Inland Institutional Capital Partners Corporation

Retail Market Trends

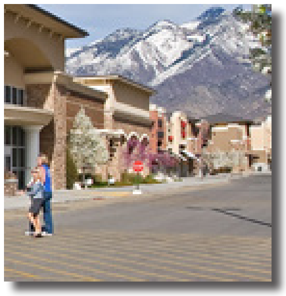
At the start of 2014, the retail real estate market appears poised to benefit from the positive trends of last year and continue on its path to recovery. The U.S. economy's slow but steady growth has helped to firm up demand among retailers while a dearth of construction has kept new supply in check. Though retail real estate is a diverse market that has further room for improvement, high quality properties typically held in institutional investment portfolios are well on their way to recovery and should help lead the broader retail sector to further growth.

Economy	Comparison	Change	Period
Real GDP [1]	Qtr.-over-Qtr. (annualized)	+ 4.1%	2Q 2013 to 3Q 2013
	Year-over-Year	+ 2.0%	3Q 2012 to 3Q 2013
Non-Farm Employment [2]	Year-over-Year	+ 1.7%	Nov. 2012 to Nov. 2013
Unemployment Rate (7.0%) [3]	Year-over-Year	- 0.8%	Nov. 2012 to Nov. 2013
Retail and Food Services Sales [4]	Year-over-Year	+ 4.7%	Nov. 2012 to Nov. 2013
Retail Real Estate		**Total**	**Period**
Green Street Advisors Strip Center Sector [5]		93.9%	Occupancy Rate for 3Q 2013
NCREIF NPI - Retail [6]		13.2%	One Year Return to 3Q 2013

U.S. Economy

On multiple fronts, the U.S. economy has shown encouraging signs of improvement. In the third quarter of 2013, real gross domestic product, adjusted for inflation, expanded at an annual rate of 4.1%, a 160 basis point increase over the second quarter's 2.5% annualized growth rate.[7] Furthermore, as of November 2013, total non-farm employment was 1.7% higher than the same month in the previous year, representing the addition of 2.3 million jobs.[8] Over the same twelve month period, the strengthening labor market helped contribute to an 80 basis point reduction in the national unemployment rate, as the percentage fell from 7.8% in November 2012 to 7.0% in November of 2013.[9] The unemployment rate has now declined by a total of 160 basis points since November of 2011.[10]

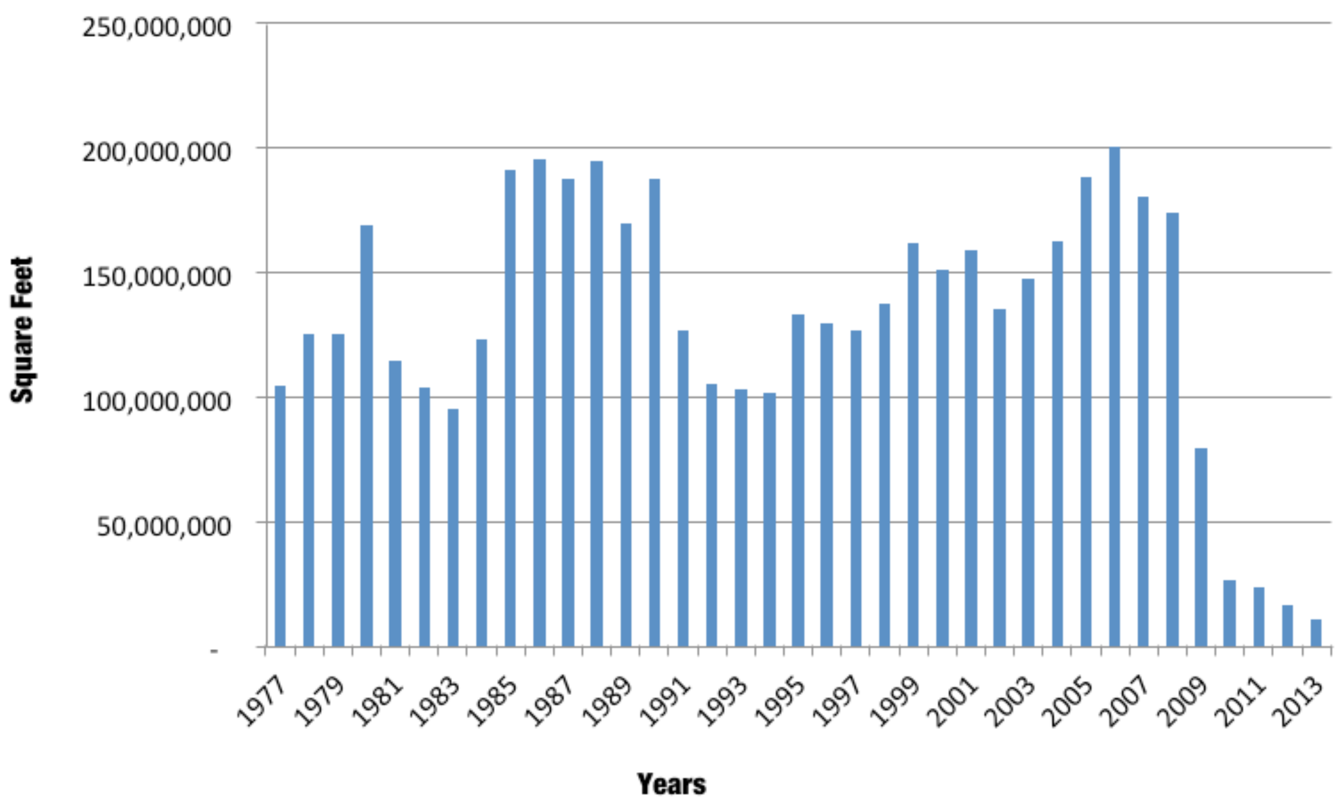
Importantly for retail real estate, the economic recovery has led to growth in consumer spending and retail sales. In the third quarter of 2013, personal income was 3.8% higher than in the third quarter of the previous year.[11] In turn, rising income helped support spending as monthly retail and food services sales increased on a year over year basis by 4.7% in November 2013.[12] During a similar time frame, inflation has been relatively modest with the Consumer Price Index increasing by only approximately 1.2%.[13] Going forward, many experts believe that additional positive signs in the economy, such as strong stock market performance and an improving housing market could provide further support to future consumer spending and retail sales.

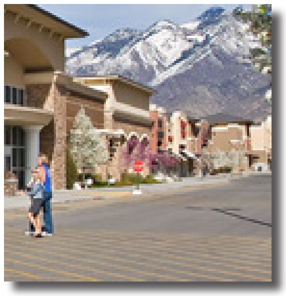

Retail Fundamentals

Economic expansion and growth in retail sales have helped drive demand for retail property, including strip center real estate. Strip centers are open-air shopping formats typically associated with neighborhood grocery centers and community centers. They are thus differentiated from enclosed regional or super-regional malls. According to Green Street Advisors, national net absorption in the strip center retail market is on pace to drive overall occupancy above the September 30, 2013 figure of 93.9% by year-end.[14] Multi-decade lows in new construction have further buttressed market fundamentals. According to data compiled by The International Council of Shopping Centers and CoStar Realty Information, Inc., the 16.6 million square feet of retail inventory added in 2012 was the lowest since records began in 1977.[15] And similarly low figures have been delivered in each year since 2009. Furthermore, the amount of new inventory delivered through the third quarter of 2013 was low as well, totaling only 11.1 million square feet.[16] To put these figures in perspective, the average delivery rate since 1977 has been over 130 million square feet per year.[17]

U.S. Shopping Center Industry - Change in Inventory Per Year [18]



The result of higher demand and very little supply has been an increase in occupancy rates, particularly in high quality "institutional" grade properties. While the overall national market has improved, recent demand


has demonstrated a flight to quality among retail tenants. The result is that institutional quality property has experienced a more robust recovery than the balance of the market. For example, many strip centers with in-fill locations and strong anchors are experiencing robust leasing activity and some rent growth. On the other hand, some shopping centers that were built on the edge of metropolitan areas during the housing boom have yet to secure enough consumer demand to be financially successful. Between 2010 and 2012, the average occupancy rate for Green Street Advisor's Strip Center Sector (currently comprised of 11 large REITs that specialize in strip center properties) grew to 93.5% from 91.7%, while the overall strip center market increased by less than .5% to 88%.[19] Through the third quarter of 2013, Green Street Advisors' Strip Center Sector occupancy rate has risen further to 93.9%.[20] Thus, while overall retail is steadily improving, the market is diverse and institutional quality property with proven locations and tenants are outperforming the field.

Retail Investment Performance

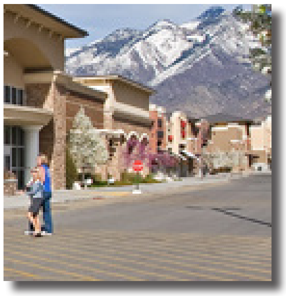
From an investors' perspective, the recent retail recovery has translated into higher income and appreciation. According to NCREIF's NPI Report for the third quarter of 2013, retail had the second highest unleveraged return of the five core property sectors at 2.7%.[21] Single tenant buildings and community centers were the leading subtypes.[22] Over a longer analysis period, retail was the leading property sector over the last four quarters with a total unleveraged yield of 13.2% as well as for the past ten years with an average annual return of 10.5%.[23] In conclusion, retail real estate, and especially institutional quality property, has been performing well due to the recovering economy, increasing retailer sales, and improving market fundamentals.

About The Inland Real Estate Group of Companies, Inc.

The Inland Retail Property Fund, LP[24] ("IRPF"), sponsored and advised by Inland Institutional Capital Partners Corporation ("ICAP"), will be supported by the Inland[25] integrated operating platform to create an efficient, reliable and unique investment opportunity in institutional real estate for today's investors. IRPF will seek to draw upon Inland's extensive resources, values, and expertise to build and manage its core retail portfolio.

ICAP is part of Inland, headquartered in Oak Brook, Illinois. Inland is one of the largest commercial real estate companies in the nation, representing more than 40 years of expertise and integrity in the industry. Inland is a fully integrated group of companies that is engaged in multiple facets of the real estate industry including property management, leasing, marketing, brokerage, acquisition, disposition, development, redevelopment, renovation, construction, finance, and sponsorship of investment products. Inland affiliates and related parties cumulatively have more than 1,400 employees, own property totaling over 74.6 million square feet located in 49 states,[26] and manage assets of approximately $20.2 billion.[27]

For over 40 years, Inland's primary mission has been to serve its investors. This long tradition of investor focus is manifest in a corporate infrastructure that emphasizes dedication and service to Inland's individual and institutional investors. Its commitment to investor satisfaction is one of the key reasons why Inland has been successful in creating hundreds of real estate ventures and REITs over many decades. As of December 31, 2013, Inland had raised more than $19.7 billion in capital from investment securities sales.


[1] U.S. Department of Commerce, Bureau of Economic Analysis.

[2] U.S. Department of Labor, Bureau of Labor Statistics.

[3] Ibid.

[4] U.S. Department of Commerce, Census Bureau.

[5] Green Street Advisors Strip Center Sector Update dated 12/3/13.

[6] National Council of Real Estate Investment Fiduciaries: NPI Snapshot Report 3Q 2013.

[7] U.S. Department of Commerce, Bureau of Economic Analysis.

[8] U.S. Department of Labor, Bureau of Labor Statistics.

[9] Ibid.

[10] Ibid.

[11] U.S. Department of Commerce, Bureau of Economic Analysis.

[12] U.S. Department of Commerce, Census Buerau.

[13] U.S. Department of Labor, Bureau of Labor Statistics; CPI-U index (All Urban Consumers, U.S. City Average, All Items); monthly index comparison between November 2012 and November 2013.

[14] Green Street Advisors Strip Center Sector Update dated 12/3/13.

[15] The International Council of Shopping Centers ("ICSC") and CoStar Realty Information, Inc.; data downloaded 11/22/13.

[16] Ibid.

[17] Ibid.; refers to average annual change in inventory between 1977 and 2012.

[18] The International Council of Shopping Centers ("ICSC") and CoStar Realty Information, Inc.; data downloaded 11/22/13.

[19] Green Street Advisors Strip Center Sector Update dated 12/3/13; strip center sector includes non-mall retail formats.

[20] Ibid.

[21] National Council of Real Estate Investment Fiduciaries ("NCREIF") NPI Snapshot Report 3Q 2013; five core sectors include retail, apartments, office, industrial and hotels.

[22] ICSC NCREIF Report 3Q2013.

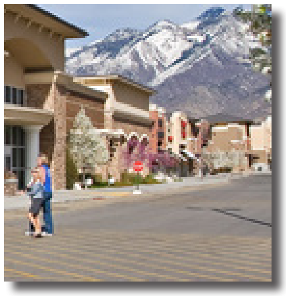
[23] NCREIF NPI Snapshot Report 3Q2013 and NCREIF website.

[24] Additional information regarding the Inland Retail Property Fund, L.P. would be made available to qualified accredited investors upon request.

[25] "Inland" refers to some or all of the entities that are a part of The Inland Real Estate Group of Companies, Inc., which is comprised of independent legal entities some of which may be affiliates, share some common ownership or have been sponsored and managed by Inland Real Estate Investment Corporation or its subsidiaries. The Inland name and logo are registered trademarks being used under license.

[26] Includes all property types, not solely retail.

[27] Statistics as of December 31, 2013.

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