

DEVONSHIRE

INVESTOR NEWSLETTER

SUMMER/FALL 2016

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RECENT PROPERTY ACQUISITIONS (REIT)

The Cypress Shopping Center, Tampa, FL - \$24.6M

The Cypress Shopping Center is a 111,228 square foot shopping center located in Tampa, FL at the southwest corner of Bruce B. Downs Boulevard and County Line Road in the "New Tampa/Wesley Chapel" area. It is approximately 15 miles northeast of downtown Tampa. Built in 2009, the property is

currently 100% occupied and anchored by Winn-Dixie and L.A. Fitness, each under long term leases. Additional tenants include: Five Guys Burgers and Fries, Scotttrade, Nutrishop, China Wok and USF Federal Credit Union.



Felch Street Center, Holland, MI - \$20.51M

Felch Street Center is a 164,181 square foot open air regional power center in Holland, Michigan anchored by Lowes Home Improvement* that includes national tenants TJ Maxx, JoAnn Fabrics,

Bed Bath & Beyond, Barnes & Noble, Office Max, Party City, Shoe Carnival and Ulta. The property is located on US Highway 181, the primary artery through the community, and is 100% occupied.



The Willows Shopping Center, Goshen, IN - \$15.58M

The Willows Shopping Center is a 139,141 square foot open air regional power center located in Goshen, IN and anchored by Target that includes other national tenants Bath & Body Works, Kohl's,

Michaels, Office Max and Rue 21. The property is located on US Highway 33, the main retail corridor in the surrounding region, and is 100% occupied.



* Lowes Home Improvement in Felch Street Center and Target in The Willows Shopping Center are not owned by Devonshire REIT.

ONGOING DEVELOPMENT AND REDEVELOPMENT OF CURRENT PROPERTIES (REIT)

Fresh Thyme Farmers Market

Devonshire turned a tired Office Depot into the first Fresh Thyme Farmers Market in Toledo. The store officially opened for business on Wednesday, June 22. If the initial community interest is any indication of future success, then this store should do well because a line of shoppers began forming well

before the 7am opening and approximately 300 crowded into the store on the morning of its first official day of business.

Devonshire is currently in negotiations with Fresh Thyme to build more stores in other locations across several states



Office Depot before re-development of the site for Fresh Thyme



Fresh Thyme Grand Opening June 22, 2016



Over 300 excited shoppers lined up before 7am to be the first in the store

Starbucks at Franklin Place

A primary objective of Devonshire is to find properties with value-add opportunities. As has been well documented, Franklin Place offered a number of opportunities including lease up vacancies, raze and rebuild, refurbish and unused outlots. An outlot was used to add additional space to the center for a Starbucks that relocated from a competing center down the street. The new location, now with a drive-thru, at Franklin Place generates more revenue before 9AM than previously in a full day.



Toledo Ballet at Monroe Street Market

Inefficient and wasted space at Monroe Street Market was turned into the perfect relocation site for Toledo Ballet Association. Although at their previous location for over 15 years, more convenient access and more space warranted the move. Filling the space added over \$1M to the value of the center for Devonshire and its investors.



Taco Bell and Fifth Third ATM at Monroe Street Market

Continuing the theme of making the most effective and efficient use of a property's available space, Devonshire provided a building pad for a Taco Bell ground lease at the traffic-lighted corner of Monroe and Nantucket, and added a Fifth Third Bank ATM. These improvements should increase traffic and add even more value to the center.



RECENT PROPERTY DISPOSITIONS (REIT II)

Repositioning Capital

As Devonshire grows and matures, properties acquired in its earlier years may no longer fit within the parameters of its current property acquisition criteria. Some of these properties have been with the company since the very beginning and their disposition proves the evolution of Devonshire.

As opportunity presents itself, the management team will continue to reposition capital to its highest and best use which could take several forms including acquisition of new properties, redevelopment of existing properties or paying down higher cost debt.



BG Center
Bowling Green, OH



Falcon Plaza
Bowling Green, OH



Rocket Center
Toledo, OH



741 Commerce Drive
Perrysburg, OH



Brightside Academy
Toledo, OH



Reynolds-Hill Center
Toledo, OH



Heatherdowns - Byrne Road
Toledo, OH



CVS
Murray, KY

DEVONSHIRE NAMED ONE OF THE FASTEST GROWING REAL ESTATE COMPANIES

In its December, 2015 issue, Real Estate Forum magazine named Devonshire REIT one of the fastest growing real estate companies in the coun-

try. With 3 year revenue growth of 235% (from \$9M to over \$30M {2012 - 2014}), Devonshire placed second in the "Mid-size" company category.

	<p>Campbell</p>	<p>Devonshire REIT Inc. Whitehouse, OH OVERALL GROWTH RANK: 2 REVENUE GROWTH RANK: 2 EMPLOYEE HEADCOUNT GROWTH RANK: 4</p>	<p>2014 Revenue: \$30,375,748 Three-Year Growth in Revenue: 235.34% Projected Year-End 2015 Revenue: \$52,888,000 Number of Employees in 2014: 36 Three-Year Growth in Number of Employees: 89% 2015 Projected Headcount: 37</p>
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NEW DEVELOPMENT AND REDEVELOPMENT PROJECTS* (DDG)

Gateway Plaza - Ft Pierce, Florida

Stage of Redevelopment - Negotiating lease terms with key tenants

Financial Overview of Project:

Acquisition Cost	\$8.8M
Redevelopment Cost	\$21.2M
Total Cost	\$30.0M
<hr/>	
Projected Stabilized NOI	\$2.6M
Projected Stabilized Value	\$40.0M
Projected Unlevered Return	8.7%
Projected Gain on Value	\$10.0M

Project Renderings



Bardstown Road - Louisville, Kentucky

Stage of Development - Permitting and Zoning

Financial Overview of Project:

Projected Total Cost	\$41.4M
Projected Stabilized NOI	\$3.7M
Projected Stabilized Value	\$57.0M
Projected Unlevered Return	8.9%
Projected Gain on Value	\$15.6M



Project Renderings



* Projections only. Actual results could vary greatly, or these particular projects might not come to fruition at all due to unexpected events.

DEVONSHIRE DEVELOPMENT GROUP, LLC (DDG)

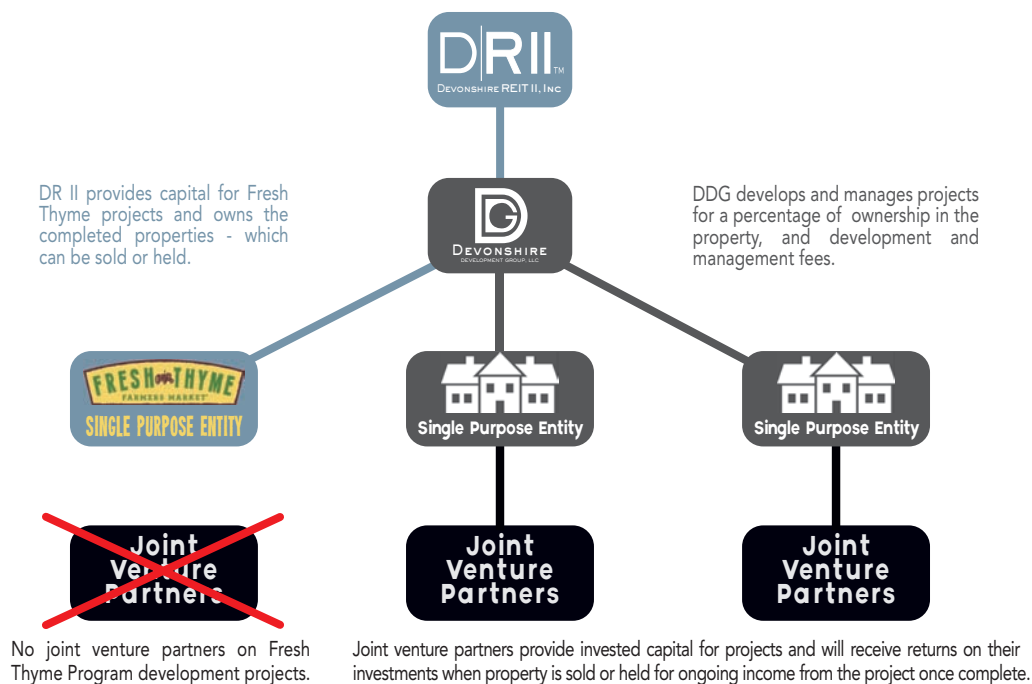
Structure, Process, Responsibilities and Purpose

Devonshire Development Group, LLC was created as a Taxable REIT Subsidiary (TRS) of Devonshire REIT II to better take advantage of talents and experience within the management team, and help increase non-rental revenue to the REIT. This non-rental revenue may typically take the form of development and management fees that, as a TRS, can be earned from third-parties and flow to the REIT.

The structure greatly increases the opportunities with preferred developer programs because DDG offers flexibility in the level of equity participation.

Being a separate entity from the REIT, DDG also has more flexibility in the level of involvement with Joint Venture (JV) opportunities where the JV partner provides capital as opposed to the REIT, but DDG can earn a development fee and an equity position through service.

Simply stated, DDG increases the flexibility of the business to generate revenues which help to increase Devonshire REIT II shareholder returns.



Fresh Thyme Farmers Market Development Program

Fresh Thyme Farmers Market is one of the fastest growing specialty grocers in the country and plans to open 30 - 40 stores a year for the next several years. Thanks to the success of the new Monroe Street Fresh Thyme store, DDG has become a preferred developer for the chain and is currently scouting new locations in several states. Fresh Thyme has committed to space in

the Louisville, KY Bardstown Road development noted earlier, but this isn't a stand alone store as most Fresh Thyme Farmers Markets are, so there will be joint venture partners involved in that project. DDG hopes to develop at least 3 - 5 Fresh Thyme stores per year.

INDUSTRY AND ECONOMIC NEWS

Interest Rates Unlikely To Rise Soon With Slowing Economy

Most economists expected GDP growth of 2.5% for the second quarter, 2016, but the number was less than half that at 1.2%.

After justifying its decision to not raise rates on Wednesday due to inflation that "has continued to run below the Committee's 2 percent longer-run objective", it may have actually been because the Committee knew that the Commerce Department report on GDP growth would come in weak on Friday. With numbers like these we are unlikely to see significant

change interest rate increases in the near future.

Under normal circumstances, a slowing GDP growth could be cause for concern in retail real estate, but this slow down is not due to a lack of consumer spending, but corporate spending. Consumer spending actually grew at a rate of 4.4%.¹

The spread between cap rates and cost of capital remains healthy, and this spread alone yields continued healthy returns for commercial real estate investors.

Why HNW Clients Want To Invest In Real Estate

A recent U.S. Trust study says high-net-worth clients are "most optimistic about their return on tangible assets, such as land, timber and investment real estate."

Tangible asset ownership has risen by almost 20% among the respondents to the survey in just the last two years. Market volatility, asset protection objectives and the lack of correlation with traditional investments are all driving interest. Also attractive is the asset

category's ability to provide favorable risk return profiles, current income and historic long-term growth. These are the same reasons given by the largest institutional investors like pensions, endowments and foundations for owning the asset class, and aligns with the study's finding that HNW investors with professional financial advisors are more likely to use tangible asset alternatives than those without advisors.²

What Amazon's New Store in Manhattan Might Mean For Retailing

The e-commerce company that once stirred fear and anxiety among bookstore owners is getting into the business that it changed forever. After opening bricks-and-mortar stores in Seattle and Portland, it now plans to open a new store in Manhattan.

Amazon Books stores integrate the benefits of bricks-and-mortar and online shopping where customers can sample the company's electronic devices, which are its top-selling products.

Amazon Books locations should be a major traffic

generator for physical shopping centers and the shopping center business is looking forward to that.³

General Growth Properties' CEO Sandeep Mathrani said that the company might open 300 to 400 stores. Although Amazon has disputed this claim, there must be some chatter behind the scenes for Mathrani to make the statement publicly.

Whatever the future holds, the opening of any Amazon bricks-and-mortar stores is a vote of confidence for the commercial real estate industry.

Headline Retail Store Closings Don't Tell The Whole Story

Macy's is struggling, Sports Authority is closing all 460 of its stores and lower tier enclosed malls are experiencing unsustainable vacancy rates. This along with strong online retail growth adds up to doom for bricks-and-mortar retail according to mainstream media. But the headlines hide the truth in the current retail real estate market. Which is that vacancy rates are low, demand remains strong and that demand continues to outpace new retail construction.

The disconnect comes from the fact that demand for

retail space is not being driven by the normal players. Discount department stores, dollar stores and specialty grocers are the new drivers for bricks-and-mortar space - and their demand is more than offsetting the threat from e-commerce and the decline of mall based department stores.

In fact, a recent CBRE survey of retailers found that 99% of retailers worldwide plan to open at least one new store, and 55% plan to open over 40 new stores in 2016 alone.^{4,5}

¹ Harlan, Chico, The Washington Post, U.S. Economy Grew At A Slow Pace In Spring, Expanding At Just 1.2 Percent Pace In Second Quarter, 29JUL16.

² Ortega, Ralph, OnWallStreet, Why HNW Clients Want To Invest In Real Estate, 5JUL16.

³ Mitchell, Donna, National Real Estate Investor, What the Amazon Store in Manhattan's Hudson Yards Might Mean for Retailing, 14JUL16.

⁴ Ostrowski, Jeff, Institutional Investor, Store Closings Belie a Healthy US Retail Property Market, 2JUN16.

⁵ eMarketer, Retailers Worldwide Aim for More New Stores in 2016, 5APR16.

FIDUCIARY COMMERCIAL REAL ESTATE SYMPOSIUM

JANUARY 27TH - 29TH, 2016
LAPLAYA BEACH & GOLF RESORT
NAPLES, FLORIDA



2016 Symposium Speakers and Topics



Dick Vitale
Basketball Hall of Fame, 2008
Analyst ESPN, ABC Sports
The Game of Life



Brian S. Mick, Esq
President
Mick & Associates, PC, LLO
Real Estate Due Diligence & Underwriting



Eric Davis
President & CIO
Integrity Bank & Trust
Diversification 3.0-Crucial Client Conversations



Glenn R. Mueller, Ph.D.
Prof, School of Real Estate & Const Mgmt
University of Denver
Economic Fundamentals and Real Estate Cycles



Brad Case, PhD, CFA, CAIA
Senior Vice President, Research
NAREIT
Portfolio Diversification Benefits of Combining Holdings in Listed and Unlisted Equity Real Estate



Tim Moore
Owner/Keynote Speaker
Dancing Elephants Achievement Group
Leveraging Generational Differences



R. Todd Ervin, JD
Member
Bass, Berry & Sims, PLC
Tax Deferral and Avoidance with UPREITs



Michael J. Dixon
Director of Organizational Development
Pohl Consulting and Training
Round Table Panel Moderator

JANUARY 27TH - 29TH, 2016

FIDUCIARY COMMERCIAL REAL ESTATE SYMPOSIUM

LA PLAYA GOLF & BEACH RESORT
NAPLES, FLORIDA



La Playa Golf & Beach Resort, Naples, Florida



Dinner on the Veranda at La Playa Golf & Beach Resort



Devonshire employees contributed \$30,000 to the "V" Foundation in Dick Vitale's name



Mr. Dick Vitale gave us a rousing and moving speech on Wednesday night at dinner after sitting for pictures and autographing basketballs for hours



Jim Bullock, Integrity Bank & Trust and Hal Peterson, Bank of Idaho



Steve Brown, Accutest Systems; Matt Windhaus and David Rea, Field and Main Bank



Ellen Scott and Don Kingsbury, American Bank - Corpus Christi; Chris Campbell, Devonshire REIT



Jim Terwilliger, Canandaigua National Bank; Chris Campbell, Devonshire REIT



Matt Wiley, Plains Capital Bank; Chris "Tucker" Denman, Devonshire; Rich Wyatt, Plains Capital Bank



Jeff Schultz, American National Bank - Wichita Falls; Walt Lotspeich, Devonshire REIT



Steve Soper, Rabobank, NA; Rick Suder, Devonshire REIT; Bruce Lee, Community Trust - Zanesville, OH



Roundtable Panel (left to right): Mike McAlpine, Peoples Bank; Thom Kieffer, Winona National Bank; Don Kingsbury, American Bank; Steve Soper, Rabobank, NA

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FIDUCIARY COMMERCIAL REAL ESTATE SYMPOSIUM

FEBRUARY 1ST - 3RD, 2017
THE PHOENICIAN RESORT
SCOTTSDALE, ARIZONA

MARK YOUR CALENDAR*

February 1st - 3rd, 2017

These committed speakers already represent an all-star cast, but we will have several additional noteworthy names to share with you soon!



Eugene Maloney, Esq.
Executive VP & Corporate Counsel
Federated Investors, Inc.
Pittsburgh, PA



Rex Kyle, Esq.
Senior VP & Trust Officer
First Security Bank
Little Rock, AR



Brad Case, PhD, CFA, CAIA
Senior VP, Research & Industry Info
NAREIT
Washington, DC



Glenn R. Mueller, PhD
Prof, School of RE & Const Mgmt
University of Denver
Denver, CO

**Symposium attendance is by invitation only.*

UPCOMING CONFERENCES

Date	Conference	Location
September 14 th - 16 th , 2016	Infovisa User Conference	San Antonio, TX
September 19 th - 20 th , 2016	Tri-State Trust Forum	Portsmouth, NH
September 21 st - 23 rd , 2016	New York Bankers Trust Conference	Cooperstown, NY
September 25 th - 27 th , 2016	Association of Trust Organizations (ATO) Annual Meeting	Portland, OR
September 29 th - 30 th , 2016	Iowa Trust Conference	Des Moines, IA
October 5 th - 7 th , 2016	Trust Management Network Conference	Fort Worth, TX
October 6 th - 7 th , 2016	Kansas Trust Conference	Topeka, KS
October 10 th - 12 th , 2016	Midwest Trust & Investment Conference	Plymouth, MI
November 2 nd - 3 rd , 2016	Arkansas Bankers Trust Conference	Hot Springs, AR
November 2 nd - 4 th , 2016	PBA Central Atlantic Trust Conference	Hershey, PA
February 1 st - 3 rd , 2017	Fiduciary Commercial Real Estate Symposium	Scottsdale, AZ

DEVONSHIRE REIT II, INC. OFFERING

Offering Type	Preferred Shares	Common Shares
Offering Size	20,000 shares	10,000,000 shares
Offering Price	\$1,000/share	\$12.00/share
Minimum Investment	\$1,000,000	\$1,000,000
Series, Rate & Redemption ¹	A1 - 3.0% - October 1, 2017 ³ B1 - 3.5% - October 1, 2018 ³ C1 - 4.0% - October 1, 2019 ³ D1 - 5.0% - October 1, 2021 ³	6.00% ²
Distribution Frequency	Paid Monthly ⁴	Paid Monthly ⁴

¹ Preferred shares only. Common shares must be held for a minimum of 1 year and may thereafter be redeemed upon shareholder's request at management's discretion.

² Common share distributions are determined monthly by the Board of Directors, are not guaranteed, and may or may not be equal to the noted rate, or paid at all.

³ Last trade date for this preferred offering is September 10, 2016.

⁴ Noted distribution rates are annualized.

DEVONSHIRE|REIT II™

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