

November 19, 2014

CSG-NYSE--Outperform (1) / V

Net Lease

CSG: Acquires \$106MM Industrial Portfolio In Pennsylvania

Todd Stender, Senior Analyst (562) 637-1371

Sector Rating: Net Lease, Market Weight

NEWS: CSG announced that it has acquired a 1.6MM sq ft industrial portfolio for \$106MM. The four properties are located in Northeast Pennsylvania and situated near a large network of five interstate highways (I-81, I-80, I-78, I-84 and I-476) and three major shipping ports. In addition, two of the buildings have expansion capacity of 400k sq ft.

DETAILS: The properties are 100% leased and include annual rent bumps of 2.0-2.5%. The average lease term on the properties is 3.6 years, which is below the company's overall average lease term of 6.4 years. However, we note that management mentioned in our recent meetings with them at the NAREIT conference in Atlanta that they were exploring opportunities with lower average lease terms. The portfolio is occupied by six tenants, and more than 90% of rent comes from investment grade tenants (current portfolio at ~54% IG currently). Two of the tenants include one of the world's largest internet retailers and an international paper products company.

IMPACT: This acquisition increases CSG's announced acquisitions to over \$200MM for 2014. No pricing information was provided in the release which is typical for the company on acquisition announcements (likely to be disclosed with Q4 reporting), but recent industrial acquisitions for the company have been around the mid 6s on a cash cap rate basis. We would expect this deal to be slightly accretive to 2015 FFO which would further support the recently increased dividend (beginning January 2015; \$0.51/shr on an annualized basis). Current payout ratios of 71% of core FFO and 79% of AFFO.

OUR TAKE: We view the deal as very consistent with the company's industrial portfolio strategy which is to acquire assets near major logistical corridors and near major population centers. Further it increases CSG's Industrial exposure which we believe should be an impetus for multiple expansion over time.

Chambers Street Properties (CSG-NYSE)

Price as of 11/18/2014: \$7.97

FY 14 FFO: \$0.68

FY 15 FFO: \$0.71

Shares Out.: 237.0 MM

Market Cap.: \$1,888.89 MM

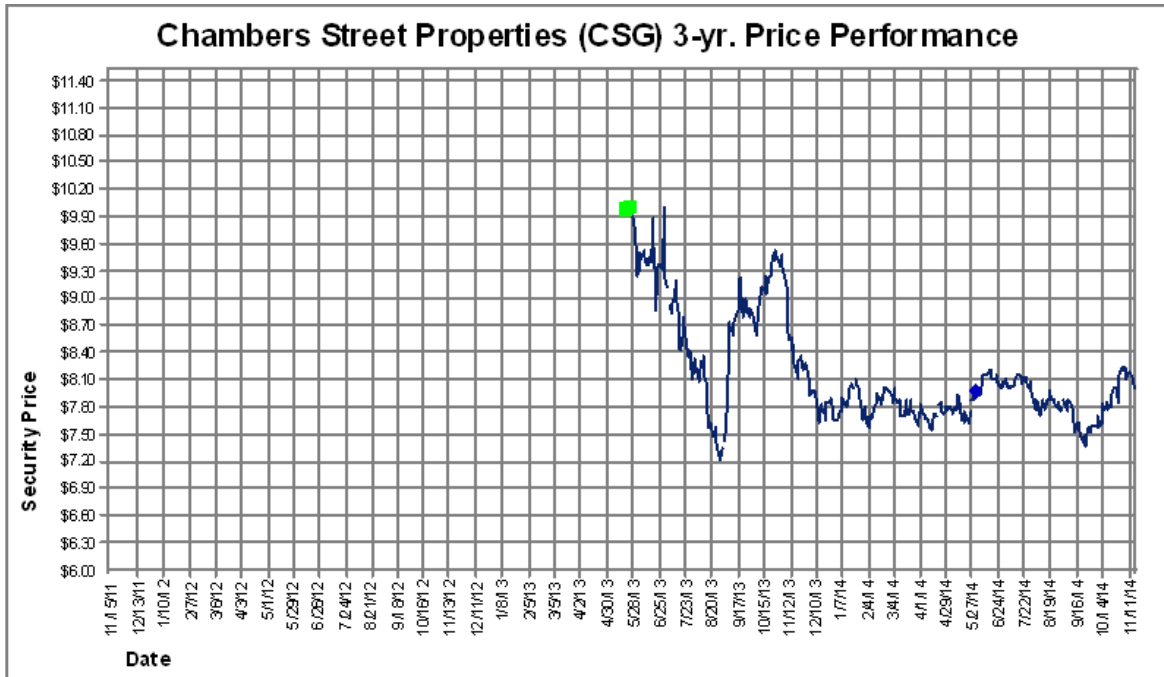
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DISCLOSURE APPENDIX

Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
□	5/21/2013		Lists shares on NYSE			
	5/29/2014		Slender			
◆	5/29/2014	7.87	1	8.50	9.50	7.96

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- Valuation Range Change

- ◆ Initiation, Resumption, Drop or Suspend
- Analyst Change
- Split Adjustment

Rating Code Key

- 1 Outperform/Buy
- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

Additional Information Available Upon Request

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CSG: Risks include the potential for material tenant bankruptcies and lease defaults and an inability to acquire assets at yields that exceed the cost of capital.

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2 = Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

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SECTOR RATING

O = Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

M = Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U = Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

VOLATILITY RATING

V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: November 19, 2014

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