be allocated as follows:

(a) Purchaser will pay (i) all premiums and other costs for any mortgagee policy of title insurance, including but not limited to any endorsements or deletions, (ii) Purchaser's attorney's fees, (iii) the costs of any update or re-certificate of the Updated Survey, (iv) 1/2 of all of the Title Company's escrow and closing fees, if any, and (v) any mortgage recording tax or recording fees.

(b) Seller will pay (i) the premium costs for obtaining primary and extended coverage under the Title Policy (but not any endorsements thereto), (ii) the cost of the Updated Survey, (iii) 1/2 of all of the Title Company's escrow and closing fees, (iv) Seller's attorneys' fees, (v) prepayment penalties or premiums and other amounts payable with respect to prepaying the Property's existing mortgage indebtedness at Closing (if any); (vi) all real estate excise taxes (including, without limitation, any city, county and state taxes) at Closing, and (vii) the commission payable by Seller pursuant to Section 11.1 below to Broker for the transaction contemplated by this Agreement

(c) Any other costs and expenses of Closing not provided for in this Section 10.6 shall be allocated between Purchaser and Seller in accordance with the custom in the county in which the Real Property is located.

(d) If the Closing does not occur on or before the Closing Date for any reason whatsoever, the costs incurred through the date of termination will be borne by the party incurring same.

Section 10.7 Post Closing Delivery of Tenant Notice Letters. Immediately following Closing, Seller will deliver to each Tenant (via messenger or certified mail, return receipt requested) a written notice in a form approved by Purchaser executed by Purchaser and Seller (i) acknowledging the sale of the Property to Purchaser, (ii) acknowledging that Purchaser has received and is responsible for the Tenant Deposits (specifying the exact amount of the Tenant Deposits) and (iii) indicating that rent should thereafter be paid to Purchaser and giving instructions therefor (the "**Tenant Notice Letters**"). Seller shall provide to Purchaser a copy of each Tenant Notice Letter promptly after delivery of same, and proof of delivery of same promptly after such proof is available. This Section 10.7 shall survive Closing.

Section 10.8 General Conditions Precedent to Purchaser's Obligations Regarding the Closing. In addition to the conditions to Purchaser's obligations set forth above in this Article X, the obligations and liabilities of Purchaser to close the transaction hereunder shall in all respects be conditioned upon the satisfaction of each of the following conditions, any of which may be waived by written notice from Purchaser to Seller, and all of which shall be deemed waived upon Closing, except for Closing Surviving Obligations (subject to Section 16.1):

(a) Seller shall have complied in all material respects with and otherwise performed in all material respects each of the covenants and obligations of Seller set forth in this Agreement, as of the date of Closing, and the representations and warranties of Seller set forth in Sections 8.1 and 11.1 shall be true and correct in all material respects as of the Closing Date;

(b) The Title Company shall be irrevocably committed to issuing the Title Policy in the form attached as **Exhibit U**, subject only to the payment of the premium;

(c) Purchaser shall have received the Acceptable Estoppel Certificates (and, at Seller's option, Seller Certificates) to the extent required under Section 7.2; and

(d) Purchaser shall have received, in forms of **Exhibits P** and **R** attached hereto, respectively, and otherwise in recordable form, (i) an Assignment and Assumption Agreement between Sinclair Television of Seattle Inc. (formerly known as Fisher Communications Inc.) ("**Sinclair**"), as assignor, and Seller, as assignee, with respect to the assignment by Sinclair of its interest in the Conduit Easement Agreement to Seller (subject to any such changes as Sinclair may request and to which Purchaser and Seller shall reasonably agree), and (ii) an Assignment and Assumption Agreement between Seller, as assignor, and Purchaser, as assignee, with respect to the assignment by Seller of its interest in the Conduit Easement Agreement to Purchaser.

Section 10.9 General Conditions Precedent to Seller's Obligations Regarding the Closing. In addition to the conditions to Seller's obligations set forth in this Article X, the obligations and liabilities of Seller hereunder to close the transaction hereunder shall in all respects be conditioned upon the satisfaction of each of the following conditions, any of which may be waived by written notice from Seller to Purchaser and all of which shall be deemed waived upon Closing:

(a) Purchaser shall have complied in all material respects with and otherwise performed in all material respects each of the covenants and obligations of Purchaser set forth in Section 10.2 of this Agreement, as of the date of Closing.

Section 10.10 Failure of Condition. If any condition precedent to Seller's obligation to effect the Closing (as set forth in Section 10.9) is not satisfied, then Seller shall be entitled to terminate this Agreement by notice thereof to Purchaser and Title Company. If any condition precedent to Purchaser's obligation to effect the Closing (as set forth in Section 10.8) is not satisfied by the Closing Date, then Purchaser shall be entitled to terminate this Agreement by written notice thereof to Seller and Title Company. If this Agreement is so terminated, then Purchaser shall be entitled to receive the Earnest Money Deposit (and all accrued interest thereon) and neither party shall have any further obligations hereunder, except for Termination Surviving Obligations. Notwithstanding the foregoing, if the applicable conditions precedent are not satisfied due to a default by Seller or Purchaser hereunder, then Article XIII shall govern and this Section 10.10 shall not apply.

ARTICLE XI_

BROKERAGE

Section 11.1 Brokers. Seller agrees to pay to Jones Lang LaSalle ("**Broker**") a real estate commission at Closing (but only in the event of Closing in strict compliance with this Agreement) pursuant to a separate agreement between Seller and Broker. Other than as stated in the first sentence of this Section 11.1, Purchaser and Seller represent to the other that

no real estate brokers, agents or finders' fees or commissions are due or will be due or arise in conjunction with the execution of this Agreement or consummation of this transaction by reason of the acts of such party, and Purchaser and Seller will indemnify, defend and hold the other party harmless from any brokerage or finder's fee or commission claimed by any person asserting his entitlement thereto at the alleged instigation of the indemnifying party for or on account of this Agreement or the transactions contemplated hereby. The provisions of this Article XI will survive any Closing or termination of this Agreement.

ARTICLE XII

CONFIDENTIALITY

Section 12.1 **Confidentiality.** Seller and Purchaser each expressly acknowledges and agrees that, unless and until the Closing occurs, this Agreement, the transactions contemplated by this Agreement, and the terms, conditions, and negotiations concerning the same will be held in the strictest confidence by each of them and will not be disclosed by either of them except to Permitted Outside Parties permitted in Section 5.2. Purchaser further acknowledges and agrees that, until the Closing occurs, all information obtained by Purchaser in connection with the Property will not be disclosed by Purchaser to any third persons other than those described above without the prior written consent of Seller. Nothing contained in this Article XII will preclude or limit either party to this Agreement from disclosing or accessing any information otherwise deemed confidential under this Article XII in connection with that party's enforcement of its rights following a disagreement hereunder, or in response to lawful process or subpoena or other valid or enforceable order of a court of competent jurisdiction or any filings with governmental authorities required by reason of the transactions provided for herein pursuant to an opinion of counsel; provided, however, in the event such disclosure is required pursuant to a subpoena or court order, the applicable party shall promptly notify the other party thereof so that the other party may seek a protective order, waive compliance with this Article XII, and/or take any other action mutually agreed upon by the parties and disclosure of information by Purchaser shall not be prohibited if that disclosure is of information that is or becomes a matter of public record or public knowledge from sources other than Purchaser or its agents, employees, contractors, consultants or attorneys in violation of the terms of this Agreement. Notwithstanding the foregoing to the contrary, Purchaser and Seller each acknowledges and agrees that the other, and entities which directly or indirectly own the equity interests in Seller or Purchaser, may disclose in SEC and other filings and governmental authorities, financial statements and/or other communications such information regarding the transactions contemplated hereby and any such information relating to the sale of the Property as may be necessary or advisable under federal or state securities law, rules or regulations (including U.S. Securities and Exchange Commission ("SEC") rules and regulations, "generally accepted accounting principles" or other accounting rules or procedures or in accordance with Seller's or Purchaser's and such direct or indirect owners' prior custom, practice or procedure. One or more of such owners will be required to publicly disclose the possible transactions contemplated hereby and file this Agreement with the SEC promptly after the execution of the same by both parties or as sooner required by law. Any press release about the transaction contemplated by this Agreement issued by either party shall be subject to the approval of the other party in its reasonable discretion. The provisions of this Article XII will survive any termination of this Agreement.

ARTICLE XIII

REMEDIES

Section 13.1 Default by Seller.

(a) If Closing of the purchase and sale transaction provided for herein does not occur as herein provided by reason of any default of Seller, Purchaser may, as Purchaser's sole and exclusive remedies, elect by written notice to Seller within ten (10) Business Days following the scheduled Closing Date, to either (a) terminate this Agreement, in which event Purchaser will receive from the Title Company the Earnest Money Deposit and in the event that such termination is due to an intentional or willful default by Seller or such termination is due to a failure of Seller's representations and warranties to be true and correct in all material respects as of the Closing Date due to an intentional or willful breach of such representations and warranties, Seller shall reimburse Purchaser for Purchaser's actual, out-of-pocket costs incurred in connection with this Agreement and the transaction contemplated hereby (including in connection with any proposed financing of the transaction contemplated by this Agreement) in an amount not to exceed \$250,000, which obligation shall survive the termination of this Agreement, whereupon Seller and Purchaser will have no further rights or obligations under this Agreement, except with respect to the Termination Surviving Obligations, or (b) pursue specific performance of this Agreement, so long as any action or proceeding commenced by Purchaser against Seller shall be filed and served within sixty (60) days of the scheduled Closing Date, and, in either event, Purchaser hereby waives all other remedies, including without limitation, any claim against Seller for damages of any type or kind including, without limitation, consequential or punitive damages. Notwithstanding the foregoing, nothing contained in this Section 13.1 will limit Purchaser's remedies at law, in equity or as herein provided in the event of a breach by Seller of any of the Closing Surviving Obligations after Closing or the Termination Surviving Obligations after termination, subject to the terms and provisions of this Agreement.

Section 13.2 DEFAULT BY PURCHASER. IN THE EVENT THE CLOSING AND THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREIN DO NOT OCCUR AS PROVIDED HEREIN (TIME BEING OF THE ESSENCE) BY REASON OF ANY DEFAULT OF PURCHASER TO PROCEED TO CLOSING IN ACCORDANCE WITH ITS OBLIGATIONS UNDER THIS AGREEMENT, PURCHASER AND SELLER AGREE IT WOULD BE IMPRACTICAL AND EXTREMELY DIFFICULT TO FIX THE DAMAGES WHICH SELLER MAY SUFFER. PURCHASER AND SELLER HEREBY AGREE THAT (i) AN AMOUNT EQUAL TO THE EARNEST MONEY DEPOSIT, TOGETHER WITH ALL INTEREST ACCRUED THEREON, IS A REASONABLE ESTIMATE OF THE TOTAL NET DETRIMENT SELLER WOULD SUFFER IN THE EVENT PURCHASER DEFAULTS AND FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY IN ACCORDANCE WITH ITS OBLIGATIONS UNDER THIS AGREEMENT, AND (ii) SUCH AMOUNT SHALL BE PAID TO SELLER AND WILL BE THE FULL, AGREED AND LIQUIDATED DAMAGES FOR PURCHASER'S DEFAULT AND FAILURE TO COMPLETE THE PURCHASE OF THE PROPERTY IN ACCORDANCE WITH ITS OBLIGATIONS UNDER THIS AGREEMENT, AND WILL BE SELLER'S SOLE AND EXCLUSIVE REMEDY (WHETHER AT LAW OR IN EQUITY) FOR ANY DEFAULT OF PURCHASER RESULTING IN THE FAILURE OF CONSUMMATION OF THE CLOSING BY PURCHASER IN ACCORDANCE WITH ITS OBLIGATIONS UNDER THIS AGREEMENT, WHEREUPON THIS AGREEMENT WILL TERMINATE AND SELLER AND PURCHASER WILL HAVE NO FURTHER RIGHTS OR OBLIGATIONS HEREUNDER, EXCEPT WITH RESPECT TO THE TERMINATION SURVIVING OBLIGATIONS. NOTWITHSTANDING THE FOREGOING, NOTHING CONTAINED IN THIS SECTION 13.2 HEREIN WILL LIMIT SELLER'S REMEDIES AT LAW, IN EQUITY

OR AS HEREIN PROVIDED IN THE EVENT OF A BREACH BY PURCHASER OF ANY OF THE CLOSING SURVIVING OBLIGATIONS OR THE TERMINATION SURVIVING OBLIGATIONS.

Section 13.3 **Consequential and Punitive Damages.** Each of Seller and Purchaser waives any right to sue the other for any consequential or punitive damages for matters arising under this Agreement (it being understood that each of Seller and Purchaser has waived the right to obtain incidental, special, exemplary or consequential damages in connection with any default of Purchaser or Seller respectively, or otherwise, which include, without limitation, loss of profits or inability to secure lenders, investors or buyers). This Section 13.3 shall survive Closing or termination of this Agreement.

Section 13.4 **Cure.** Neither party shall be deemed to be in default under this Agreement unless the other party delivers written notice of such default to the defaulting party and the defaulting party fails to cure such default within two (2) Business Days after receipt of such written notice.

ARTICLE XIV

NOTICES

Section 14.1 **Notices.** All notices or other communications required or permitted hereunder will be in writing, and will be given by (a) personal delivery, or (b) professional expedited delivery service with proof of delivery, or (c) sent by email, with written confirmation by expedited delivery service, in which case notice shall be deemed delivered upon receipt of confirmation of transmission of such email, sent to the intended addressee at the address set forth below, or to such other address or to the attention of such other person as the addressee will have designated by written notice sent in accordance herewith and will be deemed to have been given either at the time of personal delivery, or, in the case of expedited delivery service, as of the date of first attempted delivery on a Business Day at the address or in the manner provided herein, or, in the case of email, upon receipt if on a Business Day prior to 5:00 p.m. in the recipient's time zone, and, if not on a Business Day prior to 5:00 p.m. in the recipient's time zone, on the next Business Day. Unless changed in accordance with the preceding sentence, the addresses for notices given pursuant to this Agreement will be as follows:

To Purchaser: GI TC SEATTLE LLC
188 The Embarcadero, Suite 700
San Francisco, CA 94105
Attn: David Smolen
Email: dsmolen@gipartners.com

with copy to: SEYFARTH SHAW LLP
975 F Street, N.W.
Washington, DC 20004
Attn: Tom Galli
Email: tgalli@seyfarth.com

To Seller: HINES GLOBAL REIT 100/140 FOURTH AVE LLC
c/o Hines Advisors Limited Partnership
2800 Post Oak Boulevard, Suite 4800
Houston, Texas 77056
Attn: Kevin McMeans
Email: kevin.mcmeans@hines.com

with copy to: HINES GLOBAL REIT 100/140 FOURTH AVE LLC
c/o Hines Advisors Limited Partnership
2800 Post Oak Boulevard, Suite 4800
Houston, Texas 77056
Attn: Jason P. Maxwell – General Counsel
Email: jason.maxwell@hines.com

with copy to: Baker Botts L.L.P.
One Shell Plaza
910 Louisiana Street
Houston, Texas 77002
Attn: Connie Simmons Taylor
Email: connie.simmons.taylor@bakerbotts.com

ARTICLE XV

ASSIGNMENT AND BINDING EFFECT

Section 15.1 **Assignment; Binding Effect**. Purchaser will not have the right to assign this Agreement without Seller's prior written consent, to be given or withheld in Seller's sole and absolute discretion. Notwithstanding the foregoing, Purchaser may assign its rights under this Agreement to an Affiliate of Purchaser without the consent of Seller, provided that any such assignment does not relieve the assigning party of its obligations hereunder, and the assignee of Purchaser and Purchaser shall jointly and severally be liable for the obligations of Purchaser hereunder. Seller shall not have the right to assign this Agreement without Purchaser's prior written consent, to be given or withheld in Purchaser's sole and absolute discretion. This Agreement will be binding upon and inure to the benefit of Seller and Purchaser and their respective successors and permitted assigns, and no other party will be conferred any rights by virtue of this Agreement or be entitled to enforce any of the provisions hereof. Whenever a reference is made in this Agreement to Seller or Purchaser, such reference will include the successors and permitted assigns of such party under this Agreement.

ARTICLE XVI

PROCEDURE FOR INDEMNIFICATION AND LIMITED SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 16.1 Survival of Representations, Warranties and Covenants.

(a) Notwithstanding anything to the contrary contained in this Agreement, the representations and warranties of Seller set forth in this Agreement and Seller's liability under any provision of this Agreement, any Seller Certificate, and under any other document or agreement executed in connection with this Agreement, including all documents and agreements executed at Closing ("**Closing Documents**"), will survive the Closing for a period of six (6) months. Purchaser shall not have any right to bring any action against Seller as a result of (i) any untruth, inaccuracy or breach of such representations and warranties under this Agreement, or (ii) the failure of Seller to perform its obligations under any other provision of this Agreement, any Seller Certificate, or any of the Closing Documents, unless and until the aggregate amount of all liability and losses arising out of all such untruths, inaccuracies, breaches and failures exceeds \$100,000, in which event, the full amount of such claims shall be actionable. In addition, in no event will Seller's liability for all such untruths, inaccuracies, breaches, and/or failures under Sections 8.1, any other provision of this Agreement, any Seller Certificate, or under any Closing Documents exceed, in the aggregate, one and one-half percent (1.5%) of the Purchase Price. The limitations on liability set forth in this Section 16.1(a) shall not apply to (i) Seller's post-closing obligations under Sections 7.1(l), 9, 10.4 and 11.1 above, or Seller's obligations under Section 17.2 below.

(b) Seller shall have no liability with respect to any of Seller's representations or warranties herein if, prior to the Closing, Purchaser Obtains Knowledge of any breach of a representation or warranty of Seller herein, and Purchaser nevertheless consummates the transaction contemplated by this Agreement, in which case Purchaser shall be deemed to have waived such breach. For purposes hereof, "**Purchaser Obtains Knowledge**" shall mean (i) any Purchaser's Representative has actual knowledge of such breach of a representation or warranty, or (ii) any tenant estoppel certificate or third-party report delivered to Purchaser clearly contradicts any of Seller's representations or warranties herein. If, after the Effective Date, but prior to Closing, Purchaser discovers that one or more representations or warranties is no longer true and correct in any material respect and such inaccuracies in the aggregate affect the value of the Property by at least \$100,000, then Purchaser may terminate this Agreement by the delivery of written notice to Seller within five (5) Business Days after the date of such disclosure or the obtaining of such knowledge, in which case, Title Company shall promptly return the Earnest Money Deposit, and except for the Termination Surviving Obligations, the parties shall have no further rights or obligations to one another under this Agreement; provided Seller may, at its sole option by delivering notice to Purchaser within two (2) Business Days after Purchaser's delivery of its termination notice to Seller, elect to provide Purchaser a credit against the Purchase Price for the change in value in excess of \$100,000 resulting from such breach, in which event, Purchaser's termination shall be rendered void and of no effect.

(c) The Closing Surviving Obligations will survive Closing without limitation, unless a specified period is otherwise provided in this Agreement. All other representations, warranties, covenants and agreements made or undertaken by Seller under this Agreement, unless otherwise specifically provided herein, will not survive the Closing Date but will be merged into the Closing Documents delivered at the Closing. The Termination Surviving Obligations shall survive termination of this Agreement without limitation unless a specified period is otherwise provided in this Agreement.

ARTICLE XVII

MISCELLANEOUS

Section 17.1 Waivers; Amendments. No waiver of any breach of any covenant or provision contained herein will be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision contained herein. No extension of time for performance of any obligation or act will be deemed an extension of the time for performance of any other obligation or act. This Agreement may not be amended except in a writing signed by both Seller and Purchaser.

Section 17.2 Recovery of Certain Fees. In the event a party hereto files any action or suit against another party hereto by reason of any breach of any of the covenants, agreements or provisions contained in this Agreement, then in that event the prevailing party will be entitled to have and recover of and from the other party all attorneys' fees and costs resulting therefrom. For purposes of this Agreement, the term "attorneys' fees" or "attorneys' fees and costs" shall mean all court costs and the fees and expenses of counsel to the parties hereto, which may include printing, photostatting, duplicating and other expenses, air freight charges, and fees billed for law clerks, paralegals and other persons not admitted to the bar but performing services under the supervision of an attorney, and the costs and fees incurred in connection with the enforcement or collection of any judgment obtained in any such proceeding. The provisions of this Section 17.2 shall survive the entry of any judgment, and shall not merge, or be deemed to have merged, into any judgment.

Section 17.3 Time of Essence. Seller and Purchaser hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof. Without limiting the foregoing, Purchaser acknowledges that Purchaser has no, and waives any, right to extend the Closing Date except as expressly set forth herein.

Section 17.4 Construction. Headings at the beginning of each article and section are solely for the convenience of the parties and are not a part of this Agreement. Whenever required by the context of this Agreement, the singular will include the plural and the masculine will include the feminine and vice versa. This Agreement will not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same. All exhibits and schedules referred to in this Agreement are attached and incorporated by this reference, and any capitalized term used in any exhibit or schedule which is not defined in such exhibit or schedule will have the meaning attributable to such term in the body of this Agreement. In the event the date on which Purchaser or Seller is required to take any action under the terms of this Agreement is not a Business Day, the action will be taken on the next succeeding Business Day.

Section 17.5 Counterparts; Electronic Signatures Binding. To facilitate execution of this Agreement, this Agreement may be executed in multiple counterparts, each of which, when assembled to include an original, faxed or electronic mail (in .PDF or similar file) signature for each party contemplated to sign this Agreement, will constitute a complete and fully executed agreement. All such fully executed original, faxed or electronic mail (in .PDF or similar file) counterparts will collectively constitute a single agreement, and such signatures shall be binding upon the party sending the signature by such electronic means when sent.

Section 17.6 Severability. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any rule of law or public policy, all of the other conditions and provisions of this Agreement will nevertheless remain in full force and effect, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any adverse manner to either party. Upon such determination that any term or

other provision is invalid, illegal, or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to reflect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

Section 17.7 Entire Agreement. This Agreement is the final expression of, and contains the entire agreement between, the parties with respect to the subject matter hereof, and supersedes all prior understandings with respect thereto. This Agreement may not be modified, changed, supplemented or terminated, nor may any obligations hereunder be waived, except by written instrument, signed by the party to be charged or by its agent duly authorized in writing, or as otherwise expressly permitted herein.

Section 17.8 Governing Law and Venue. THIS AGREEMENT WILL BE CONSTRUED, PERFORMED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF WASHINGTON. THE PARTIES AGREE THAT ANY ACTION IN CONNECTION WITH THIS AGREEMENT SHALL BE BROUGHT AND MAINTAINED IN THE STATE OR FEDERAL COURTS THAT ARE SEATED IN THE CITY AND COUNTY IN WHICH THE PROPERTY IS LOCATED, AND THE PARTIES HEREBY CONSENT AND AGREE TO THE JURISDICTION OF SUCH COURTS.

Section 17.9 No Recording. The parties hereto agree that neither this Agreement nor any affidavit concerning it will be recorded; provided, that, Purchaser may file a lis pendens or other similar notice against the Property in connection with, and after, the proper filing of a suit for specific performance.

Section 17.10 Further Actions. The parties agree to execute such instructions to the Title Company and such other instruments and to do such further acts as may be reasonably necessary to carry out the provisions of this Agreement.

Section 17.11 No Other Inducements. The making, execution and delivery of this Agreement by the parties hereto have been induced by no representations, statements, warranties or agreements other than those expressly set forth herein.

Section 17.12 Exhibits. Exhibits A through U, inclusive, are incorporated herein by reference.

Section 17.13 No Partnership. Notwithstanding anything to the contrary contained herein, this Agreement shall not be deemed or construed to make the parties hereto partners or joint venturers, it being the intention of the parties to merely create the relationship of Seller and Purchaser with respect to the Property to be conveyed as contemplated hereby.

Section 17.14 Limitations on Benefits. It is the explicit intention of Purchaser and Seller that no person or entity other than Purchaser and Seller and their permitted successors and assigns is or shall be entitled to bring any action to enforce any provision of this Agreement against any of the parties hereto, and the covenants, undertakings and agreements set forth in this Agreement shall be solely for the benefit of, and shall be enforceable only by, Purchaser and Seller or their respective successors and assigns as permitted hereunder. Nothing contained in this Agreement shall under any circumstances whatsoever be deemed or construed, or be interpreted, as making any third party (including, without limitation, Broker or any Tenant) a beneficiary of any term or provision of this Agreement or any instrument or document delivered

pursuant hereto, and Purchaser and Seller expressly reject any such intent, construction or interpretation of this Agreement.

Section 17.15 Exculpation. In no event whatsoever shall recourse be had or liability asserted against any of Seller's partners, members, shareholders, employees, agents, directors, officers or other owners of Seller or their respective constituent members, partners, shareholders, employees, agents directors, officers or other owners. Seller's direct and indirect shareholders, partners, members, beneficiaries and owners and their respective trustees, officers, directors, employees, agents and security holders, assume no personal liability for any obligations entered into on behalf of Seller under this Agreement and the Closing Documents. In no event whatsoever shall recourse be had or liability asserted against any of Purchaser's partners, members, shareholders, employees, agents, directors, officers or other owners or their respective constituent members, partners, shareholders, employees, agents directors, officers or other owners. Purchaser's direct and indirect shareholders, partners, members, beneficiaries and owners and their respective trustees, officers, directors, employees, agents and security holders, assume no personal liability for any obligations entered into on behalf of Purchaser under this Agreement and the Closing Documents.

Section 17.16 Waiver of Jury Trial. THE PARTIES HERETO KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT TO A TRIAL BY JURY OF ANY DISPUTE ARISING UNDER OR RELATING TO THIS AGREEMENT AND AGREE THAT ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

Section 17.17 Environmental Disclosure. Purchaser and Seller acknowledge that the Property constitutes "Commercial Real Estate" as defined in RCW 64.06.005. Purchaser voluntarily waives receipt of the Seller disclosure statement required under RCW 64.06 for transactions involving the sale of commercial real estate, except for the Section entitled "Environmental". The Environmental Section of the Seller disclosure statement as completed by Seller is attached to this Agreement as **Exhibit L** attached hereto (the "**Disclosure Statement**"). Purchaser acknowledges receipt of the Disclosure Statement and waives its right to rescind the Agreement under RCW 64.06.030. Purchaser further acknowledges and agrees that the Disclosure Statement (i) is for the purposes of disclosure only, (ii) will not be considered part of this Agreement, and (iii) will not be construed as a representation or warranty of any kind by the Seller and that Seller's representations and warranties are as set forth in Section 8.1 above.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Seller and Purchaser have respectively executed this Agreement to be effective as of the date first above written.

PURCHASER:

GI TC SEATTLE LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

SELLER:

HINES GLOBAL REIT 100/140 FOURTH AVE LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

JOINDER BY GUARANTOR

Provided the Closing of the transaction contemplated by this Agreement occurs, the undersigned (“**Guarantor**”) agrees to and does guaranty to GI TC Seattle LLC, subject to the limitations on survival and liability contained in this Agreement, Seller’s post-Closing obligations under this Agreement, including without limitation any liability relating to Seller’s breach of representation or warranty.

Guarantor does hereby waive each of the following: (a) any and all notices and demands of every kind which may be required to be given by any statute, rule or law, (b) any failure by Purchaser to inform Guarantor of any facts Purchaser may know or hereafter know about Seller, the Property or this Agreement, it being understood and agreed that Purchaser has no duty so to inform and that Guarantor is fully responsible for being and remaining informed by Seller of all circumstances bearing on the risk of nonperformance of Seller’s obligations under this Agreement, (c) any defense Guarantor has to performance hereunder, and any right Guarantor has to be exonerated arising by reason of any alteration of the obligations by Seller and Purchaser or any acceptance by Purchaser of anything in partial satisfaction of such obligations or any course of dealing between Seller and Purchaser, (d) notice of any adverse change in the financial condition of Seller or of any fact that might increase Guarantor’s risk hereunder, (e) any and all subrogation, contribution, indemnity and reimbursement rights against Seller until the obligations have been paid, performed and fully satisfied in full, (f) any assignment, conveyance, extinguishment, merger or other transfer, voluntary or involuntary (whether by operation of law or otherwise) of all or any part of the interest of Seller in this Agreement; or (g) any other defense available to a surety under applicable law. Guarantor further waives any right to require Purchaser to join Seller in any action brought under this joinder by Guarantor or to pursue any other remedy or enforce any other right. Guarantor further waives all other suretyship defenses Guarantor would otherwise have under the laws of the State of Washington or any other jurisdiction.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of all or any part of the guaranteed obligations is rescinded or must otherwise be returned by Purchaser upon the insolvency, bankruptcy or reorganization of Seller or Guarantor, or otherwise, all as though such payment had not been made. Guarantor’s liability shall not be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of liability of Seller or of any remedy for the enforcement thereof, resulting from the operation of any present or future provision of the Federal Bankruptcy Code, or any similar law or statute of the United States or any state thereof covering insolvency, bankruptcy, rehabilitation, liquidation or reorganization (collectively, “**Bankruptcy Laws**”), it being the intention of Guarantor that Guarantor’s liability hereunder shall be determined without regard to any Bankruptcy Laws which may relieve Seller of any obligations.

HINES GLOBAL REIT, INC.,
a Maryland corporation

By: _____
Name: _____
Title: _____

JOINDER BY TITLE COMPANY

First American Title Insurance Company, referred to in this Agreement as the “Title Company,” hereby acknowledges that it received this Agreement executed by Seller and Purchaser as of November 15, 2016, and accepts the obligations of the Title Company as set forth herein. The Title Company hereby agrees to hold and distribute the Earnest Money Deposit, when and if made, and interest thereon, and Closing proceeds in accordance with the terms and provisions of this Agreement. It further acknowledges that it hereby assumes all responsibilities for information reporting required under Section 6045(e) of the Internal Revenue Code. The Title Company further agrees to issue the Title Policy at Closing in the form of the pro forma title policy attached to this Agreement as Exhibit U, subject to satisfaction of the requirements listed in Title Company’s commitment and payment of the title premium.

FIRST AMERICAN TITLE INSURANCE COMPANY

By: _____

Printed Name: _____

Title:

JOINDER BY CO-INSURER

Fidelity National Title Company hereby acknowledges that it has agreed to co-insure title as to the Property described in this Agreement executed by Seller and Purchaser as of November 15, 2016, and agrees to execute the co-insurance endorsement attached to the pro forma Title Policy attached to this Agreement as Exhibit U at Closing, subject to satisfaction of the requirements listed in Fidelity's title commitment and payment of the applicable premium.

FIDELITY NATIONAL TITLE COMPANY

By: _____

Printed Name: _____

Title:

JOINDER BY BROKER

The undersigned Broker joins herein to evidence such Broker's agreement to the provisions of Section 11.1 and to represent to Seller and Purchaser that such Broker (i) knows of no other brokers, salespersons or other parties entitled to any compensation for brokerage services arising out of this transaction, (ii) has not made any of the representations or warranties specifically disclaimed by Seller in Article V and (iii) is duly licensed and authorized to do business in the State of Washington.

JONES LANG LASALLE

Date: November __, 2016

By: __
Printed Name: __
Title: __

Address: __
—

License No.: __
Tax ID. No.: __

LIST OF SUBSIDIARIES

Name	Jurisdiction of
Hines Global REIT Properties LP	Delaware
Hines Global REIT 17600 Gillette GP LLC	Delaware
Hines Global REIT 17600 Gillette LP	Delaware
Hines-Laser UK Venture I S.Á.R.L. (Lux)	Luxembourg
Hines-Lasar Brindley 3 S.Á.R.L.	Luxembourg
Hines-Laser Brindley 4 S.Á.R.L.	Luxembourg
Hines-Laser Brindley 5 S.Á.R.L.	Luxembourg
Hines-Laser Brindley 6 S.Á.R.L.	Luxembourg
Hines-Laser Brindley 9 S.Á.R.L.	Luxembourg
Hines-Laser Brindley 100 S.Á.R.L.	Luxembourg
Hines Global REIT Hock Plaza I LLC	Delaware
Hines Global REIT Southpark Center II GP LLC	Delaware
Hines Global REIT Southpark Center II LP	Delaware
Hines Global REIT 50 South Sixth LLC	Delaware
Hines Global REIT International Investment Manager LLC	Delaware
Hines Global REIT European Holdings LLC	Delaware
Hines Global REIT HoldCo S.Á.R.L.	Luxembourg
Sofina Properties Limited	British Virgin Islands
Hines Global REIT Moscow Holdings I LLC	Delaware
Ifmall Finance Ltd.	British Virgin Islands
Finmos Ltd.	Cyprus
Dolorous Ltd.	Cyprus
ZAO FM Logistic (SEVO)	Russia
Hines Global REIT Moscow Holdings II LLC	Delaware
HGR Moscow G11 Holdings, Ltd.	British Virgin Islands
Glumeran Holdings Limited	Cyprus
Fibersoft Limited	Cyprus
Maxrange Limited	Cyprus
OOO Gogolevsky 11	Russia
OOO GTN Global Properties 2	Russia
Hines Global REIT 250 Royall LLC	Delaware
Hines Global REIT Marlborough Campus I LLC	Delaware
Hines Global REIT Marlborough Campus II LLC	Delaware
Hines Global REIT Marlborough Holdings LLC	Delaware
Hines Global REIT Services Holdings, Inc.	Delaware
Hines Global REIT 100/140 Fourth Ave Services, Inc.	Delaware
Hines Global REIT Marlborough Campus Services, Inc.	Delaware
Hines Global REIT 100/140 Fourth Ave LLC	Delaware
Hines Global REIT Ashford Bridge Lender LLC	Delaware
Hines Global REIT Ashford Equity LLC	Delaware
Hines Global REIT Ashford Lender LLC	Delaware
Hines Global REIT One Waterwall Partner LLC	Delaware
Hines One Waterwall Holdings LP	Delaware
Hines One Waterwall GP LLC	Texas
Hines One Waterwall LP	Texas

Name	Jurisdiction of
Hines Global REIT 9320 Excelsior LLC	Delaware
Hines Global REIT Debt Fund Services, Inc.	Delaware
Hines Global REIT Debt Fund Holdings LLC	Delaware
Flagship Capital Partners Fund I LP	Texas
Flagship Capital Partners Fund II LP	Texas
Hines Global REIT Poland Finco LLC	Delaware
Hines Global REIT Poland Logistics Holdings I LLC	Delaware
HGR Poland Holdings GP LLC	Delaware
HGR Vienna Holdings LP	Delaware
HGR Geneva Holdings LP	Delaware
HGR Titus Holdings LP	Delaware
HGR Trajan Holdings LP	Delaware
HGR Hadrian Holdings LP	Delaware
HGR Nero Holdings LP	Delaware
Piran Investments Sp. z o.o.	Poland
Ipopema 57 Fundusz Inwestycyjny Zamkniety Aktywów Niepublicznych	Poland
Piran Investments Sp. z o.o. Geneva SJ	Poland
Piran Investments Sp. z o.o. Titus SJ	Poland
Piran Investments Sp. z o.o. Trajan SJ	Poland
Piran Investments Sp. z o.o. Hadrian SJ	Poland
Piran Investments Sp. z o.o. Nero SJ	Poland
Piran Investments Sp. z o.o. Vienna SJ	Poland
Prologis Poland XCI Sp. z o.o.	Poland
Hines Global REIT Australia Holdco LLC	Delaware
Hines Global REIT Australia Holdings Trust	Australia
Hines Global REIT Montague Trust	Australia
Hines Global REIT Brookes Trust	Australia
Hines Global REIT 550 Terry Francois LP	Delaware
Hines Global REIT 550 Terry Francois GP LLC	Delaware
Hines Global REIT Minnesota Retail I LLC	Delaware
Galleria Shopping Center LLC	Minnesota
Hines Global REIT Ann Trust	Australia
Ponce & Bird Miami Development LLC	Delaware
Hines Ponce & Bird Holdings LP	Delaware
Hines Global REIT Ponce & Bird Partner LLC	Delaware
Hines Global REIT Siemensstrase 7 LLC	Delaware
Hines Global REIT Victoria Trust	Australia
Galleria Parking Ramp LLC	Minnesota
GREIT European Holdings II LLC	Delaware
One Westferry Circus S.a.r.l	Luxembourg
Global REIT Westferry HoldCo S.a.r.l	Luxembourg
Hines Global REIT 1 Westferry Holdings LLC	Delaware
Eaglestone sp. z o. o.	Poland
Hines Global REIT Riverside Center LLC	Delaware
Hines Global REIT Riverside Services, Inc.	Delaware
Hines Global REIT Campus Playa Vista LP	Delaware
Hines Global REIT Campus Playa Vista GP LLC	Delaware
Hines Global REIT Playa Services, Inc.	Delaware
Global REIT PD S.a.r.l.	Luxembourg

Name	Jurisdiction of
GREIT France 1	Paris
SCI GREIT Paris 1	Paris
GREIT ICR Services Inc.	Delaware
ICR Services S.a.r.l.	Luxembourg
PD ICR	Nanterre
Hines Global REIT 4875 Town Center LLC	Delaware
Hines Global REIT 2615 Med Center Parkway LLC	Delaware
Hines Global REIT 2300 Main Street LP	Delaware
Hines Global REIT 2300 Main Street GP LLC	Delaware
Hines Global REIT Sulzenbrucker Strasse 7 LLC	Delaware
Hines Global REIT 55M Street LLC	Delaware
Hines Global REIT San Antonio Retail I LP	Delaware
Hines Global REIT San Antonio Retail I GP LLC	Delaware
Hines Global REIT Cabot Square Holdings LLC	Delaware
Global REIT Cabot Square HoldCo S.a.r.l.	Luxembourg
Cabot Square Retail S.a.r.l.	Luxembourg
25 Cabot Square S.a.r.l.	Luxembourg
Hines Global REIT Forchheim Logistics LLC	Delaware
Hines Global REIT Rim Lender LP	Texas
Hines Global REIT Rim Lender GP LLC	Texas
Hines Global REIT Bourke Trust	Australia
Hines Global REIT Summit Holdings LLC	Delaware
Hines Global REIT 320 108 th Ave LLC	Delaware
Hines Global REIT Summit Services Inc.	Delaware
Hines Global REIT Karlsdorf LLC	Delaware
Hines Global REIT Duisburg LLC	Delaware
Hines Global REIT Nuremberg LLC	Delaware
Albelia Holdings Limited	Cyprus
NC Office sp. z o.o	Poland
NCDP sp. z o.o	Poland

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-195478 on Form S-3 of our report dated March 28, 2017, relating to the consolidated financial statements and financial statement schedules of Hines Global REIT, Inc. and subsidiaries, appearing in this Annual Report on Form 10-K of Hines Global REIT, Inc. for the year ended December 31, 2016.

/s/ Deloitte & Touche LLP

Houston, Texas
March 28, 2017

**CERTIFICATION
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Sherri W. Schugart, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hines Global REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2017

/s/ Sherri W. Schugart

Sherri W. Schugart

President and Chief Executive Officer

**CERTIFICATION
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Ryan T. Sims, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hines Global REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2017

/s/ Ryan T. Sims

Ryan T. Sims

Chief Financial Officer and Secretary

**WRITTEN STATEMENT OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE
SARBANES — OXLEY ACT OF 2002**

The undersigned, the Chief Executive Officer and the Chief Financial Officer of Hines Global REIT, Inc. (“the Company”), each hereby certifies that to his/her knowledge, on the date hereof:

(a) the Annual Report on Form 10-K of the Company for the year ended December 31, 2016 filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2017

/s/ Sherri W. Schugart

Sherri W. Schugart

President and Chief Executive Officer

Date: March 28, 2017

/s/ Ryan T. Sims

Ryan T. Sims

Chief Financial Officer and Secretary

CONSENT OF INDEPENDENT VALUER

We hereby consent to the references to our name and the opinions we have delivered to Hines Global REIT, Inc. and the description of our role in the valuation process of the domestic properties owned by Hines Global REIT, Inc. and its subsidiaries (collectively, the "Company") in the text under the caption, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities- Market Information, " included in Part II, Item 5 of the Annual Report on Form 10-K for the year ended December 31, 2016 of Hines Global REIT, Inc. being included or incorporated by reference in the Registration Statement on Form S-3 (No. 333-195478) of Hines Global REIT, Inc., and the related Prospectus.

In giving such consent, we do not thereby admit we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933.

/s/ Cushman & Wakefield, Inc.

Cushman & Wakefield, Inc.

March 28, 2017

CONSENT OF INDEPENDENT VALUER

We hereby consent to the references to our name and the opinions we have delivered to Hines Global REIT, Inc. and the description of our role in the valuation process of the international properties owned by Hines Global REIT, Inc. and its subsidiaries (collectively, the "Company") in the text under the caption, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities- Market Information, " included in Part II, Item 5 of the Annual Report on Form 10-K for the year ended December 31, 2016 of Hines Global REIT, Inc. being included or incorporated by reference in the Registration Statement on Form S-3 (No. 333-195478) of Hines Global REIT, Inc., and the related Prospectus.

In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933.

/s/ Knight Frank, LLP

Knight Frank, LLP

March 28, 2017

CONSENT OF INDEPENDENT VALUER

We hereby consent to the reference to our name and the description of our role in the valuation of the debt obligations of Hines Global REIT, Inc. and its subsidiaries (collectively, the “Company”) in the text under the caption, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities- Market Information, " included in Part II, Item 5 of the Annual Report on Form 10-K for the year ended December 31, 2016 of Hines Global REIT, Inc. being included or incorporated by reference in the Registration Statement on Form S-3 (No. 333-195478) of Hines Global REIT, Inc., and the related Prospectus.

In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933.

/s/ Jones Lang LaSalle

Jones Lang LaSalle

March 28, 2017

CONSENT OF INDEPENDENT VALUER

We hereby consent to the reference to our name and the description of our role in the valuation process of Hines Global REIT, Inc. and its subsidiaries (collectively, the “Company”) in the text under the caption, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities- Market Information, " included in Part II, Item 5 of the Annual Report on Form 10-K for the year ended December 31, 2016 of Hines Global REIT, Inc. being included or incorporated by reference in the Registration Statement on Form S-3 (No. 333-195478) of Hines Global REIT, Inc., and the related Prospectus.

In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933.

/s/ Altus Group U.S., Inc.

Altus Group U.S., Inc.

March 28, 2017