

**Morgan Stanley Real Estate Investing
Prime Property Fund**

Discussion Materials

As of September 30, 2018



Morgan Stanley Real Estate
Investing
Prime Property Fund

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Morgan Stanley believes that you, as a fiduciary of the Plan, hold or have under management or control total assets of at least \$50,000,000 and are capable of evaluating investment risk independently, both in general and with regard to particular transactions and investment strategies.

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Important Notices (cont'd)

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Important Notices (cont'd)

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Availability of Adviser's Form ADV. Morgan Stanley Real Estate Advisor, Inc., the Adviser to the Fund, and various other Morgan Stanley affiliates that are registered with the U.S. Securities & Exchange Commission ("SEC") have filed with the SEC, and are required to update periodically, Form ADV. Form ADV Part 2A and 2B contain essential information about a given investment advisory firm, including information about firm management, clients, fee arrangements and the handling of conflicts of interest, and the SEC requires that it be sent to all prospective clients who might enter into an advisory agreement prior to execution. Upon request, the Adviser will furnish a copy of its Form ADV without charge to you. Please contact Morgan Stanley Real Estate Investor Services at (212) 761-7160 or email msreinvestor@morganstanley.com for a copy.

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Distribution in the European Economic Area. The Fund may not have been approved, notified or registered in accordance with the Alternative Investment Fund Managers Directive (Directive(2011/61/EU) (the "AIFMD") for marketing to professional investors in certain member states of the EEA (each an "EEA Member State"). In such cases, approval may be sought or such notification or registration may be made in the future. Alternatively, the Fund may not be relying on such registration for marketing, and these materials may have been transmitted to an investor in an EEA Member State at such investor's own initiative.

Risk Considerations

There are significant risk factors associated with an investment in PRIME. An investment in PRIME will involve significant risks due to, among other things, the nature of the Fund's investments and potential conflicts of interest. There can be no assurance that PRIME will realize its rate of return objectives or return any investor capital. Investors should have the financial ability and willingness to accept the risks (including, among other things, the risk of loss of investment and the lack of liquidity). The value of an investment in the Fund may fluctuate. Past results do not guarantee future performance.

These risk factors include the following:

- Conflicts of interests between the Fund, its investors, the Adviser and other affiliates of Morgan Stanley
- Tax considerations and regulatory matters
- Lack of liquidity of investments
- No or restricted transferability of, or market for, interests in the Fund
- Competition
- Leverage
- Market risk; minority investments in companies
- Interest rate risks
- Risks of real estate investments, which may include the following: dependency on specialized management skills, lack of diversification, fluctuations in the value of underlying properties; defaults by borrowers or tenants; market saturation; changes in general and local economic conditions; decreases in market rates for rents; increases in competition, property taxes, capital expenditures or operating expenses; and other economic, political or regulatory occurrences affecting the real estate industry

See Tab E - Risk Considerations for additional risk factors in connection with making an investment in PRIME

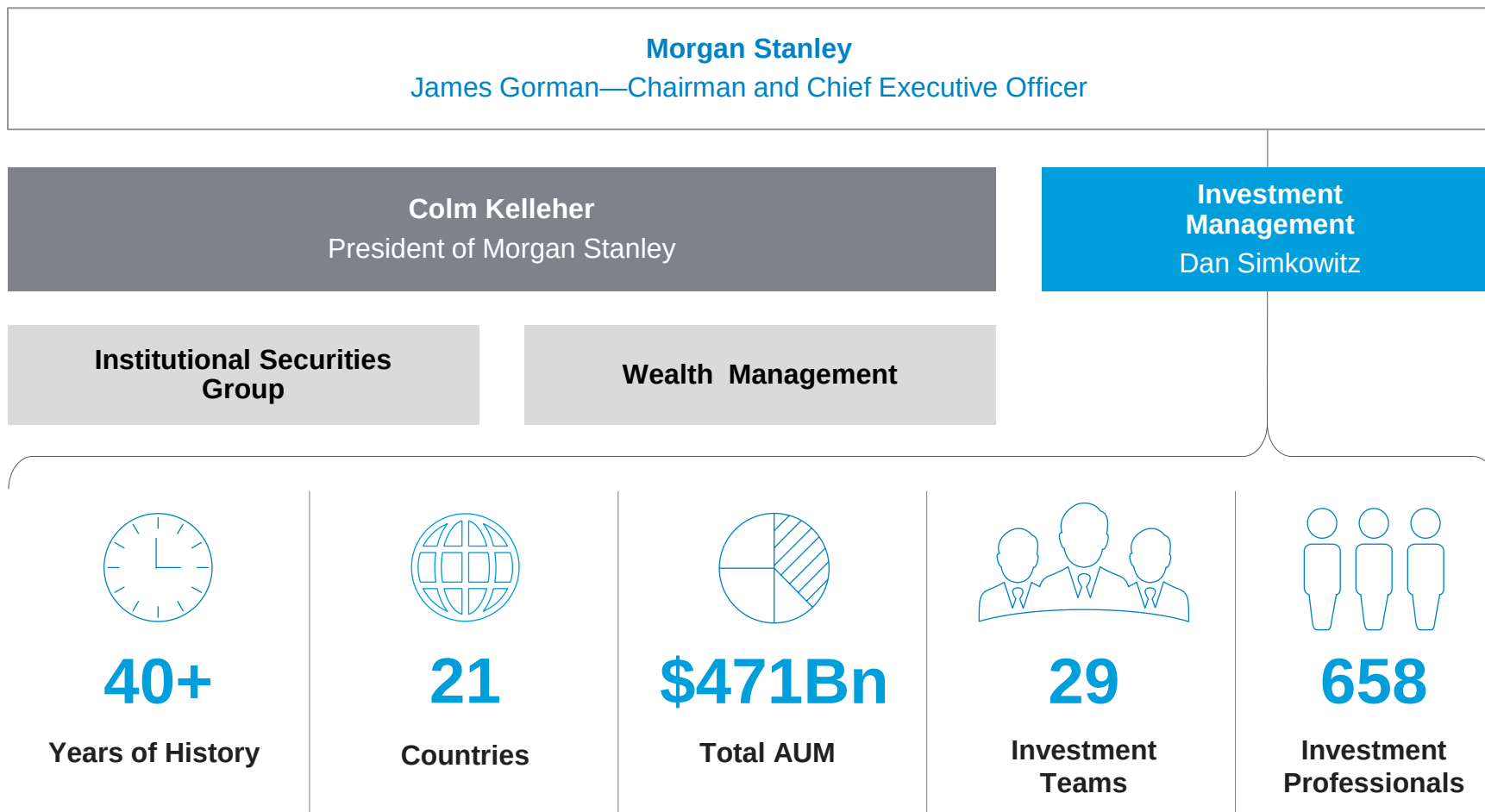
Section 1

Morgan Stanley – MSREI Overview

Morgan Stanley Real Estate
Investing
Prime Property Fund

MORGAN STANLEY – MSREI OVERVIEW

Morgan Stanley Overview



Note

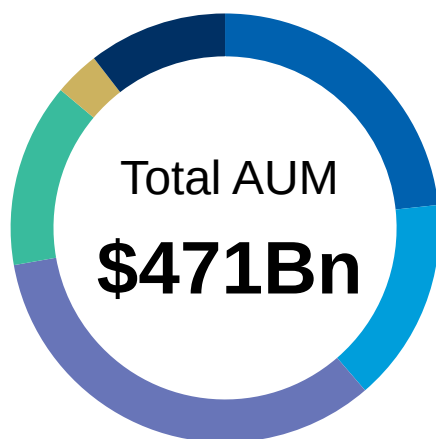
1. AUM as of September 30, 2018. Fund of Fund assets represent assets under management and assets under supervision. Direct private investing assets represents the basis on which the firm earns management fees, not the market value of the assets owned.

Morgan Stanley Real Estate
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MORGAN STANLEY – MSREI OVERVIEW

MSIM Overview

Investment Expertise Across Public & Private Markets



\$118Bn

ACTIVE FUNDAMENTAL EQUITY

- International Equity
- Growth
- Global Emerging Markets
- European Equity

\$71Bn

GLOBAL FIXED INCOME

- U.S. Fixed Income
- Global Fixed Income
- Emerging Markets Debt
- European Fixed Income

\$150Bn

GLOBAL LIQUIDITY

- Money Markets
- Ultra-Short Income

\$67Bn

SOLUTIONS & MULTI-ASSET

- Portfolio Solutions
- Global Multi-Asset
- Hedge Fund Solutions
- Managed Futures
- Applied Equity Advisors
- Fundamental Equity Advisors
- Private Structured Credit Solutions

\$17Bn

PRIVATE CREDIT & EQUITY

- Credit Partners
- Private Equity Asia
- Capital Partners
- Expansion Capital
- Energy Partners
- AIP Private Markets
- Tactical Value Investing

\$49Bn

REAL ASSETS

- Private Real Estate Investing
- Private Real Estate Credit
- Private Infrastructure
- Global Listed Real Assets

Notes

1. AUM figures within each business line may not sum to total AUM due to rounding. Data as of September 30, 2018. Fund of Fund assets represent assets under management and assets under supervision. Direct private investing assets represents the basis on which the firm earns management fees, not the market value of the assets owned.

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MORGAN STANLEY – MSREI OVERVIEW

Real Assets⁽¹⁾⁽²⁾

Scope and Scale

MORGAN STANLEY INVESTMENT MANAGEMENT
Dan Simkowitz

REAL ASSETS
John Klopp

**PRIVATE
REAL ESTATE**
Olivier de Poulpiquet

AUM: \$27Bn

Global Opportunistic and
Regional Core real estate



~200 Professionals



17 Global Offices



Average Senior Tenure
25 years

**PRIVATE
INFRASTRUCTURE**
Markus Hottenrott

AUM: \$4Bn

Global Value-Add infrastructure



~50 Professionals



8 Global Offices



Average Senior Tenure
26 years

**LISTED
REAL ASSETS**
Ted Bigman

AUM: \$14Bn

Publicly traded real estate and
infrastructure securities



~25 Professionals



4 Global Offices



Average Senior Tenure
22 years

**PRIVATE
REAL ESTATE CREDIT**
Jeff Friedman & Mark Zytke

AUM: \$3Bn

Private commercial real estate
debt origination



~40 Professionals



4 U.S. Offices



Average Senior Tenure
20 years

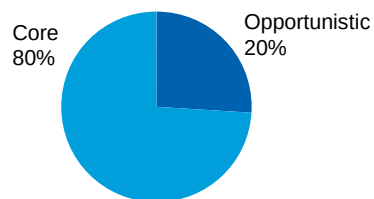
Notes

1. Data as of September 30, 2018. AUM figures within each business line may not sum to total AUM due to rounding. Direct private investing assets represents the basis on which the firm earns management fees, not the market value of the assets owned.
2. Number of professionals excludes Firm and Morgan Stanley Investment Management professionals who support Real Assets. Average tenure reflects the average years of industry experience of the senior management teams.

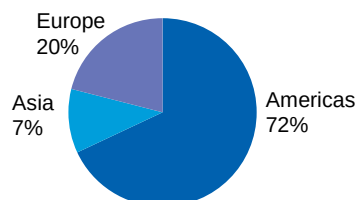
**Morgan Stanley Real Estate
Investing
Prime Property Fund**

- Morgan Stanley Real Estate Investing (“MSREI”) is the global private real estate investment management arm of Morgan Stanley
- ~200 MSREI professionals located in 17 offices across 13 countries
- As of June 30, 2018, MSREI manages \$37Bn of global real estate on behalf of its clients⁽¹⁾

RE AUM By Strategy⁽²⁾



RE AUM By Region⁽²⁾



Morgan Stanley

MORGAN STANLEY – MSREI OVERVIEW

MSREI Global Reach

As of June 30, 2018

Uniquely positioned to offer global opportunistic and regional core real estate investment strategies



● MSREI Office Locations
(Year of First Investment in Country)

PRODUCTS	Regional Core	Prime Property Fund (U.S.)	Prime Property Fund Asia
	Global Opportunistic	North Haven Real Estate Funds	

Notes

1. As of June 30, 2018; Real Estate Assets Under Management (RE AUM), which represents gross fair market value of the real estate assets managed by Morgan Stanley Real Estate Investing on behalf of the Firm and its clients, presented at direct ownership interest. RE AUM for certain minority interests represents Morgan Stanley's equity investment in the entity. Global equity assets under management (fee generating accounts) as of June 30, 2018 was \$27Bn (unaudited).
2. Totals subject to rounding.

Section 2

Executive Summary

Morgan Stanley Real Estate
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EXECUTIVE SUMMARY

Premier Assets



One Maritime Plaza, San Francisco, CA



500 Park Avenue, New York, NY



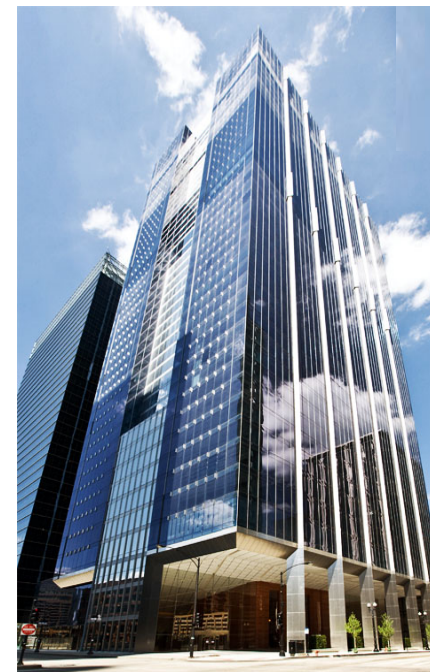
AMLI South Shore, Austin, TX



Dadeland Mall, Miami, FL



AMLI 535, Seattle, WA



155 North Wacker, Chicago, IL



801 17th Street, Washington, DC



Fashion Valley Mall, San Diego, CA



AMLI Lex on Orange, Glendale, CA

Morgan Stanley Real Estate
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- One of the longest-term core open-end funds – in its 45th year of operation

EXECUTIVE SUMMARY

Prime Property Fund

PRIME is a core, fully-specified, open-end commingled real estate investment fund diversified by property type and location designed to provide a stable, income-driven rate of return over the long term with potential for growth of income and appreciation of value.

HIGHLIGHTS:

- Diversified high-quality portfolio that is difficult to replicate and constructed to be resilient through market cycles
- Consistent, research supported investment strategies employed
- Focus on high-quality office buildings, Class A apartment communities concentrated within nine targeted markets, warehouses in major distribution markets and top tier super-regional malls
- Proven track record over the near, intermediate and long term, meaningfully outperforming the NFI-ODCE index over these time frames⁽¹⁾
- Long-tenured and experienced portfolio management team dedicated to providing superior results and client service
- The largest fund across MSREI's global real estate investing platform and comprises over 95% of gross real estate assets in the U.S.⁽²⁾

Notes

Past performance is not indicative of future results. See the Performance Notes for important information about performance returns.

1. Based on gross returns as of September 30, 2018. Please see page 45 for PRIME's before and after fee performance compared to the NFI-ODCE.

2. Gross real estate assets represents the gross fair market value of the real estate assets managed by MSREI on behalf of the firm and its clients, presented at direct ownership interest. Gross real estate assets for certain minority interests represents MSREI's equity investment in the entity. Ownership interest, as of June 30, 2018.

**Morgan Stanley Real Estate
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EXECUTIVE SUMMARY

Fund Profile

As of September 30, 2018

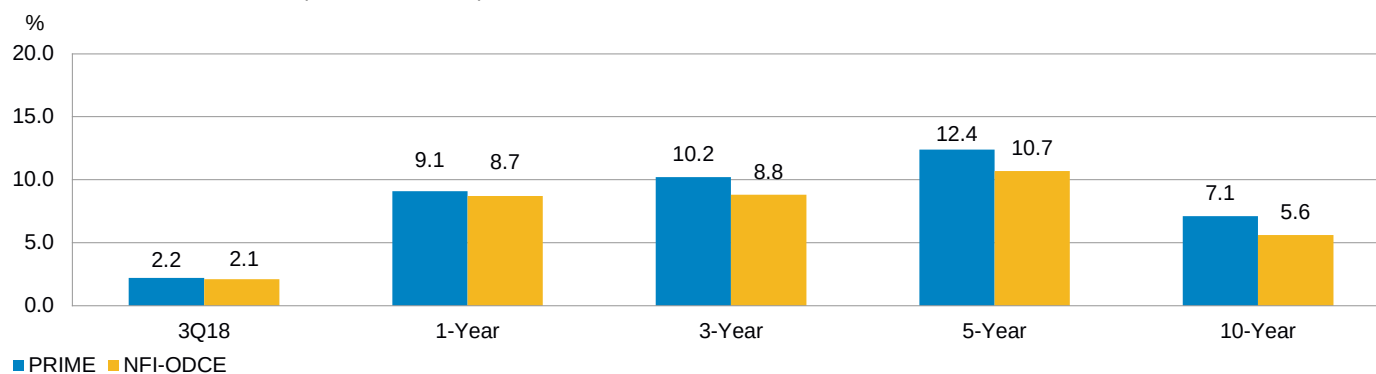
Gross Real Estate Assets ⁽¹⁾ (\$B)	27.4
Net Asset Value (\$B)	22.6
Consolidated Leverage (%)	17.0
Number of Assets	430
Investors ⁽²⁾	371
Leased ⁽³⁾ (%)	93.5
Trailing 12-Month Dividend (%)	4.0
Return Since Inception ⁽⁴⁾ (%)	9.2

- As of September 30, 2018, the annualized outperformance of PRIME, on a gross return basis, relative to the NFI-ODCE⁽⁵⁾⁽⁶⁾

– 1-Year	46 bps
– 3-Year	137 bps
– 5-Year	166 bps
– 10-Year	154 bps

PRIME Leveraged Total vs. NCREIF Fund Index—Open-End Diversified Core Equity (“NFI-ODCE”) Total⁽⁵⁾⁽⁶⁾

Annualized Gross Return Comparison—As of September 30, 2018



Notes

Past performance is not indicative of future results. See the Performance Notes for important information about performance returns

1. Gross real estate assets represent the market value of PRIME real estate investments, including PRIME's share of joint venture assets, before debt.

2. Excludes non-voting shareholders with investment(s) of less than \$10,000.

3. Leased status is value weighted (i.e., calculated using the asset values gross of debt) and adjusted for ownership share.

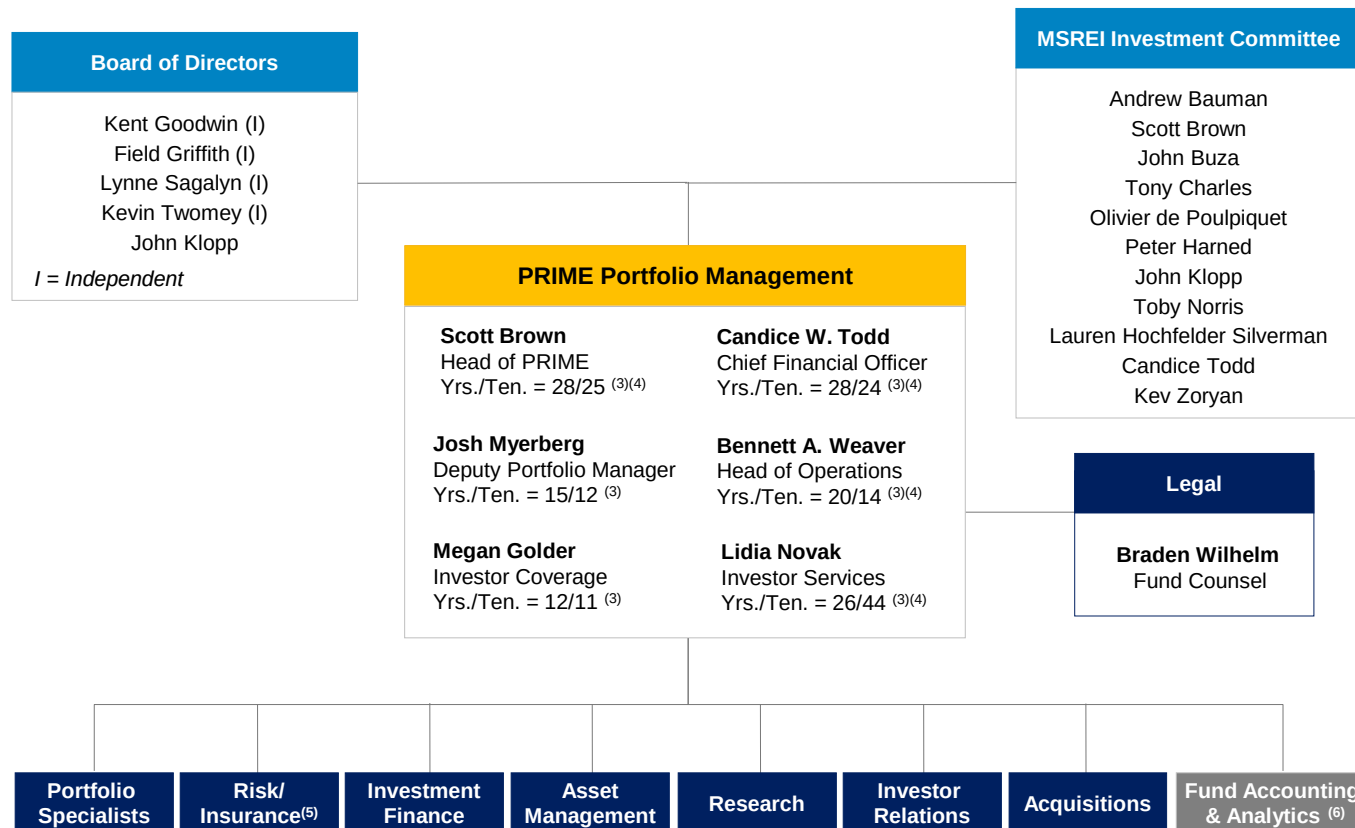
4. Returns are presented before (i.e., gross of) investment advisory fees—specifically they do not reflect a deduction for asset management fees. Annual net returns are provided in the Performance Notes. See page 45 for PRIME's net returns for the periods presented. PRIME's net return for 3Q18 is 2.0% and since inception is 8.1%.

5. The NCREIF Fund Index—Open-End Diversified Core Equity (“NFI-ODCE”) is a fund-level, capitalization-weighted, time-weighted return index and includes property investments at ownership share, cash balances and leverage (i.e., returns reflect each fund's actual asset ownership positions and financing strategy). NFI-ODCE performance information is presented gross of fees.

6. See the Performance Notes for important information about the characteristics of the NFI-ODCE and other comparative indices in relation to PRIME and other factors relevant to such comparisons.

**Morgan Stanley Real Estate
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- Scott Brown and Candice Todd provide substantial experience and continuity to the Fund with each having
 - Over 28 years in real estate
 - Over 24 years with Morgan Stanley⁽⁴⁾
 - Over 16 years of dedication to PRIME
- The officers within the portfolio management team have an average tenure with the platform of over 21 years

EXECUTIVE SUMMARY**PRIME Resources**As of September 30, 2018 ⁽¹⁾⁽²⁾**Notes**

1. This chart and the data provided herein with respect to professionals that are assigned to work on matters related to PRIME are subject to change from time to time based on MSREI senior management's sole discretion regarding the needs of the MSREI business.
2. Resources are shared across all MSREI clients.
3. Yrs./Ten. = Years of real estate experience/Tenure at Morgan Stanley.
4. Includes years employed by Lend Lease Real Estate and its predecessor, Equitable Real Estate, prior to the acquisition of certain portions of Lend Lease Real Estate's advisory business by Morgan Stanley Real Estate Investing.
5. Risk Management is a shared resource across the MSIM platform. As of January 1, 2018, the MSREI Insurance Group has been outsourced. Acrisure LLC hired the four team members and entered into a long term agreement with Morgan Stanley to provide insurance services. Under this agreement, the former MS employees will dedicate substantially all of their time to the Morgan Stanley Private Funds.
6. Fund accounting and analytics are provided by State Street Bank and Trust Company personnel; 14 professionals currently are assigned to provide fund control and analytics services relating to PRIME.

Section 3

Portfolio Overview

Morgan Stanley Real Estate
Investing
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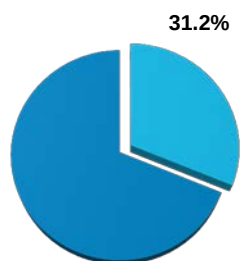
PORTFOLIO OVERVIEW

PRIME Scale

As of September 30, 2018

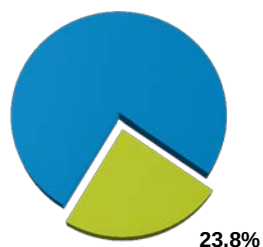
OFFICE

- \$8.5B of gross real estate⁽¹⁾
- 12.8M sq. ft.
- 32 assets
- 94.6% leased



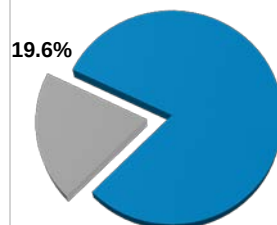
APARTMENT

- \$6.5B of gross real estate⁽¹⁾
- 21,617 units
- 80 assets
- 94.2% leased



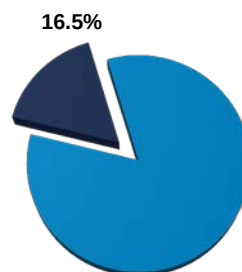
INDUSTRIAL

- \$5.4B of gross real estate⁽¹⁾
- 47.2M sq. ft.
- 171 assets
- 94.1% leased



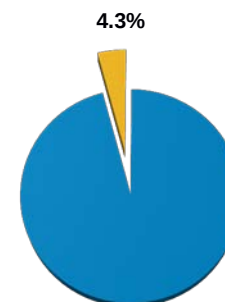
RETAIL

- \$4.5B of gross real estate⁽¹⁾
- 7.7M sq. ft.
- 24 assets
- 93.8% leased



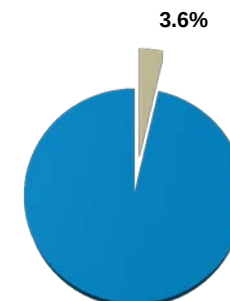
SELF STORAGE

- \$1.2B of gross real estate⁽¹⁾
- 3.8M sq. ft.
- 79 assets
- 90.1% leased



HEALTHCARE

- \$979M of gross real estate⁽¹⁾
- 4.0M sq. ft.
- 32 assets
- 90.4% leased



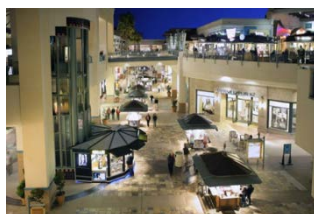
**Morgan Stanley Real Estate
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- PRIME's ten largest assets comprise 23% of the Fund⁽²⁾
- PRIME's 25 largest assets comprise 39% of the Fund⁽²⁾
- Historically, larger properties tend to outperform smaller properties
 - Over the last ten years, properties larger than \$200M have outperformed properties smaller than \$200M by 91 basis points⁽³⁾

PORTFOLIO OVERVIEW

Large Scale Holdings⁽¹⁾

As of September 30, 2018



**Fashion Valley Mall,
San Diego, CA**

- 50% Ownership
- 97% Leased



**Dadeland Mall,
Miami, FL**

- 50% Ownership
- 94% Leased



**Christiana Mall,
Newark, DE**

- 50% Ownership
- 98% Leased



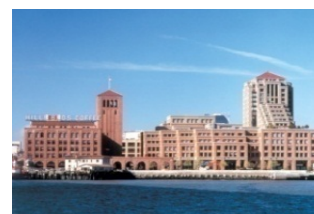
**155 North Wacker,
Chicago, IL**

- 99% Ownership
- 97% Leased



**Two Park Avenue,
New York, NY**

- 100% Ownership
- 94% Leased



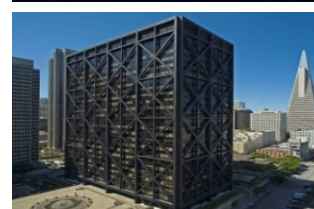
**Hills Plaza,
San Francisco, CA**

- 100% Ownership
- 100% Leased



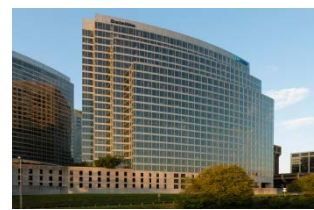
**One Post Office Square,
Boston, MA**

- 100% Ownership
- 92% Leased



**One Maritime Plaza,
San Francisco, CA**

- 100% Ownership
- 89% Leased



**Waterview Tower,
Arlington, VA**

- 100% Ownership
- 100% Leased



**Rosedale Shopping Center,
Minneapolis, MN**

- 100% Ownership
- 96% Leased

Notes

1. Appraised value on 100% ownership basis.
2. Calculated using PRIME's share of gross asset value.

3. Based on same-store analysis of NCREIF Property Index historical returns from October 2008 through September 2018.

**Morgan Stanley Real Estate
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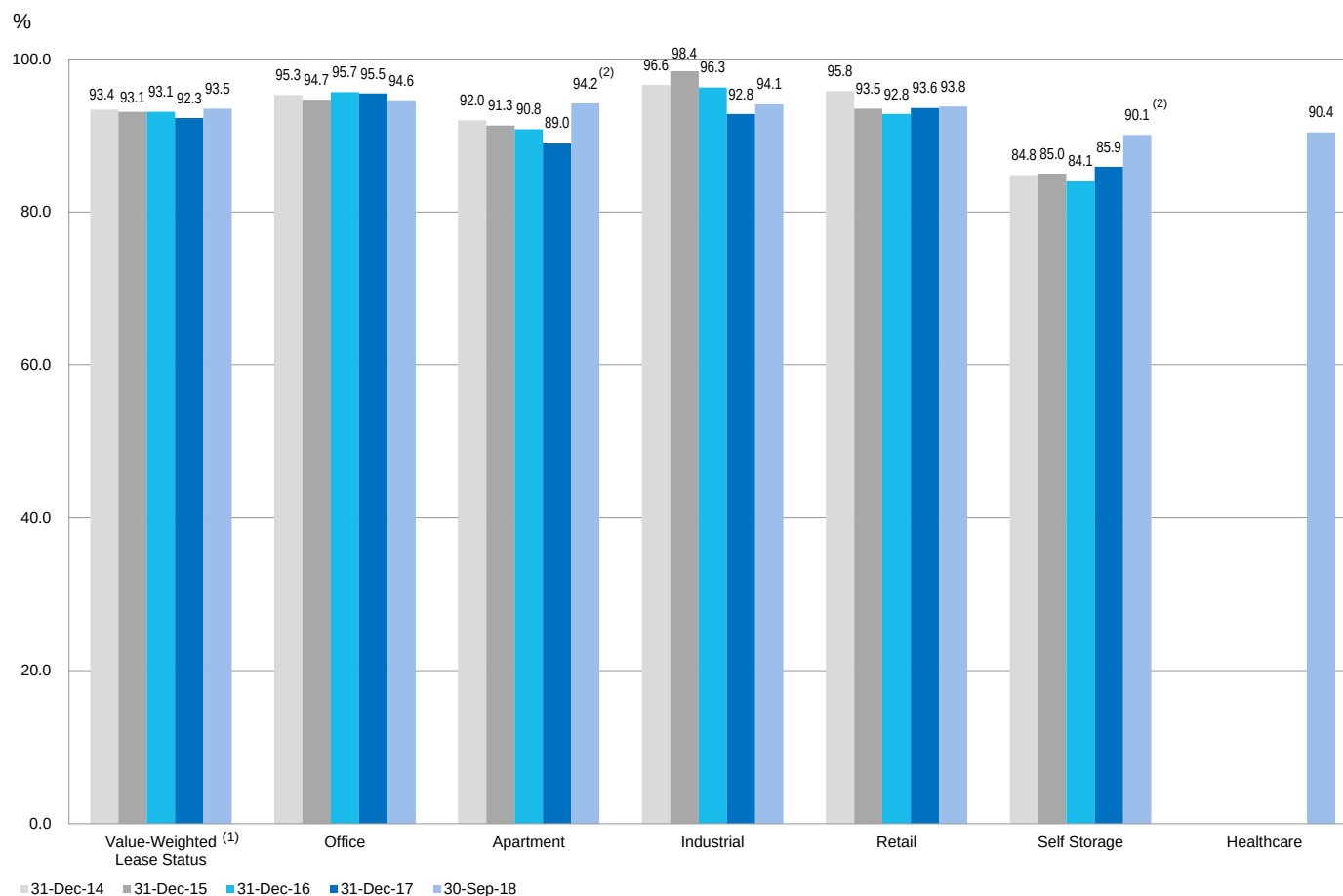
- The apartment lease status excluding six assets in initial lease up is 95.7%
- The self storage lease status excluding two assets in initial lease up is 90.8%

PORTFOLIO OVERVIEW

Leased Status

As of September 30, 2018

Portfolio Lease Status



Note

1. Leased Status is value weighted (i.e., calculated using the asset values gross of debt) and adjusted for ownership share.
2. As of September 30, 2018, the leased status excluding assets in lease up in both the apartment and self storage sectors was 95.7% and 90.8%, respectively.

**Morgan Stanley Real Estate
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- PRIME's five-year same-store average Comparable Property Level Net Operating Income growth is 6.1% versus the NPI at 4.4% and the ODCE at 3.7%⁽¹⁾

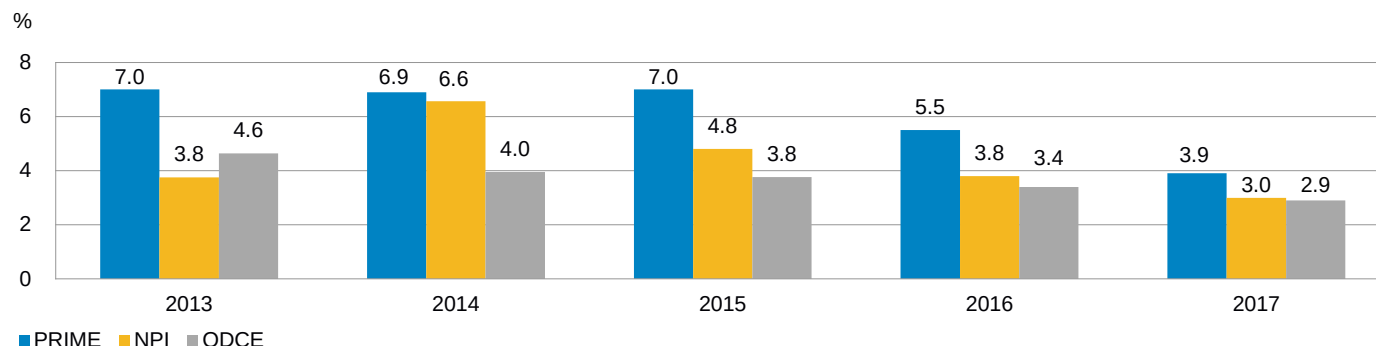
- Comparable Property Level Net Operating Income growth for the nine months ended September 30, 2018 was 3.3%⁽²⁾

PORTFOLIO OVERVIEW

Comparable Property Level Net Operating Income⁽¹⁾

As of September 30, 2018

PRIME vs. NPI and ODCE Net Operating Income Growth



Source: NCREIF, data as of 4Q 2017

PRIME Net Operating Income⁽³⁾

Same-Store Analysis – For the nine months ended September 30,

	Comparable Property Net Operating Income (\$ in millions)		
	2018	2017	Inc / (Dec) 9/30/2018 ⁽⁴⁾
Office	\$260.5	\$255.2	2.1%
Apartment	143.9	138.9	3.6%
Industrial	124.7	113.2	10.2%
Retail	117.7	116.2	1.3%
Self Storage	41.4	39.3	5.3%
Healthcare	12.6	14.3	(11.9)%
Other	4.3	5.3	(18.9)%
Total Property Level Net Operating Income⁽³⁾	\$705.1	\$682.4	3.3%

Notes

Past performance is not indicative of future results. See the Performance Notes for important information about performance returns.

- Simple average based on calendar years 2013 through 2017.
- Comparable total net operating income growth, including operating companies, for the nine months ended September 30, 2018 was 3.6%.
- When comparing asset classes, keep in mind that each has differences. Due to the appraisal methods for valuing real estate, there may be inherent issues when comparing real estate to other asset classes.
- To provide a more meaningful basis for comparison, net operating income includes income before debt service and, for a given calendar month, includes only income generated by real estate investments held by the Fund for at least 13 months prior to the end of that month and excludes net operating income from AMLI operating company \$(1.7)M for the nine months ended 2018 and \$(2.0)M for the nine months ended 2017 and Safeguard Self Storage operating company \$(2.2)M for the nine months ended 2018 and \$(3.6)M for the nine months ended 2017.

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Prime Property Fund**

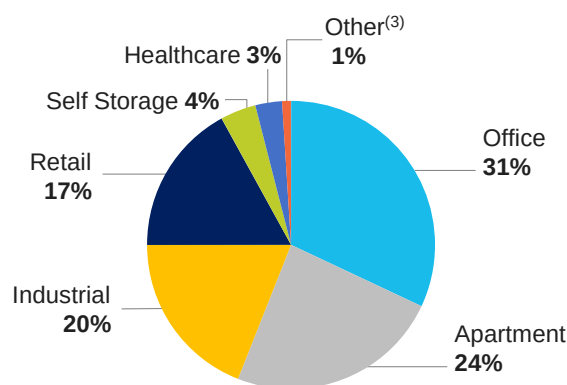
- Broad property type diversification can reduce overall portfolio volatility
- PRIME's near-term diversification targets are⁽²⁾
 - Office 30%–40%
 - Apartment 20%–30%
 - Industrial 10%–20%
 - Retail 15%–25%
 - Self Storage 0%–5%
 - Healthcare 0%–5%

PORTFOLIO OVERVIEW

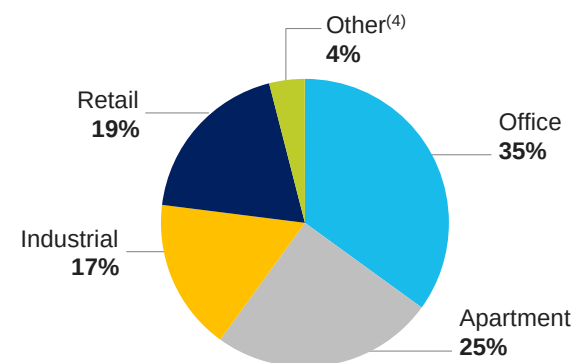
Sector Diversification

As of September 30, 2018

PRIME Diversification – Property Sector⁽¹⁾



NFI-ODCE Diversification – Property Sector⁽¹⁾



Notes

Past performance is not indicative of future results. See the Performance Notes for important information about performance returns. Diversification does not eliminate the risk of future loss.

1. NFI-ODCE diversification data is presented on a gross asset value basis. The Fund's property sector targets, as set forth in its investment guidelines, are set on a gross asset value basis.
2. These are targets only. The Fund's investment guidelines include no specific limitations or requirements with regard to property type or geographic diversification. The investment guidelines, including these targets, are subject to modification from time to time by the board of directors of the Fund upon recommendation of the Adviser. Additionally, the Adviser retains discretion to vary from these targets when it deems it appropriate. There can be no assurance that these targets will be met at any time.
3. Other includes land held for potential development and a hotel.
4. Other includes hotel and other assets.

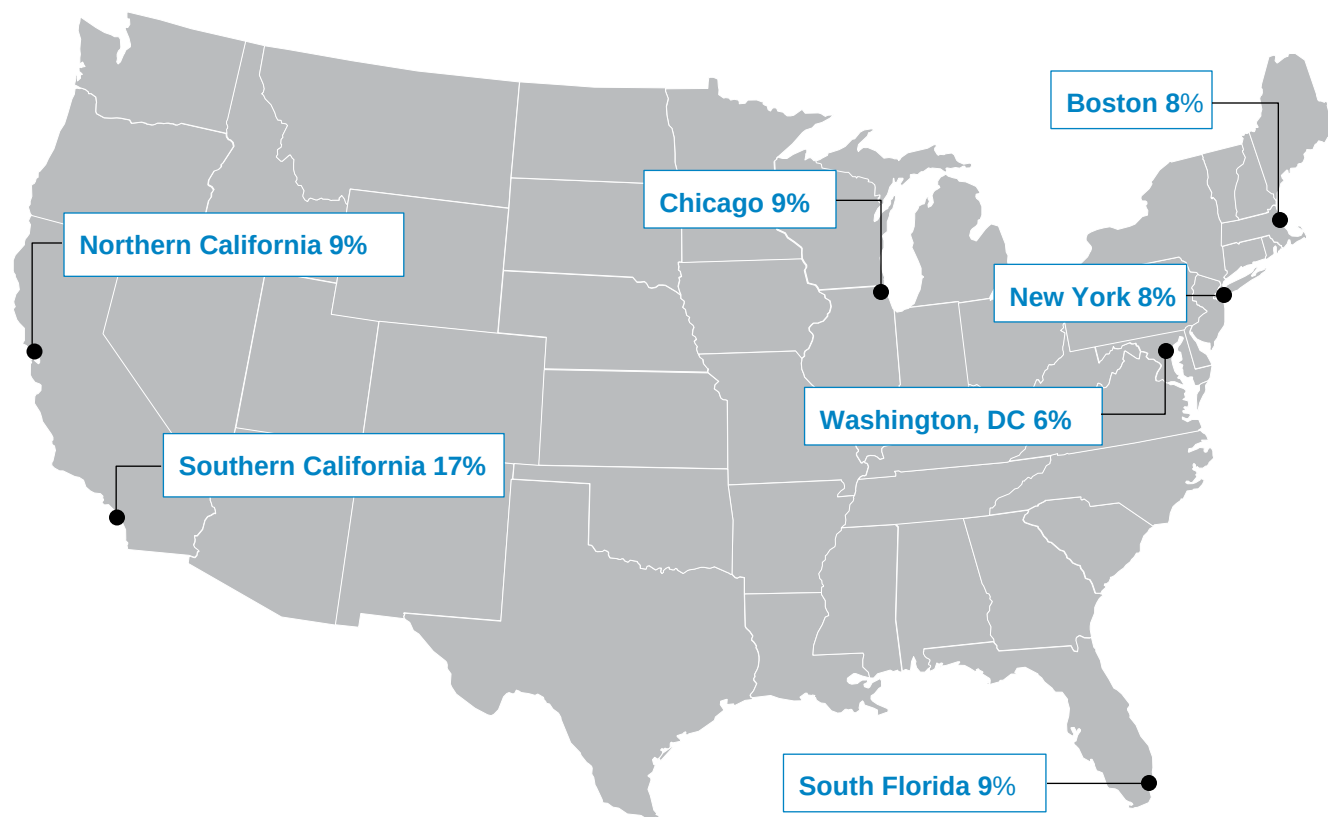
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PORTFOLIO OVERVIEW

Concentration in Preferred Markets

As of September 30, 2018

- 66%, on a gross basis, of PRIME's holdings are concentrated in seven preferred markets⁽¹⁾
 - NFI-ODCE excluding PRIME has a 62% concentration in the same seven preferred markets
- Preferred major markets have outperformed the NPI by an average of 44 basis points per annum for the last twenty years⁽¹⁾
 - When compared to the NPI, excluding these major markets, outperformance climbs to 83 basis points per annum over the last twenty years



Note

1. The following markets were selected by the Adviser as preferred major markets for this analysis: Boston, New York, Washington, DC, Miami / Fort Lauderdale, Chicago, San Francisco / San Jose / Stockton and Los Angeles / San Diego. As of September 30, 2018, with respect to real estate assets owned by NFI-ODCE funds, real estate assets in these markets represented \$340B of value, or 58% of the NPI (\$591B).

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PORTFOLIO OVERVIEW

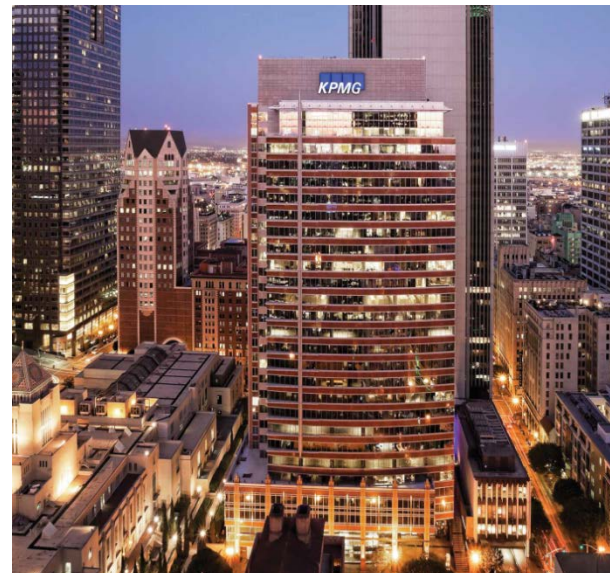
Representative Office Assets



100 F Street, Washington, DC



One Post Office Square, Boston, MA



550 South Hope Street, Los Angeles, CA



Wilshire Beverly Center, Beverly Hills, CA



Rows Wharf, Boston, MA



Hills Plaza, San Francisco, CA

**Morgan Stanley Real Estate
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Prime Property Fund**

Key Metrics

Assets:	32
Square Feet:	12.8 Million
Allocation:	31.2%
Leased:	94.6%
2018 NOI Growth⁽¹⁾:	2.1%

- NCREIF Property Index shows CBD office has outperformed suburban office over the last 10-years with more than 46 basis points per annum of outperformance over the last ten years⁽²⁾
- Major office tenants include the SEC, Gartner, Deloitte, Kaiser, Google, Parsons, Ernst & Young, TIBCO, Skadden Arps, Putnam, K&L Gates, U.S. State Department

PORTFOLIO OVERVIEW

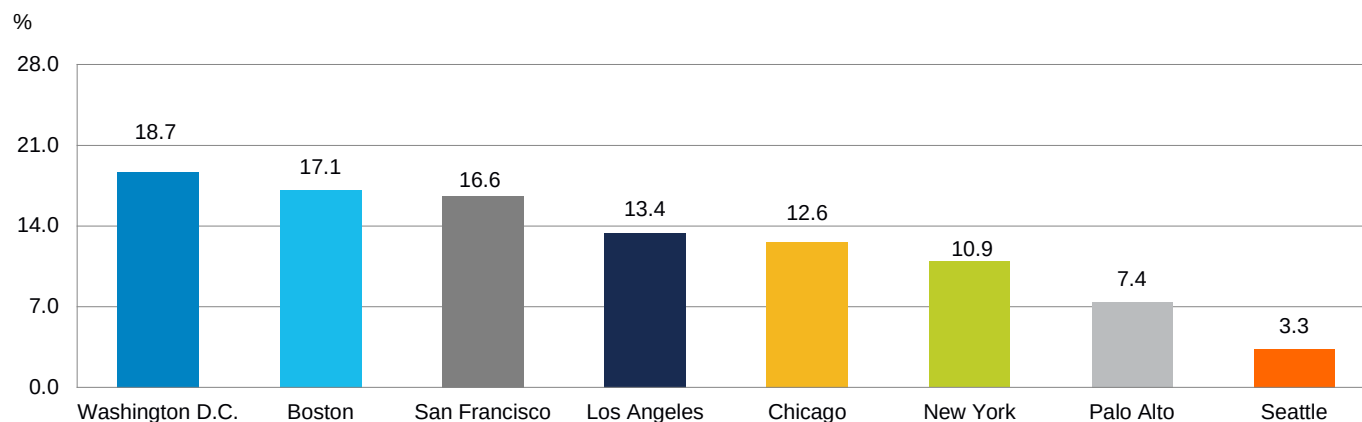
PRIME Office

As of September 30, 2018

Strategy – To target large, high-quality assets that are more resilient to market cycles and generally attract better credit-quality tenants committing to longer-term leases

- Concentrated in major “24-hour” cities and locations
- Focus on opportunities to mitigate historically high volatility of office properties
- Average office asset value at ownership share of \$293.9M⁽³⁾
- Primary holdings in Washington, D.C., San Francisco, Boston, Los Angeles, New York and Chicago

PRIME Market Concentrations⁽⁴⁾



Notes

Past performance is not indicative of future results. See the Performance Notes for important information about performance returns.

1. To provide a more meaningful basis for comparison, net operating income includes income before debt service and, for a given calendar month, includes only income generated by real estate investments held by the Fund for at least 13 months prior to the end of that month.
2. NCREIF Property Index, as of September 30, 2018.
3. 100 Cambridge Park Drive, 125 Cambridge Park Drive and 150 Cambridge Park Drive are reported under one portfolio of assets and also excludes Pasadena Venture Phase 1 development.
4. Appraised value at ownership basis.

Morgan Stanley Real Estate
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PORTFOLIO OVERVIEW

Representative Apartment Assets



AML I at River North, Chicago, IL



AML I Quadrangle, Dallas, TX



AML I Warner Center, Woodland Hills, CA



AML I Lindbergh, Atlanta, GA



AML I 3464, Atlanta, GA



AML I on 2nd, Austin, TX



AML I RidgeGate, Lone Tree, CO



AML I Doral, Doral, FL



AML I South Lake Union, Seattle, WA

**Morgan Stanley Real Estate
Investing
Prime Property Fund**

Key Metrics

Assets:	80
Units:	21,617
Allocation:	23.8%
Leased:	94.2%
2018 NOI Growth⁽¹⁾:	3.6%

- The average age of AMLI properties is seven years

PORTFOLIO OVERVIEW

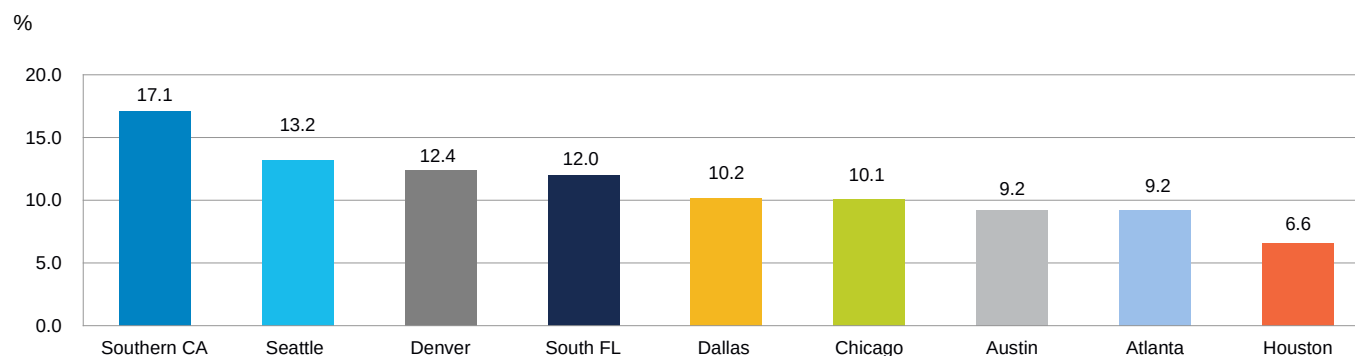
PRIME Apartment

As of September 30, 2018

Strategy – To focus on markets with strong population and employment growth as well as supply-constrained infill submarkets

- AMLI, wholly-owned and controlled by PRIME, is a proven operator of multifamily assets
 - Heavily invested in technology allowing for revenue maximization and cost controls
 - Established culture of providing outstanding service and management to its customers
 - Developed increasingly important brand recognition through targeted market concentration. All assets are managed under the AMLI brand with over 73% of net new leases executed in the prior twelve months leased on-line
- AMLI's development platform provides the opportunity for PRIME to create new product in select markets and submarkets

PRIME Market Concentrations⁽²⁾



Notes

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1. To provide a more meaningful basis for comparison, net operating income includes income before debt service and, for a given calendar month, includes only income generated by real estate investments held by the Fund for at least 13 months prior to the end of that month and excludes net operating income from AMLI operating company \$(1.7)M for the nine months ended 2018 and \$(2.0)M for the nine months ended 2017.
2. Appraised value at ownership basis.

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PORTFOLIO OVERVIEW

Representative Industrial Assets



586 Gulf Avenue, Staten Island, NY



Turnpike Distribution Center, Medley, FL



10201 NW 112th Street, Miami, FL



3 Montgomery Way, Robbinsville, NJ



Airport West Distribution Center, Atlanta, GA



3 South Middlesex Avenue, Monroe, NJ



2201 E. Carson Street, Carson, CA



4501 West Valley Highway East, Sumner, WA



10501 Seymour Avenue, Franklin Park, IL

**Morgan Stanley Real Estate
Investing
Prime Property Fund**

Key Metrics

Assets:	171
Square Feet:	47.2 Million
Allocation:	19.6%
Leased:	94.1%
2018 NOI Growth⁽¹⁾:	10.2%

- PRIME has increased the size of its industrial allocation from \$2.2 billion at the end of 2015 to \$5.4 billion as of September 30, 2018. Over this time period the industrial allocation has increased from 11% to 19.6%

PORTFOLIO OVERVIEW

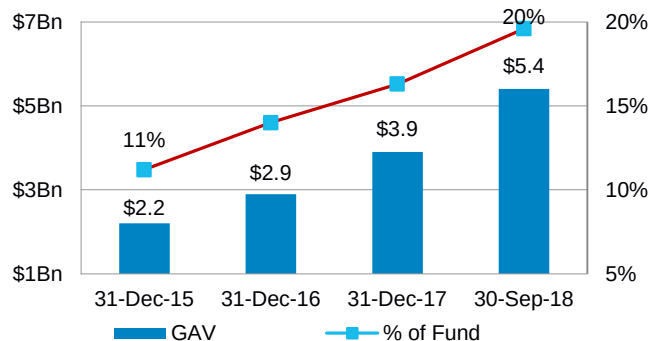
PRIME Industrial

As of September 30, 2018

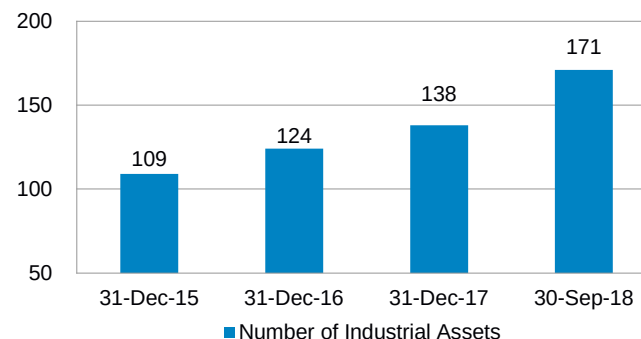
Strategy – To focus on clustering holdings in key trade-oriented distribution markets

- 63% of the portfolio is in southern California, New Jersey, New England and New York markets. An additional 33% is located in the markets of Chicago, Philadelphia, Baltimore/Washington DC, South Florida, Dallas, Seattle and northern California
- Our holdings are generally distribution warehouses with low office finishes that meet the functional needs of today's users

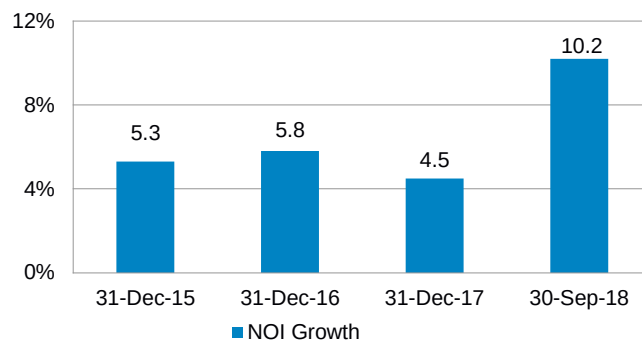
Industrial Allocation USD & % ⁽²⁾



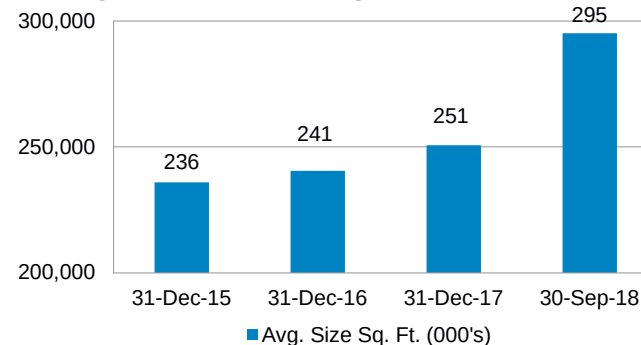
Number of Industrial Assets



Same Store Industrial NOI Growth ⁽¹⁾



Average Industrial Building Size



Notes

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- To provide a more meaningful basis for comparison, net operating income includes income before debt service and, for a given calendar month, includes only income generated by real estate investments held by the Fund for at least 13 months prior to the end of that month.
- Based on Fund's ownership.

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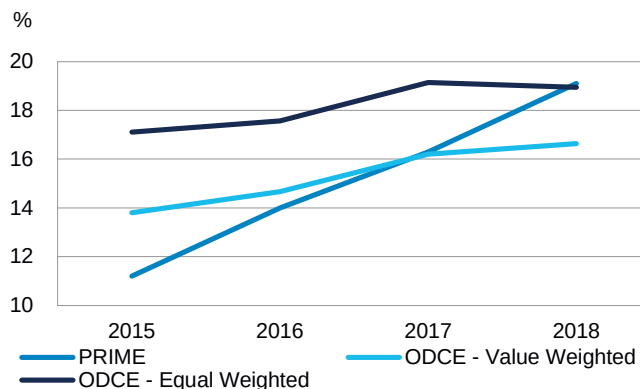
- PRIME's industrial allocation has increased by roughly 700bps since 2015 vs 200bps for ODCE
- PRIME's allocation to the largest five industrial markets has increased by eleven percentage points
 - These markets have delivered strong rent growth, outperforming the US; and
 - Contribute a significant share of PRIME's Industrial NOI

PORTFOLIO OVERVIEW

Industrial Portfolio Benchmarking – by MSA

Portfolio Allocation

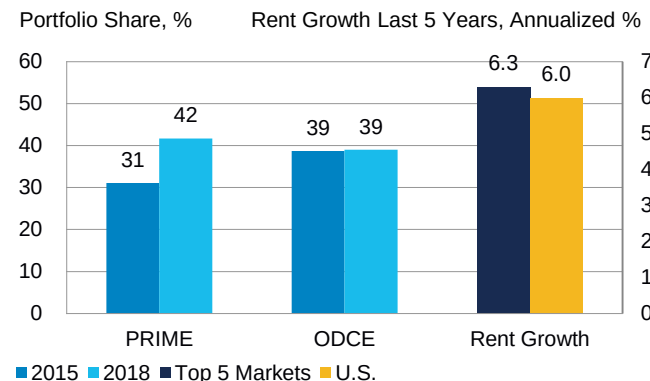
Industrial Market Value as a Share of Total GAV



Source NCREIF, MSREI Strategy, data as of November 2018

Allocation to 5 Largest Industrial Markets

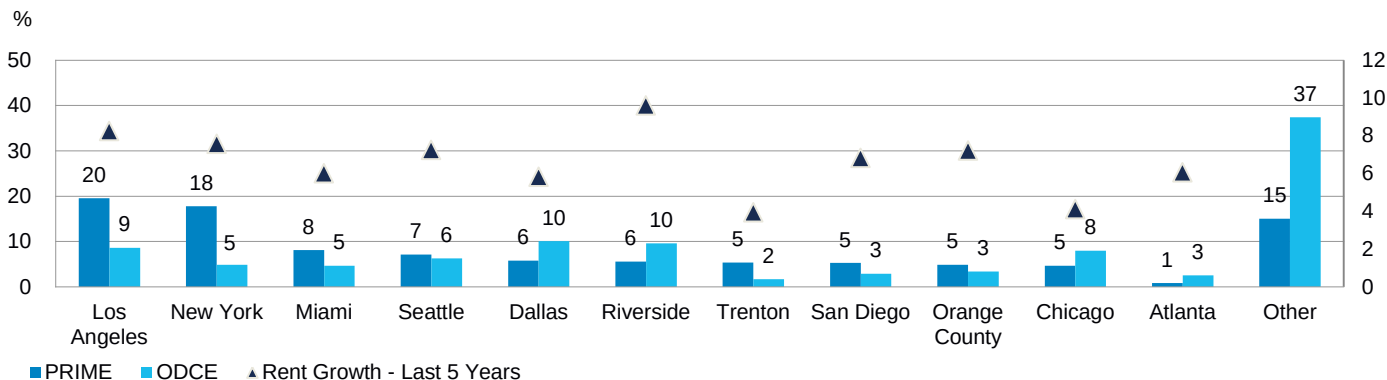
Top 5 Markets by Logistics Stock⁽¹⁾



Source CoStar, NCREIF, MSREI Strategy, data as of November 2018

Net Operating Income Percentage By Market

TTM, % of Industrial Portfolio



Source NCREIF, MSREI Strategy, data as of November 2018

Notes

1. Top five markets include Chicago, Dallas, Los Angeles, New York and Atlanta

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Prime Property Fund**

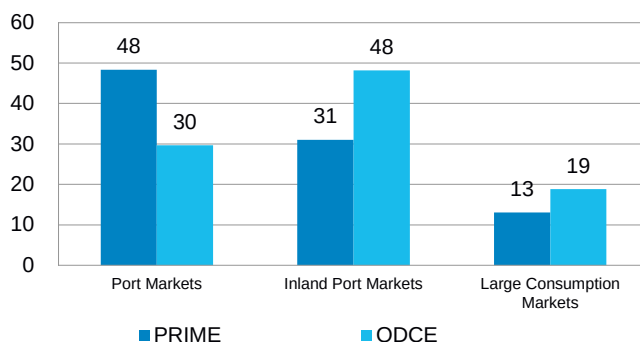
- PRIME's industrial portfolio is more focused on port markets, while ODCE has a greater share in inland port markets
- Port markets have natural supply barriers and have delivered stronger rent growth than other market segments

PORTFOLIO OVERVIEW

Industrial Portfolio Benchmarking – by Segment

Market Type⁽¹⁾

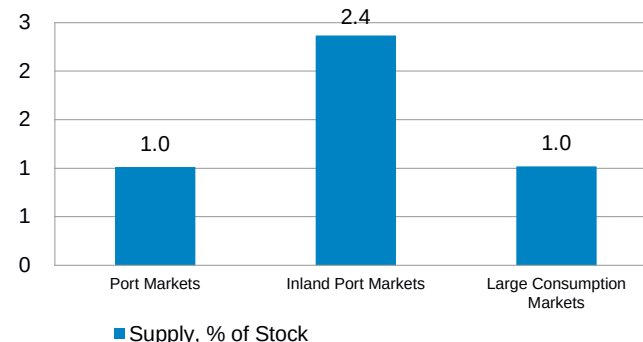
Share of Portfolio
%



Source CoStar, NCREIF, MSREI Strategy, data as of November 2018

Supply

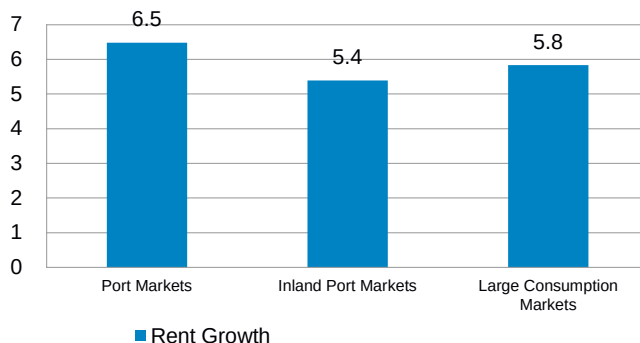
Last 5 Years, Annualized, as a Percent of Stock
%



Source CoStar, MSREI Strategy, data as of November 2018

Rent Growth

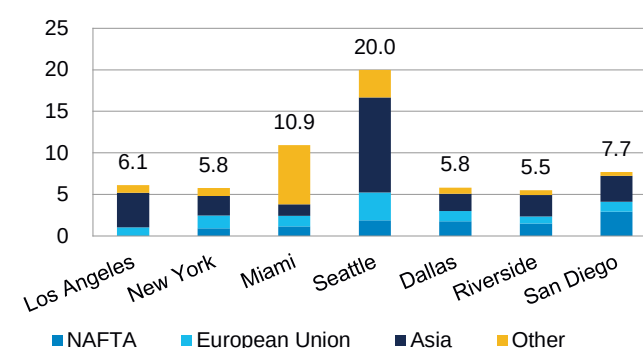
Last 5 Years, Annualized
%



Source CoStar, MSREI Strategy, data as of November 2018

Trade Exposure in PRIME's Top Industrial Markets

Exports as a Share of Gross Metro Product
%



Source CoStar, MSREI Strategy, data as of November 2018

Notes

- Port Markets defined as MSAs with the 10 largest TEUs volume (i.e. LA, New York, Seattle, Oakland, Miami); Inland ports defined as markets with significant intermodal facilities (i.e. Chicago, Dallas, Atlanta, Central PA); large consumption markets are top 50 MSAs that are not ports or inland ports (i.e. Boston, Austin, Denver); adjacent markets are secondary markets within the 10 largest combined statistical areas (i.e. Stockton, Trenton); secondary consumption markets are every other metro area.

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PORTFOLIO OVERVIEW

Representative Retail Assets



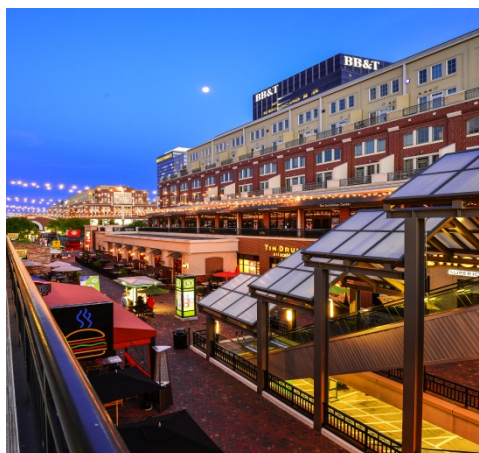
Fashion Valley Mall, San Diego, CA



Dadeland Mall, Miami, FL



Christiana Mall, Newark, DE



Town Center at Atlantic Station, Atlanta, GA



669 N. Michigan Avenue, Chicago, IL

Morgan Stanley Real Estate
Investing
Prime Property Fund

Key Metrics

Assets:	24
Square Feet:	7.7 Million
Allocation:	16.5%
Leased:	93.8%
2018 NOI Growth ⁽¹⁾ :	1.3%

- NCREIF Property Index shows super-regional malls have outperformed the overall retail index on a 3-, 5- and 10-year basis with 166 basis points per annum of outperformance over the last ten years⁽²⁾

PORTFOLIO OVERVIEW

PRIME Retail

As of September 30, 2018

Strategy - To maintain focus on retaining market profile of irreplaceable retail assets that have strategic value to tenants by increasing the appeal with an evolving customer experience

- PRIME's top four super-regional malls comprise 57% of the retail portfolio with average tenant sales of \$1,361 per square foot⁽³⁾⁽⁴⁾

	100% Value	Ownership Interest	Lease Status	2018 Rolling 12 Sales PSF	% Change from 2017	Occupancy Cost
Fashion Valley Mall	\$1.83 B	50%	96%	\$1,406	10.1%	12.6%
Dadeland Mall	\$1.46 B	50%	94%	\$1,217	(1.6)%	13.5%
Christiana Mall	\$0.98 B	50%	98%	\$1,991 ⁽⁵⁾	25.6%	5.7% ⁽⁵⁾
Rosedale Shopping Center ⁽⁶⁾	\$0.45 B	100%	96%	\$585	17.3%	11.1%
Total	\$4.72 B		96%⁽⁷⁾	\$1,361	14.0%	10.6%

- PRIME has also invested in a diverse set of “high street” retail assets
 - Included are holdings located in Soho neighborhood of Manhattan, in the heart of Michigan Avenue in Chicago, within the golden triangle of Beverly Hills in Los Angeles, off Union Square in San Francisco, within a premier location on the Las Vegas strip and along Lincoln Road in South Beach neighborhood of Miami

Notes

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1. To provide a more meaningful basis for comparison, net operating income includes income before debt service and, for a given calendar month, includes only income generated by real estate investments held by the Fund for at least 13 months prior to the end of that month.
2. NCREIF Property Index, as of September 30, 2018.
3. Average sales trends represents tenants less than 11,000 square feet.
4. The Fund owns five super-regional malls representing 58% of the retail portfolio with average sales of \$1,243 per square foot across the five malls.
5. Excluding Apple sales, Christiana Mall reported average sales of \$688/sf with a (17.0)% TTM sales trend and average occupancy costs equal to 16.7%.
6. Rosedale Shopping Center is in the process of completing a renovation and expansion.
7. Total leased status is value weighted (i.e., calculated using the asset values gross of debt) and adjusted for ownership share.

**Morgan Stanley Real Estate
Investing
Prime Property Fund**

Key Metrics

Assets:	79
Square Feet:	3.8 Million
Allocation:	4.3%
Leased:	90.1%
2018 NOI Growth⁽¹⁾:	5.3%



Hialeah Northeast, Miami, FL



Juniata, Philadelphia, PA

PORTFOLIO OVERVIEW

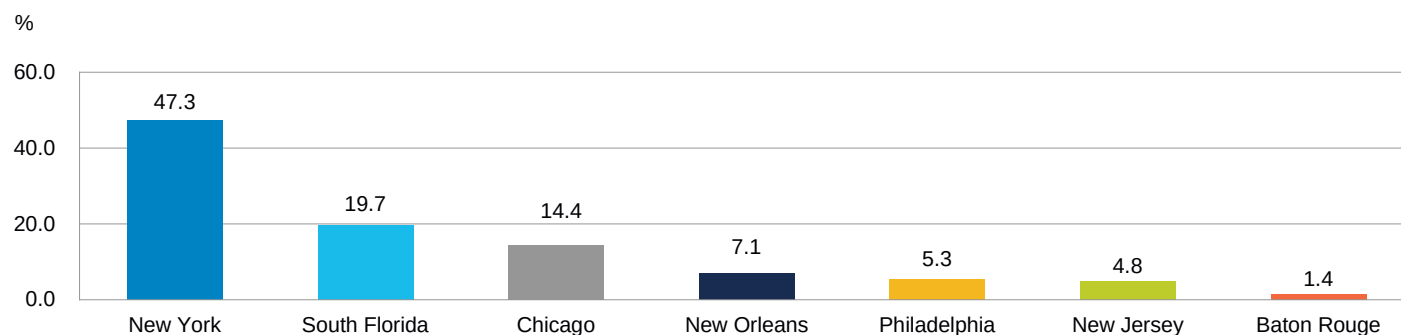
PRIME Self Storage

As of September 30, 2018

Strategy – To concentrate holdings in infill sub-markets with limited supply and strong demographics and grow primarily through selective development

- Safeguard, wholly-owned and controlled by PRIME, is a proven operator of self storage assets
- All assets are managed under the Safeguard brand as brand recognition through targeted market concentration is increasingly important
- Gross asset value of the portfolio is \$1,183.7M
- Safeguard is currently constructing nine new facilities with total budgeted construction costs of approximately \$121.7M (\$67.3M funded to date)

Safeguard Market Concentrations⁽²⁾



Note

Past performance is not indicative of future results. See the Performance Notes for important information about performance returns.

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2. Appraised value at ownership basis.

**Morgan Stanley Real Estate
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Prime Property Fund**

Key Metrics

Assets:	32
Square Feet:	4.0 Million
Allocation:	3.6%
Leased:	90.4%
2018 NOI Growth⁽¹⁾:	(11.9)%



Memorial Hermann Portfolio, Houston, TX



200 Cambridge Park Drive, Cambridge, MA

PORTFOLIO OVERVIEW

PRIME Healthcare

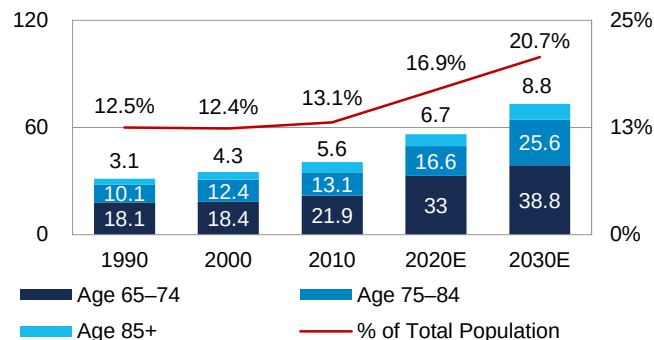
As of September 30, 2018

Strategy – To own assets directly advantaged from demand tailwinds of an aging population and increased trend in healthcare spending

- The age 65+ cohort requires the highest need for health services and is projected to grow at 3.3% vs 0.8% for the rest of the population
- We believe the sector has defensive attributes given non-cyclical demand and limitations on speculative supply
- Targeted holdings will be medical office properties and life-science buildings
- PRIME currently owns 28 medical office properties and four life science buildings

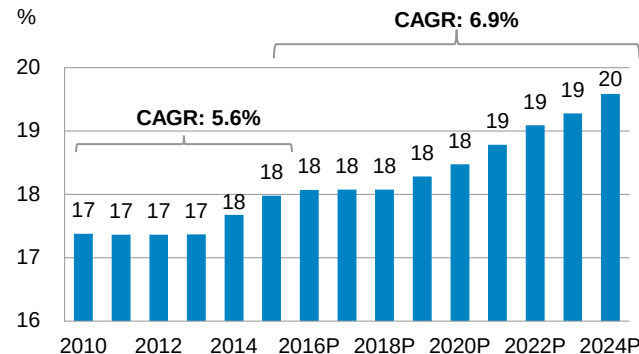
Population Growth: 65+ Cohort to Grow by 17MM People Over Next 10 Years

of Persons 65+(MM)



Source U.S. Census Bureau, as of September 2018

Healthcare Spending As % of GDP



Source Centers for Medicare and Medicaid Services

Note

Past performance is not indicative of future results. See the Performance Notes for important information about performance returns.

1. Only three assets are part of comparable same store NOI growth as the balance have been acquired within the last year.

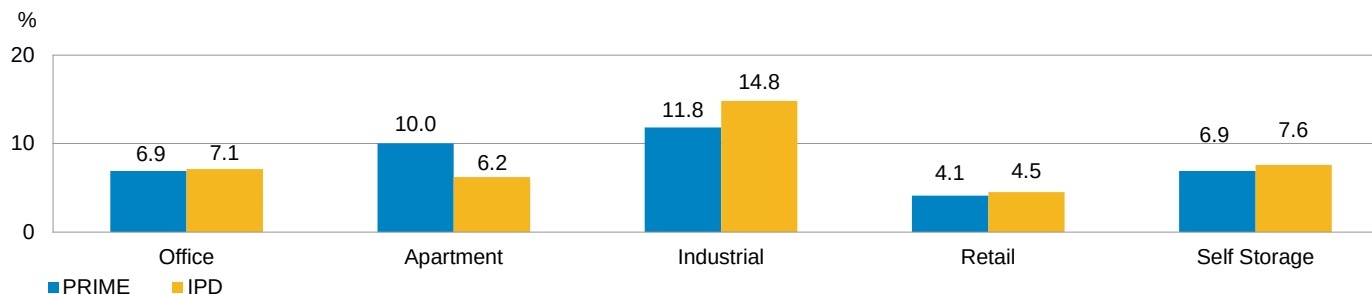
Morgan Stanley Real Estate
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PORTFOLIO OVERVIEW

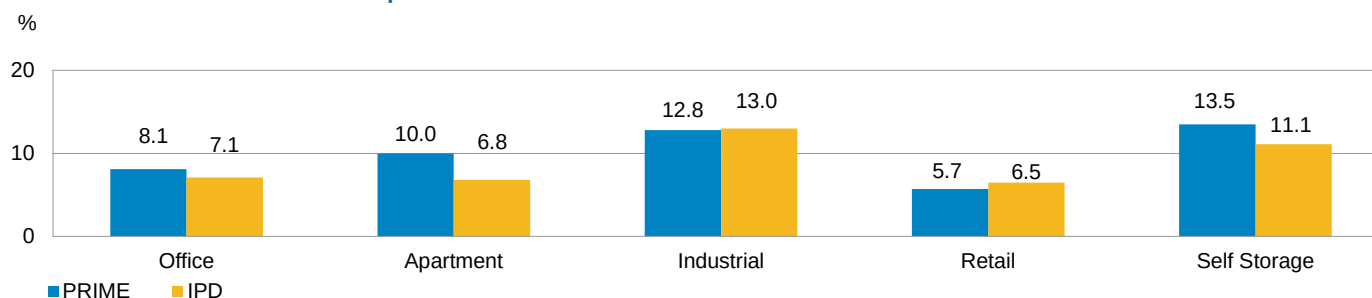
Unleveraged Returns by Sector

As of September 30, 2018

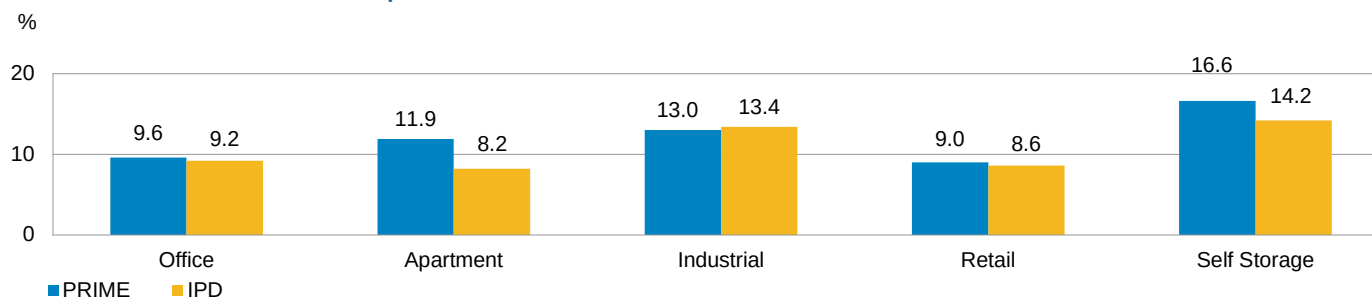
1-Year PRIME vs. IPD US Core Open End Fund Benchmark⁽¹⁾⁽²⁾



3-Year PRIME vs. IPD US Core Open End Fund Benchmark⁽¹⁾⁽²⁾



5-Year PRIME vs. IPD US Core Open End Fund Benchmark⁽¹⁾⁽²⁾



Notes

Past performance is not indicative of future results. See the Performance Notes for important information about performance returns and the characteristics of the IPD Benchmark.

1. The IPD U.S. Core Open-End Fund Benchmark ("IPD Benchmark") is time-weighted return index peer group benchmark used by PRIME and includes all investments owned by the peer group including real estate, cash and other investments (mezzanine loans receivable, notes receivable, forward commitments, etc.). The IPD Benchmark is gross of fees and excludes the impact of leverage.

2. See the Performance Notes for important information about the characteristics of the IPD Benchmark and other comparative indices in relation to PRIME and other factors relevant to such comparisons.

**Morgan Stanley Real Estate
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- PRIME's Investment Guidelines allow a portion of the Fund's assets (generally less than 15% of gross assets) to be invested in properties with reasonable asset enhancement opportunities
- As of September 30, 2018, 7.4% of PRIME's gross assets under management are value enhancing

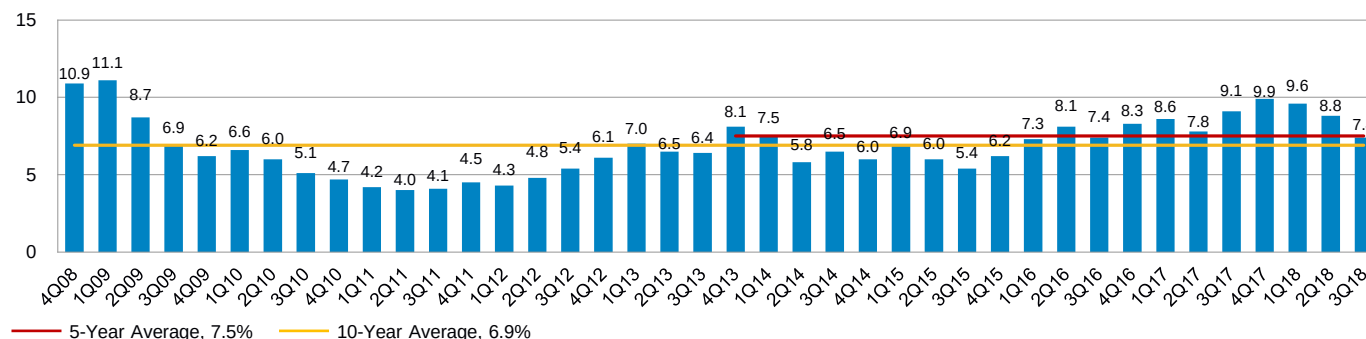
PORTFOLIO OVERVIEW

PRIME Value Add

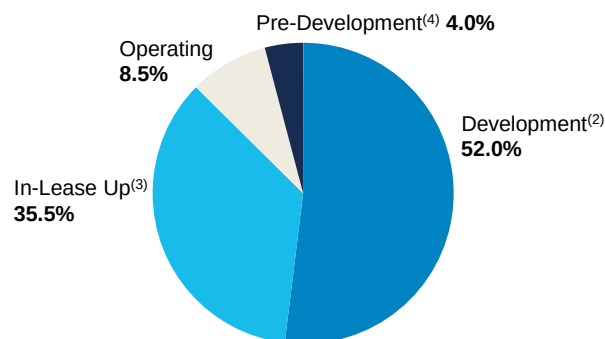
As of September 30, 2018

Value Add

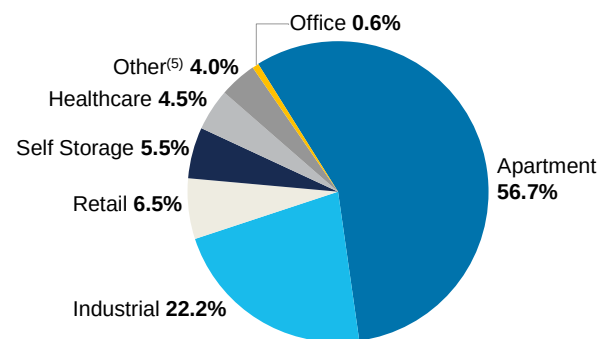
As % of Gross Asset Value



Value Add by Type⁽¹⁾



Value Add by Sector⁽¹⁾



Notes

1. Appraised value at ownership basis.
2. Development is defined as assets that are under construction.
3. In Lease-Up is defined as assets that have not achieved 70% leased status and have not received final certificate of occupancy (CO).
4. Pre-Development is defined as assets that are land held for future development.
5. Other includes land held for potential development.

**Morgan Stanley Real Estate
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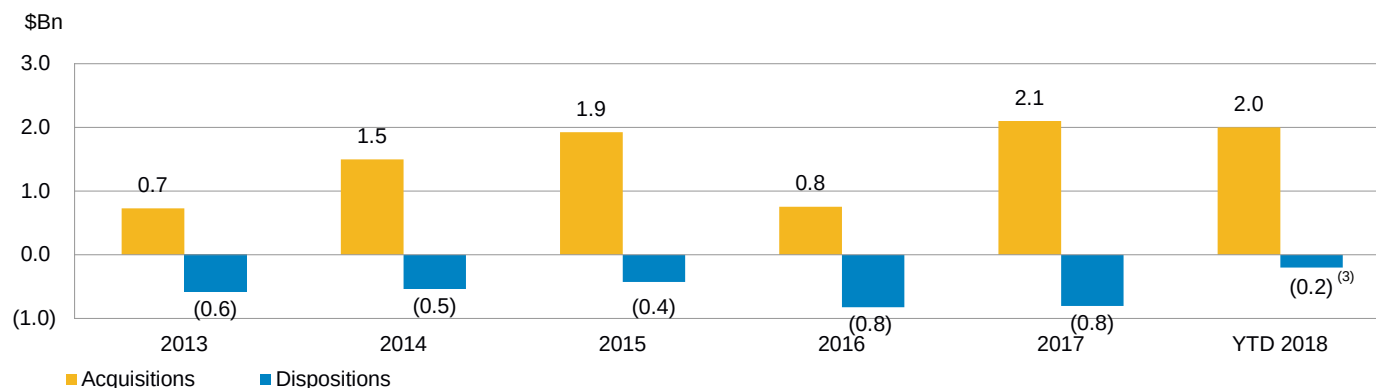
- Year-to-date 2018, 50% of the acquisition volume has been in the industrial sector
- Dispositions over the trailing five years have had an average sales price of 4.9% above the most recent appraised value

PORTFOLIO OVERVIEW

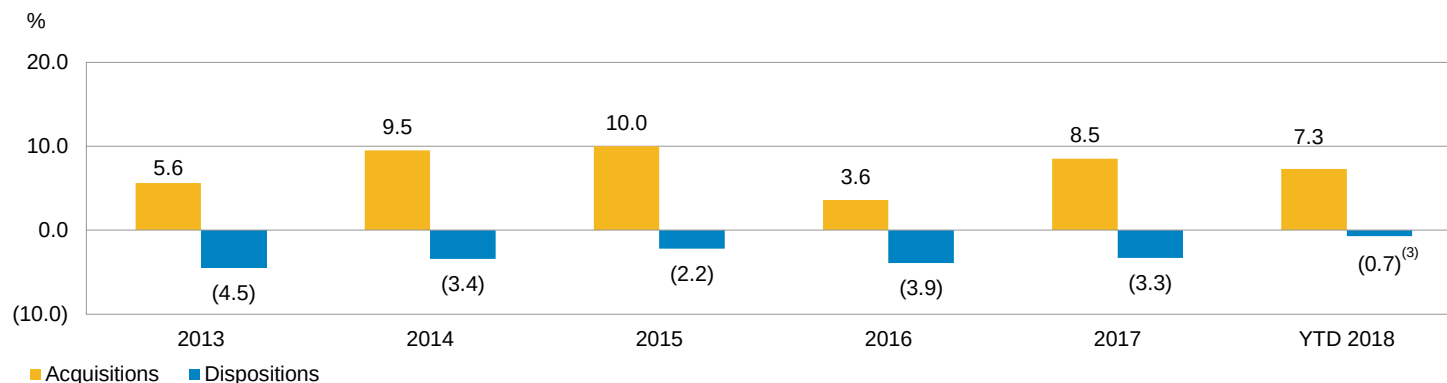
PRIME Acquisitions and Dispositions ⁽¹⁾⁽²⁾

As of September 30, 2018

Total Acquisitions and Dispositions in Billions



Total Acquisitions and Dispositions as a Percent of Year-Ending Gross Asset Value



Notes

Past performance is not indicative of future results.

1. The amounts do not include development other than the initial acquisition of land.

2. Based on PRIME's share of purchase price from 2013, 2014, 2015, 2016, 2017 and 2018.

3. Year-to-Date dispositions totaled \$194.6 million or 0.7%.

**Morgan Stanley Real Estate
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Prime Property Fund**

- PRIME's target range for leverage is 15%–25%
- PRIME's debt strategy of maintaining a mix of secured and unsecured financing allows the Fund to effectively and actively manage the portfolio as well as tap into a more diverse set of lending sources
- The Fund has no outstanding forward commitments

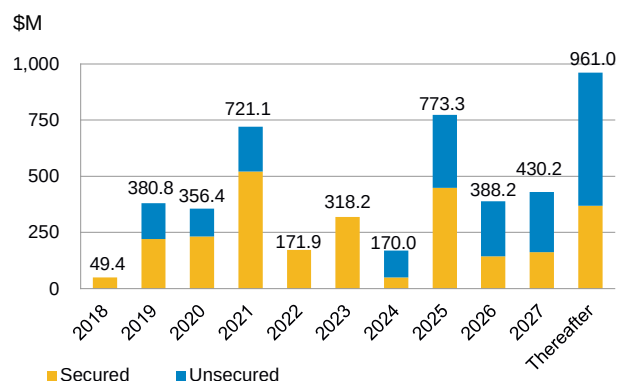
PORTFOLIO OVERVIEW

Debt Profile

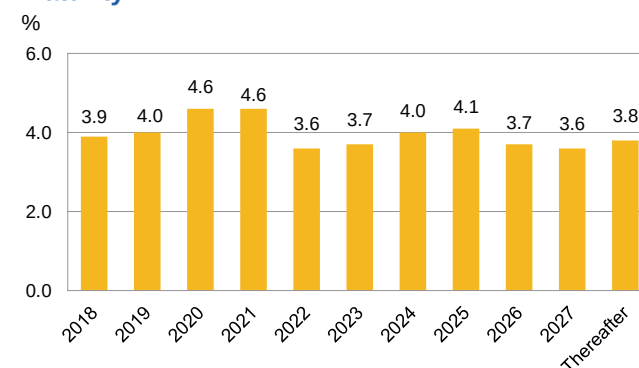
As of September 30, 2018

Leverage ⁽¹⁾ (%)	17.0
Fund Rating (Standard & Poor's)	A
Weighted Average Cost of Debt (%)	4.0
Weighted Average Debt Remaining Term	5.9 years
Unsecured Debt (%)	43.1
Fixed Rate Debt (%)	85.5
Cash to Net Assets (%)	0.6

Debt Maturity Schedule ⁽²⁾



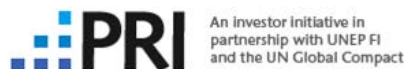
Weighted Average Cost of Debt by Year of Maturity ⁽²⁾



Notes

1. Includes all wholly-owned debt and PRIME's proportionate share of joint venture debt.
2. Maturity schedule reflects wholly owned and joint venture debt at ownership share. Excludes the Fund's \$650 million line of credit, which had zero outstanding as of September 30, 2018 and the AMLI line of credit which had zero outstanding as of September 30, 2018.

**Morgan Stanley Real Estate
Investing
Prime Property Fund**



Morgan Stanley

PORTFOLIO OVERVIEW

Sustainability

As of September 30, 2018

PRIME has implemented a comprehensive sustainability strategy, aimed at monitoring resources consumed by its real estate assets, thereby creating the potential for the Fund to reduce its carbon footprint in a financially responsible way. Morgan Stanley Investment Management is a signatory to the United Nations Principles for Responsible Investment (UN PRI) and has adopted Environmental, Social and Governance (ESG) Principles in keeping with the UN PRI.

PARTICIPATION, BENCHMARKING AND OBJECTIVES

- PRIME participates annually in the Global Real Estate Sustainability Benchmark (“GRESB”). In the most recent GRESB survey, PRIME improved its GRESB score from 76 to 78, ranking in the top third of all U.S. Diversified non-listed participants and maintained a Green Star rating. This represents a 27 point improvement since 2014 in this survey.
- For the first time, PRIME participated in MSIM’s UN PRI survey in 2018 achieving an A rating, which is above the median rating among the peer set of a B
- The Fund had previously set a goal of achieving an 8% absolute reduction in same-store energy use and Scope 1 and 2 Greenhouse Gas (“GHG”) emissions by 2020 from a 2015 base year for its directly managed portfolio⁽¹⁾
 - As of year-end 2017, PRIME had exceeded its goal, reaching a 10.7% reduction in energy and a 14.4% reduction in GHG emissions from its 2015 base year⁽²⁾
 - In light of this accomplishment, PRIME has set a new goal of achieving a 8% absolute reduction in same-store energy use and Scope 1 and 2 GHG emissions by 2022 from a 2017 base year for its directly managed portfolio
- 33.3% of the Fund’s assets are LEED certified⁽³⁾

Office

- 72.3% of the Fund’s office portfolio is LEED certified with an additional 1.2% pursuing certification⁽³⁾
- Energy Star certification is achieved with a score of 75 or higher. In mid-2018, the EPA changed the criteria on which it based Energy Star scores, significantly reducing the number of Fund assets that qualify for certification
 - Twelve office assets representing 42% of the Fund’s office portfolio were eligible for the Energy Star certification⁽³⁾

Apartment

- Thirty-two LEED certified apartment assets with an additional 14 assets pursuing certification
- AMLI Residential is the 2016 recipient of the awards for “Outstanding Multi-Family Developer” and “LEED Homes Power Builders” by the U.S. Green Building Council (USGBC), recognizing projects, developers and homebuilders that have demonstrated outstanding leadership in residential green building
- AMLI Residential is the recipient of the “2016-2017 Atlanta Better Buildings Challenge MVP Award” recognizing top commercial businesses committed to energy and water conservation
- AMLI requires that all new developments attempt a minimum of LEED Silver certification or higher
- AMLI employs 16 designated LEED AP individuals in-house

Notes

1. Implementation of efforts to achieve this goal remains subject to the Adviser’s duties to the Fund, including the obligation of the Adviser to endeavor to maximize the return on investment for the Fund.
2. Includes all assets that were owned and stabilized as of January 1, 2015. Assets that are sold are disregarded for the entire calculation period. Assets acquired or stabilized after January 1, 2015 are disregarded for purposes of this analysis. Directly managed refers to assets for which PRIME, through its internal or external property or asset manager, has operational control and no single tenant has the greatest authority over building operations.
3. Based on gross asset value, at ownership.

Section 4

Performance & Capital Flows

**Morgan Stanley Real Estate
Investing
Prime Property Fund**

- PRIME's total gross return since inception is 9.2%⁽¹⁾
- PRIME's annual gross return has exceeded 8% in 33 of 44 calendar years

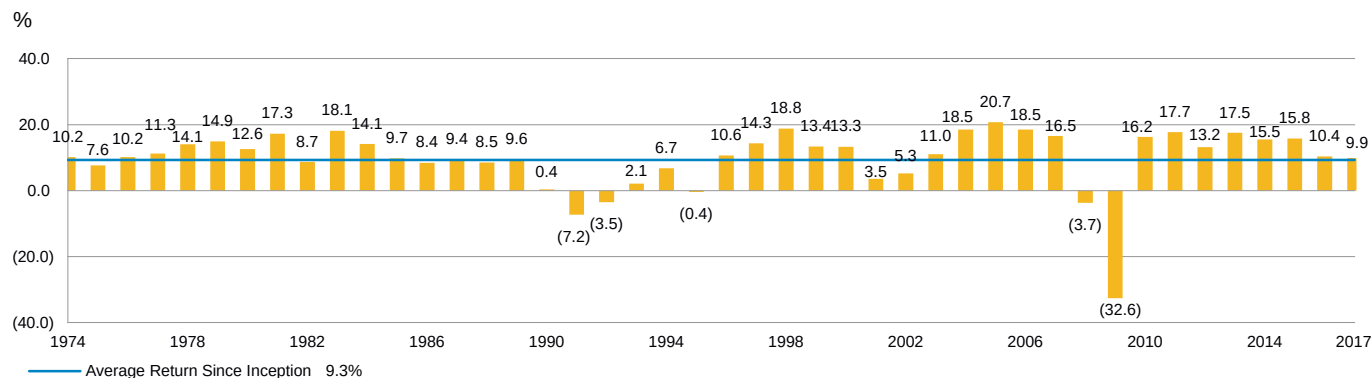
PERFORMANCE & CAPITAL FLOWS

PRIME Performance Since Inception

As of December 31, 2017

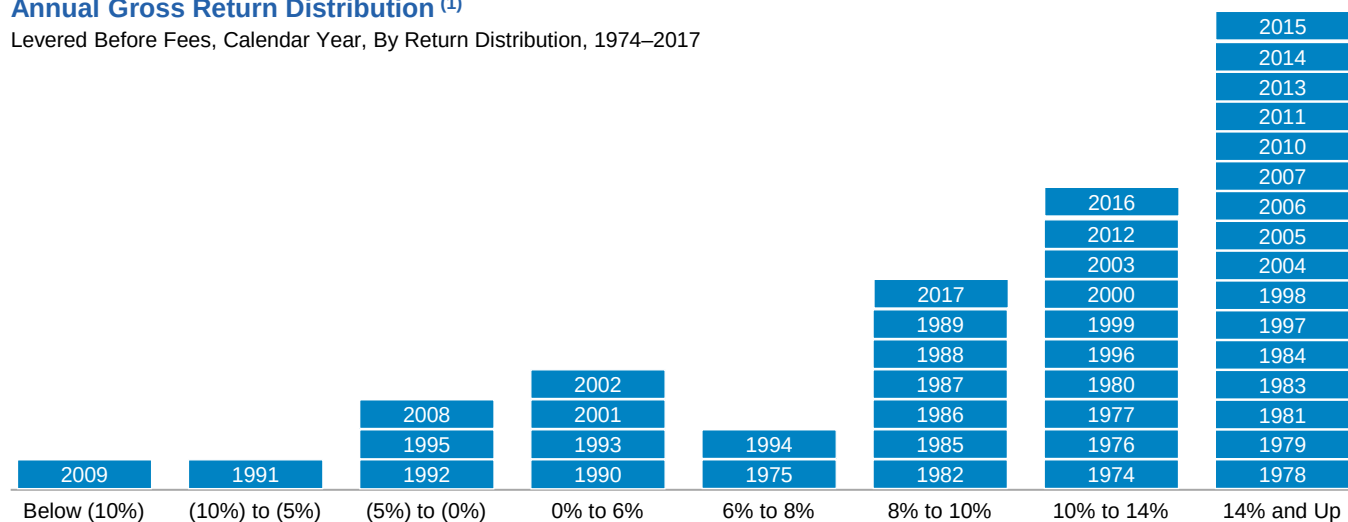
Total Annual Gross Returns ⁽¹⁾

Levered Before Fees, By Calendar Year, 1974–2017



Annual Gross Return Distribution ⁽¹⁾

Levered Before Fees, Calendar Year, By Return Distribution, 1974–2017



Notes

Past performance is not indicative of future results. See the Performance Notes for important information about performance returns

1. Returns are presented before (i.e., gross of) investment advisory fees—specifically, they do not reflect a deduction for asset management fees. Annual net returns are provided in the Performance Notes. PRIME's total net return since inception is 8.1% as of December 31, 2017.

**Morgan Stanley Real Estate
Investing
Prime Property Fund**

- The NCREIF Fund Index - Open-End Diversified Core equity (“NFI-ODCE”) is an index of investment returns reporting on both a historical and current basis the results of participating U.S. open-end commingled funds pursuing a core investment strategy
- Over the past ten years, PRIME’s annualized total gross return has exceeded the NFI-ODCE by 169 bps
- PRIME has outperformed each of the last seven calendar years

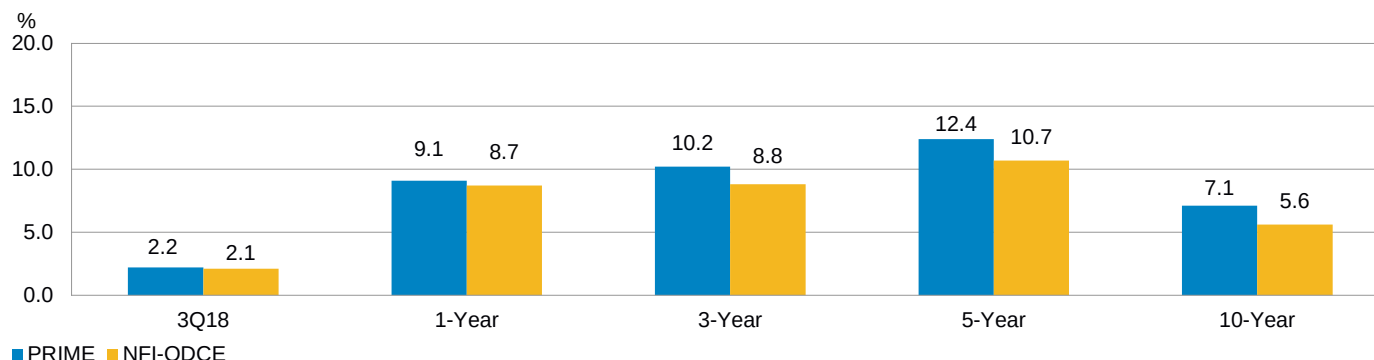
PERFORMANCE & CAPITAL FLOWS

PRIME Performance vs. NFI-ODCE

As of September 30, 2018

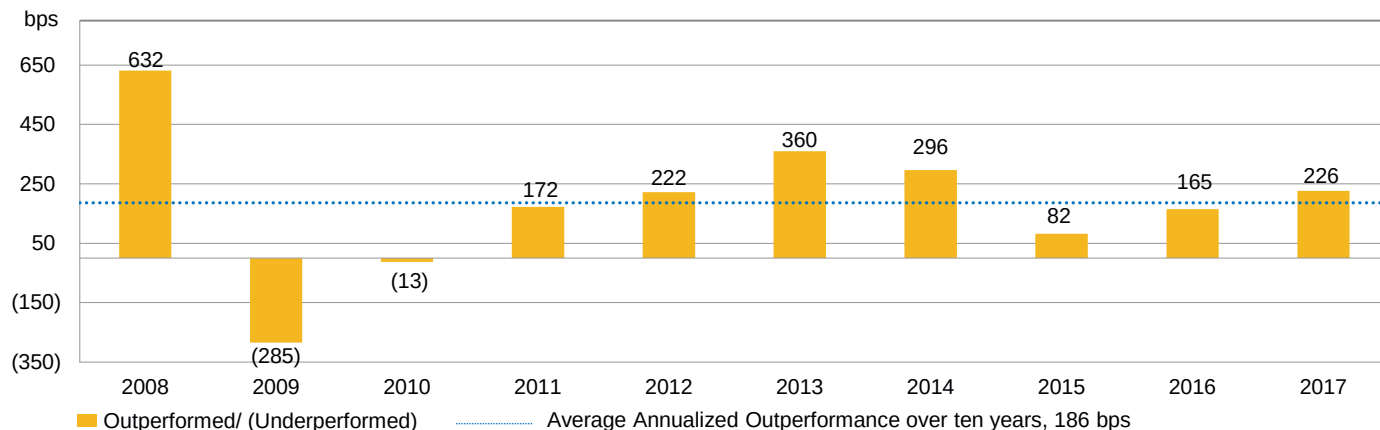
PRIME Leveraged Total vs. NCREIF Fund Index—Open-End Diversified Core Equity (“NFI-ODCE”) Total⁽¹⁾

Annualized Gross Return Comparison, as of September 30, 2018



PRIME vs. NFI-ODCE Performance Comparison

Annual Gross Return Comparison, Calendar Year 2008-2017



Note

Past performance is not indicative of future results. See the Performance Notes for important information about performance returns.

1. Returns are presented before (i.e., gross of) investment advisory fees—specifically, they do not reflect a deduction for asset management fees. Annual net returns are provided in the Performance Notes. See page 45 for net returns for the periods presented herein. See the Performance Notes for important information about the characteristics of the NFI-ODCE and other comparative indices in relation to PRIME and other factors relevant to such comparisons.

**Morgan Stanley Real Estate
Investing
Prime Property Fund**

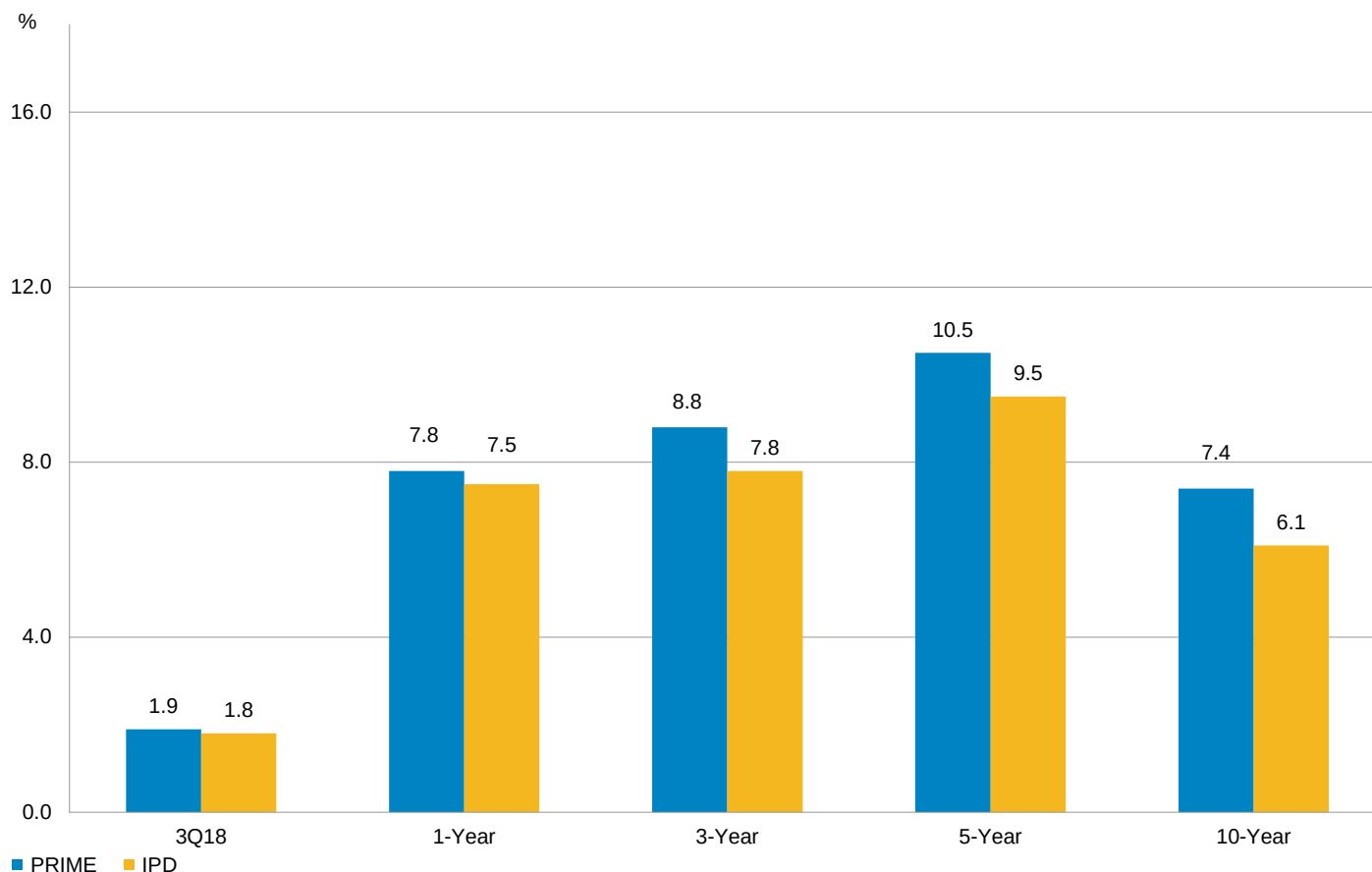
- The IPD U.S. Core Open Ended Fund Benchmark (the “IPD Benchmark”) is a non-published peer group consisting of 22 U.S.-based core open-end private equity real estate funds. The IPD Benchmark includes 22 of the 25 funds in the NFI-ODCE (96.2% of NFI-ODCE NAV)

PERFORMANCE & CAPITAL FLOWS

Unleveraged Returns

As of September 30, 2018

PRIME vs. IPD US Core Open Ended Fund Benchmark ⁽¹⁾⁽²⁾



Notes

Past performance is not indicative of future results. See the Performance Notes for important information about performance returns and the characteristics of the NFI-ODCE Benchmark

- Returns are presented before (i.e., gross of) investment advisory fees—specifically, they do not reflect a deduction for asset management fees. See page 45 for PRIME’s net returns for the periods presented herein. PRIME’s unleveraged returns are calculated without the impact of property- and portfolio-level financing.
- See the Performance Notes for important information about the characteristics of the IPD Benchmark and other comparative indices in relation to PRIME and other factors relevant to such comparisons.

**Morgan Stanley Real Estate
Investing
Prime Property Fund**

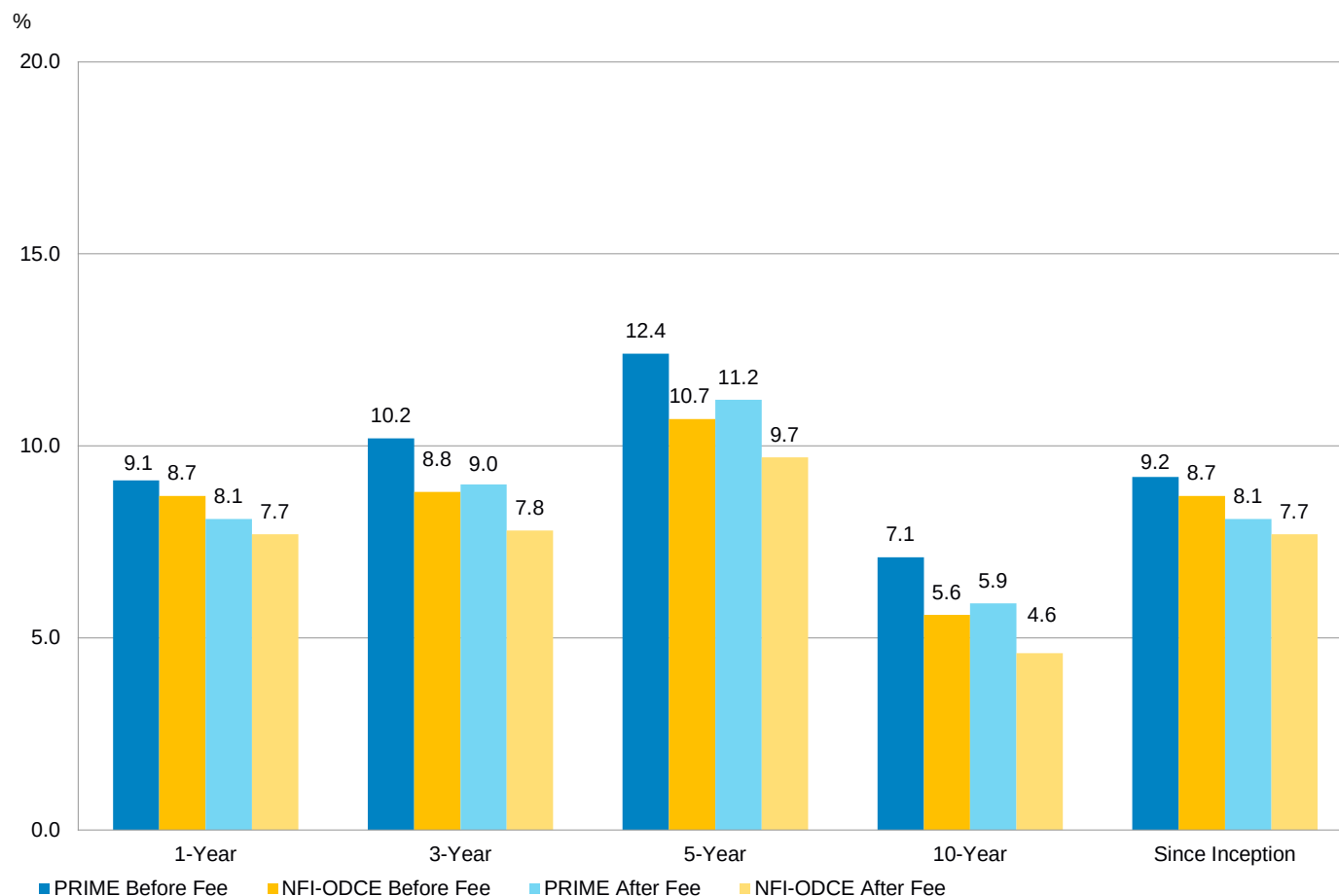
- PRIME's fee for each of the last five calendar years has been
 - 2017 103 bps
 - 2016 112 bps
 - 2015 119 bps
 - 2014 119 bps
 - 2013 120 bps
- PRIME's fee was modified, effective April 1, 2013. The total fee is now capped at 119 bps
- PRIME's fee structure is detailed on page 55 (Tab A)
- The difference between Before Fee and After Fee returns does not total the fee charged in terms of basis points on NAV given the compounding impact of the chain linking of returns

PERFORMANCE & CAPITAL FLOWS

PRIME Before and After Fee Performance vs. NFI-ODCE

As of September 30, 2018

PRIME vs. NFI-ODCE Total Returns⁽¹⁾



Note

Past performance is not indicative of future results. See the Performance Notes for important information about performance returns and the characteristics of the NFI-ODCE Benchmark

1. The Fund's inception was August 20, 1973; however, to provide a more meaningful basis for comparison, returns for the Fund and the NFI-ODCE are shown for the period starting in the first quarter of 1978, inclusive, which represents all available return information for the NFI-ODCE since its inception.

Morgan Stanley Real Estate
Investing
Prime Property Fund

- PRIME works closely with the Fund's independent appraisers to ensure they have the most current property and capital market information possible

PERFORMANCE & CAPITAL FLOWS

Valuation

PRIME has implemented a rigorous appraisal process

- **Every asset independently appraised quarterly**
- Nationally recognized appraisal firm is engaged to manage the process with the third-party appraisal firms that provide appraisals
- Individual appraisal assignments are rotated every three years
- Third-party appraisal firms are engaged by PRIME's independently controlled Board of Directors
- All valuation recommendations are formally reviewed by the Adviser's internal valuation committee

Morgan Stanley Real Estate
Investing
Prime Property Fund

- Ownership structure allows for a more diversified capital base

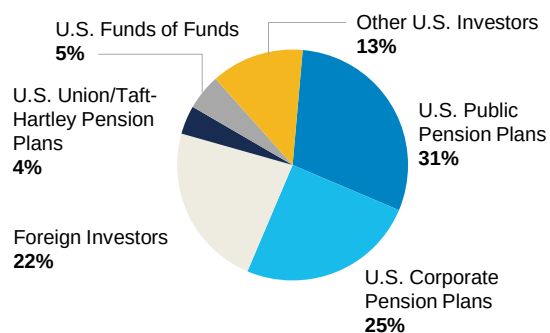
PERFORMANCE & CAPITAL FLOWS

Investor Profile

As of September 30, 2018

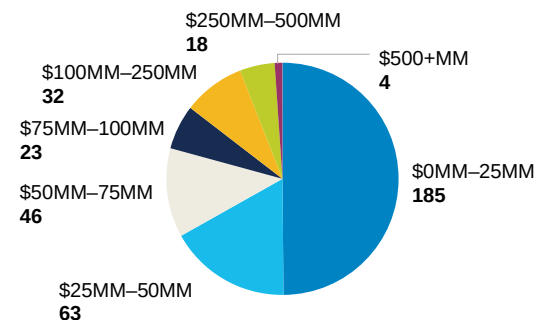
Investor Type—Measured in \$

\$22.6B Net Asset Value



Number of Investors—Measured by Size

\$22.6B Net Asset Value



**Morgan Stanley Real Estate
Investing
Prime Property Fund**

- As of September 30, 2018, PRIME has an incoming investment queue of \$951.5M

- The number of investors in PRIME has nearly doubled since 2012

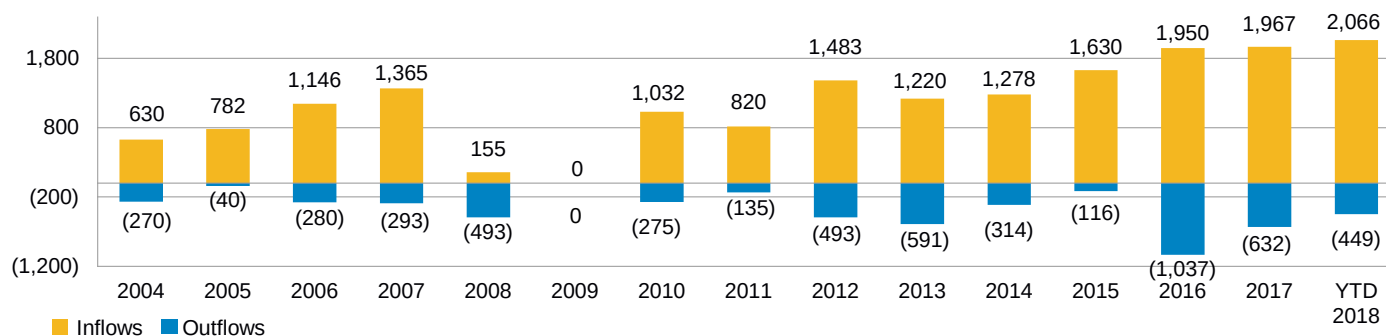
PERFORMANCE & CAPITAL FLOWS

PRIME Client Flows

As of September 30, 2018

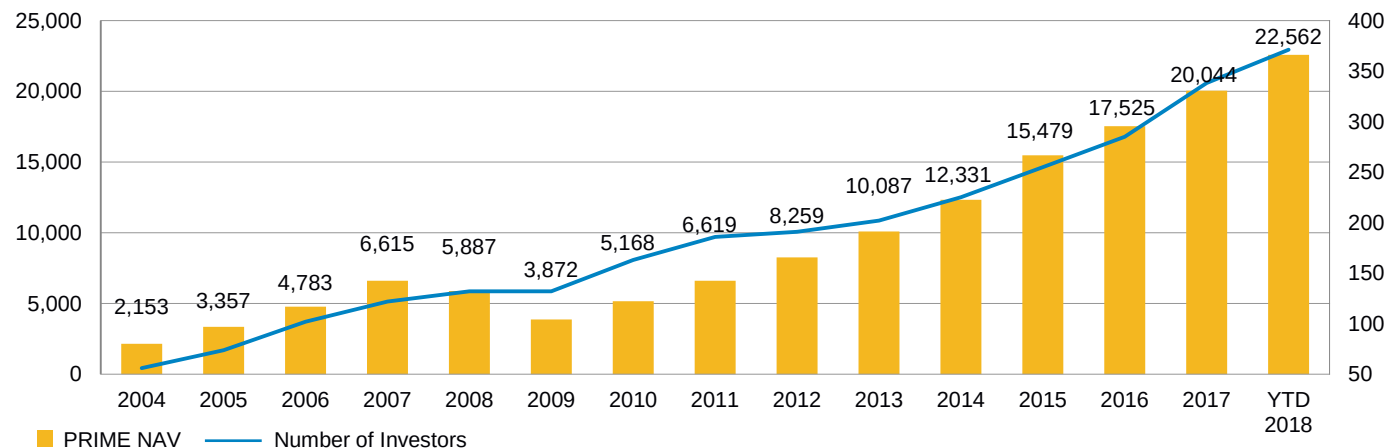
Inflows and Outflows ⁽¹⁾

\$M



NAV and Number of Investors

\$M



Note

1. Excludes dividends paid and reinvested. PRIME had a redemption queue from September 2008 to September 2010.

Morgan Stanley Real Estate
Investing
Prime Property Fund

PERFORMANCE & CAPITAL FLOWS

Summary & Differentiating Attributes

BROAD INVESTMENT PLATFORM

- PRIME is MSREI's only active U.S. core investment mandate
- Provides access to deal flow, information and expertise

EXPERIENCED AND DEDICATED TEAM

- Providing consistency of approach to investing
- Interests aligned with shareholders

STRONG RELATIVE TRACK RECORD

- Have outperformed through market cycles
- Research supported and specific investing strategies within each sector
- Established practices in place to manage to an attractive risk-adjusted return

HIGH-QUALITY PORTFOLIO

- Difficult to replicate and more resilient through market cycles
- Strategically constructed, diversified and concentrated in preferred major markets

OPERATIONAL EXPERTISE

- AMLI provides expertise and experience within the apartment sector

PERFORMANCE & CAPITAL FLOWS

Performance Notes

Past performance is not indicative of future results. There can be no assurance that the Fund will achieve comparable, or any, returns. Losses, including a total loss of invested amounts, can result from investment in the Fund.

Unless otherwise noted, performance returns for the Fund contained herein:

- Are annualized (i.e., for periods of one year or greater, the performance returns represent average annual returns). Returns for periods less than one year are unannualized.
- Are time-weighted returns calculated using a “modified Dietz method.” In the absence of daily portfolio valuations, the modified Dietz method weights individual cash flows by the amount of time that those cash flows are held by (or absent from) the portfolio. The Adviser believes the modified Dietz method is a more appropriate way to measure the return on a portfolio than a simple geometric return method because the modified Dietz method identifies and accounts for the timing of all random cash flows while a simple geometric return does not.
- The modified Dietz method formula for calculating a time weighted return is as follows:
 - $$R_p = \frac{EFV - BFV - CF}{BFV + WCF}$$
 - R_p = Return for the measurement period
 - EFV = Ending fair value of the investment
 - BFV = Beginning fair value of the investment
 - CF = Net cash flows for the period (add if net distribution)
 - WCF = Sum of weighted cash flows for the period
- Are presented before (i.e., gross of) investment advisory fees—specifically, they do not reflect a deduction for asset management fees. Actual returns to an investor would be lower.
- Are presented on a levered basis.
- Are presented based on finalized interim unaudited financial results (or, if available, finalized audited financial statements) available as of the stated time in the return presentation. Such results as of the end of the applicable fiscal year are generally audited by a reputable outside firm within 90 days of the Fund’s fiscal year end.
- Include interest income from short-term investments.
- Include income which is based on accrual accounting.
- Include increases or decreases in net asset value arising from the Fund’s marking of its debt to market in accordance with Accounting Standards Codification 825-10-25.

Morgan Stanley Real Estate
Investing
Prime Property Fund

PERFORMANCE & CAPITAL FLOWS

Performance Notes (cont'd)

The Fund's annual total returns for calendar years 1974-2017 are as follows:

Year	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Gross	10.18%	7.64%	10.20%	11.27%	14.05%	14.92%	12.58%	17.25%	8.70%	18.13%
Net	9.15%	6.54%	9.05%	10.44%	13.27%	14.08%	11.59%	16.30%	7.34%	17.52%

Year	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Gross	14.10%	9.74%	8.44%	9.40%	8.51%	9.60%	0.36%	(7.24)%	(3.52)%	2.12%
Net	13.11%	8.63%	7.30%	8.25%	7.38%	8.46%	(0.70)%	(8.23)%	(4.57)%	1.06%

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Gross	6.73%	(0.38)%	10.61%	14.34%	18.75%	13.40%	13.27%	3.54%	5.27%	11.04%
Net	5.68%	(1.36)%	9.54%	13.23%	17.59%	12.26%	12.20%	2.59%	4.30%	10.02%

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross	18.53%	20.70%	18.47%	16.53%	(3.69)%	(32.61)%	16.23%	17.72%	13.16%	17.54%
Net	17.56%	19.81%	17.03%	15.23%	(4.75)%	(33.22)%	15.09%	16.28%	11.68%	16.15%

Year	2014	2015	2016	2017
Gross	15.46%	15.84%	10.42%	9.88%
Net	14.11%	14.50%	9.20%	8.75%

The Fund's inception date was August 20, 1973. Performance information for the Fund for the period in which it was advised by Lend Lease Real Estate Investments, Inc. or its predecessors (the period prior to December 2003) is included because it has been concluded that, given the substantial overlap of personnel and other factors, reporting such information would be helpful. On June 30, 2004, the Fund became the successor in interest of an open-end institutional real estate fund organized in 1973 as a statutory insurance company separate account (known as "Separate Account No. 8 – Prime Property Fund") sponsored and maintained by The Equitable Life Assurance Society of the United States.

PERFORMANCE & CAPITAL FLOWS

Performance Notes (cont'd)

The sum of the income return and appreciation return components may not equal the gross return because of the time weighting (*i.e.*, chain linking) of component monthly returns and/or quarterly returns.

Income return may or may not approximate distributed income to the investor, depending on the cash distribution policy or elections made by the investor.

As stated above, performance returns for the Fund contained herein are reported on an annualized, not cumulative, return basis. The cumulative, compounded effect of advisory fees on total returns can be significant. For example, assuming an 8% annual return to a portfolio, earned evenly over the period in question, and an annual advisory fee on equity equal to 1.15%, the total after-fee return to the client would nominally be 6.85%. Over one-, three-, five- and ten-year periods, however, cumulative actual returns would be 8.24% (gross) and 7.03% (net) for one year; 26.82% (gross) and 22.60% (net) for three years; 48.59% (gross) and 40.44% (net) for five years; and 120.80% (gross) and 97.23% (net) for ten years.

Comparable Indices and Benchmarks – Generally

For purposes of evaluating the Fund's performance, the information contained herein includes certain comparisons to certain real estate and non-real estate indices and benchmarks. It is not possible to invest directly into an index or benchmark. Certain factors and the limited data available for such indices and benchmarks may make direct comparisons difficult, and such indices and benchmarks may have characteristics that are not be fully applicable to the Fund and may be more or less volatile than the Fund. For example, indices (or particular funds contained therein) may have dissimilar asset concentrations, appraisal standards or policies on the reinvestment of dividends or other proceeds when compared to the Fund.

Characteristics of certain indices and benchmarks commonly used in comparisons with the Fund are described below; however, the descriptions are not exhaustive. Thorough familiarity with the characteristics for each index and benchmark is advisable before one can fully understand such comparisons.

NCREIF Fund Index – Open-End Diversified Core Equity

The NCREIF Fund Index – Open-End Diversified Core Equity ("NFI-ODCE") is a fund-level, capitalization-weighted, time-weighted return index and includes property investments at ownership share, cash balances and leverage (*i.e.*, returns reflect each fund's actual asset ownership positions and financing strategy). NFI-ODCE performance information is presented gross of fees. NFI-ODCE information is available beginning in the first quarter of 1978, inclusive.

Morgan Stanley Real Estate
Investing
Prime Property Fund

PERFORMANCE & CAPITAL FLOWS

Performance Notes (cont'd)

IPD U.S. Core Open-End Fund Benchmark

The IPD U.S. Core Open-End Fund Benchmark (“IPD Benchmark”) is time-weighted return index peer group benchmark used by PRIME and includes all investments owned by the peer group including real estate, cash and other investments (mezzanine loans receivable, notes receivable, forward commitments, etc.). The IPD Benchmark is gross of fees and excludes the impact of leverage.

NCREIF Property Index

The NCREIF Property Index (“NPI”) is a property-level, time-weighted return index and includes property investments at 100% ownership and does not account for leverage (*i.e.*, returns do not reflect each fund’s actual asset ownership position (if not 100%) or financing strategy). NPI performance information is presented gross of fees.

The Fund has a core-oriented investment strategy, while the NPI includes investments with a non-core orientation. The NPI performance returns exclude development, agricultural and other non-income producing properties. Also, the NCREIF Property Index is a broader index and includes assets with enhanced or more opportunistic-type strategies. The Fund’s exposure to these types of assets is limited to 15% of gross assets, and the Fund’s exposure to these types of assets was 7.4% of gross assets as of September 30, 2018.

Other Indices

Comparisons to the performance returns of other indices (e.g., NAREIT Equity REIT Index, S&P 500, Barclays Capital U.S. Government/Credit Bond Index) are subject to similar considerations concerning component product mixes, weighting, etc. In particular, when comparing the performance of asset classes, readers should keep in mind that there are differences that make direct comparisons difficult. For example, due to the appraisal methods for valuing real estate, there may be inherent issues when comparing real estate to other asset classes; stocks are more volatile than bonds; and U.S. government bonds and fixed income investments are guaranteed by the issuer as to the timely payment of principal and interest and pay a fixed rate of interest.

Section 5

Additional Information

**Morgan Stanley Real Estate
Investing
Prime Property Fund**

- Fee structure intended to create strong alignment of Adviser's interest with investors by compensating Adviser for NOI growth

– 2017 Fees	103 bps
– 2016 Fees	112 bps
– 2015 Fees	119 bps
– 2014 Fees	119 bps
– 2013 Fees	120 bps ⁽²⁾

ADDITIONAL INFORMATION

PRIME Fee Structure

Asset Management Fee: 84 basis points per annum of the NAV (as of the beginning of each calendar quarter) payable quarterly in arrears.

Incentive Fee: Incentive Fee for each calendar year is capped at 35 basis points per annum. Accrues on a monthly basis over a calendar year. Monthly accrual will equal the product of $X*Y*Z*1/12$, where:

- $X = 5.0\%$;
- $Y = \text{NAV (as of the beginning of that month)}$; and
- $Z = \text{"Comparable Property NOI Growth" for that month (expressed as a percentage)}^{(1)}$

Incentive Fee is payable at or promptly after the end of each calendar year and equal to the aggregate amount of the Incentive Fee (including any negative amounts) accrued for each month of the calendar year.

Notes

1. "Comparable Property NOI Growth" for a given calendar month is the growth, expressed as a percentage, of (i) the aggregate income after operating expenses have been deducted, but before deducting income taxes, financing expenses, fund expenses and capital expenditures (the "NOI") generated by Included Investments that month, over (ii) the aggregate NOI generated by the same Included Investments during the same calendar month in the preceding year. For these purposes, "Included Investments" means each real estate asset held directly or indirectly by the Fund for at least 13 months prior to the end of that month (for the avoidance of doubt, including any real estate for which there was any expansion, redevelopment or similar change during the prior 13 months); provided that if any such real estate asset is a development asset (i.e., either undeveloped land or a previously developed real estate asset that is subject to a development or redevelopment project where the budgeted costs of such project exceed 50% of the value of such asset immediately prior to undertaking such project), such real estate asset will only be considered held once its development has been completed (i.e., a certificate of occupancy or equivalent document has been obtained); and provided further that "Included Investments" shall not include AMLI Operating Company, Safeguard Operating Company or any other future investment deemed to be an operating company.
2. Prior to April 1, 2013, the Asset Management Fee was 90 bps per annum and the Incentive Fee was capped at 45 bps per annum and took into account NOI for AMLI Operating Company and Safeguard Operating Company.

**Morgan Stanley Real Estate
Investing
Prime Property Fund**

- GDP remained strong in 3Q at 3.5% at an annualized rate
 - Growth is decelerating from the 4.2% pace in 2Q
 - Private consumption was once again the key driver of growth, contributing 2.7 percentage points of growth
 - Residential investment was a drag on growth for the third consecutive quarter
 - Business investment stalled, largely as a result of a sharp contraction in mining investment

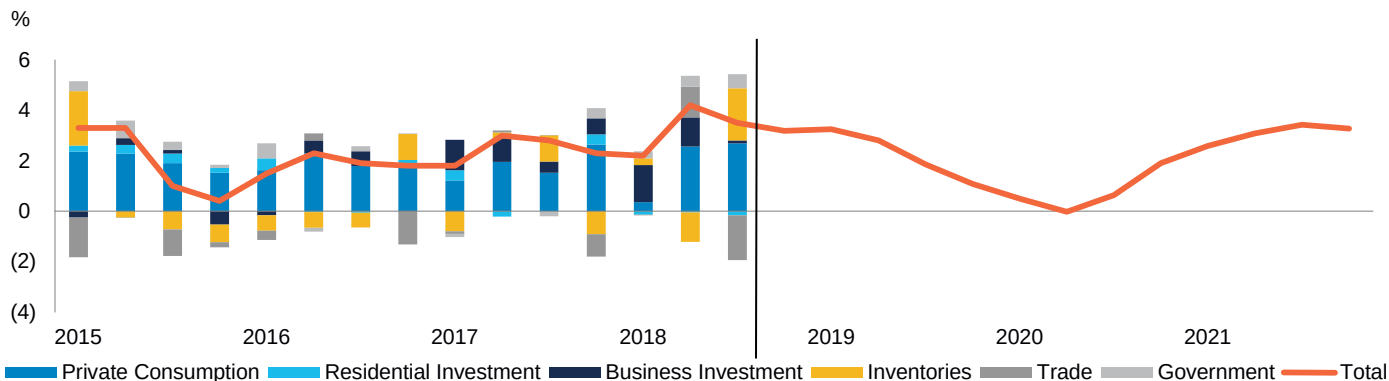
ADDITIONAL INFORMATION

Macro Overview

Accelerating Economic Environment

GDP Growth Robust

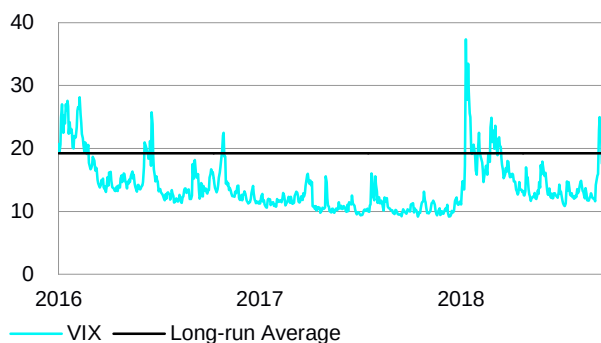
Contribution at a Seasonally Adjusted Annualized Rate



Source: Bureau of Economic Analysis, Moody's Analytics, MSREI Strategy, data as of October 2018

Rising Financial Market Volatility

Daily
Index



Source: SIX Financial Information, Moody's Analytics, MSREI Strategy, data as of October 2018

Notes

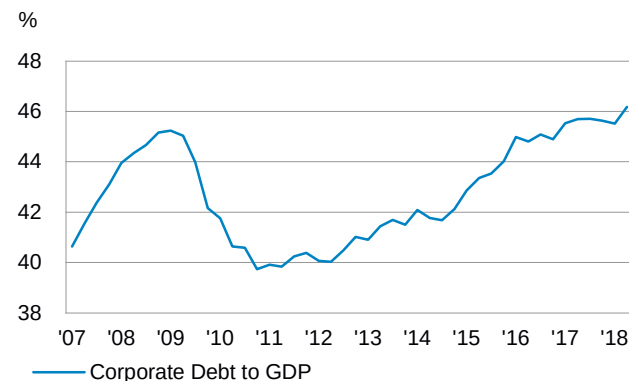
1. The Conference Board Leading Economic Index includes average weekly hours (manufacturing), average weekly initial claims for unemployment insurance, manufacturers' new orders (consumer goods and materials), ISM index of new orders, manufacturers' new orders (nondefense capital goods excluding aircraft orders), building permits (new private housing units), Share prices (S&P 500), Conference Board Leading Credit Index, interest rate spread (10-year Treasury bonds less federal funds), average consumer expectations for business conditions

The opinions expressed herein are those of the MSREI team as of the date of the presentation and are subject to change at any time due to changes in market or economic conditions. Readers should be aware that forward-looking statements, and statements regarding MSREI's assessment of the market are by their nature inherently uncertain insofar as actual realized returns or other projected results can change quickly based on, among other things, unexpected market movements, changes in interest rates, legislative or regulatory developments, acts of God, and other developments.

All forecasts are subject to change at any time and may not come to pass due to changes in market or economic conditions

Corporate Leverage a Potential Vulnerability

Nonfinancial Corporate Debt to GDP



Source: Bureau of Economic Analysis, Board of Governors of the Federal Reserve System, Moody's Analytics, MSREI Strategy, data as of October 2018

**Morgan Stanley Real Estate
Investing
Prime Property Fund**

- Morgan Stanley Research has outlined the impacts to GDP and inflation of four trade scenarios
 - Status quo: US imposes 25% tariff on \$50B of China goods, 25% and 10% tariff on EU steel and aluminum
 - Escalation: Additional 10% on \$200B of China goods + 22.5% tariff on EU autos
 - Significant escalation; Additional 10% on all remaining China imports
 - Full-blown escalation: 25% tariff on all China imports, 25% tariff on all EU imports
- Construction costs continue to rise pressuring development margins and potentially curtailing new supply
- Market impacts from trade tensions differ significantly based on degree and destination of exports

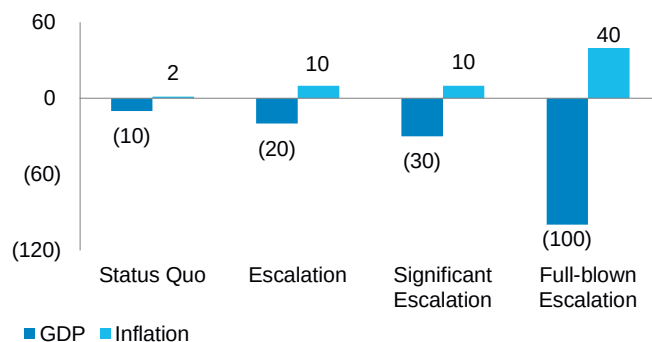
ADDITIONAL INFORMATION

Trade Frictions

Downside Risk

Current Tariff Program Not Expected to Materially Impact Growth

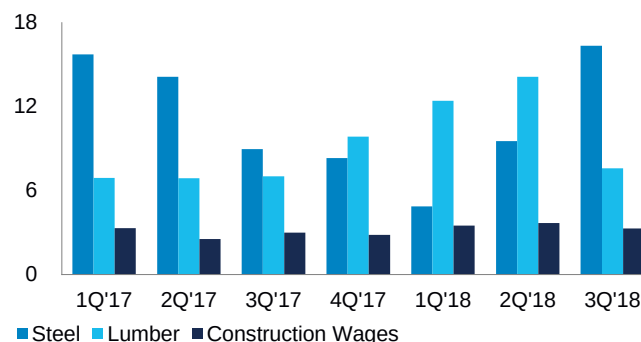
Vs. Morgan Stanley Baseline Forecast (Bps)



Source: Morgan Stanley Research, data as of October 2018

Construction Costs Have Been Rising Significantly

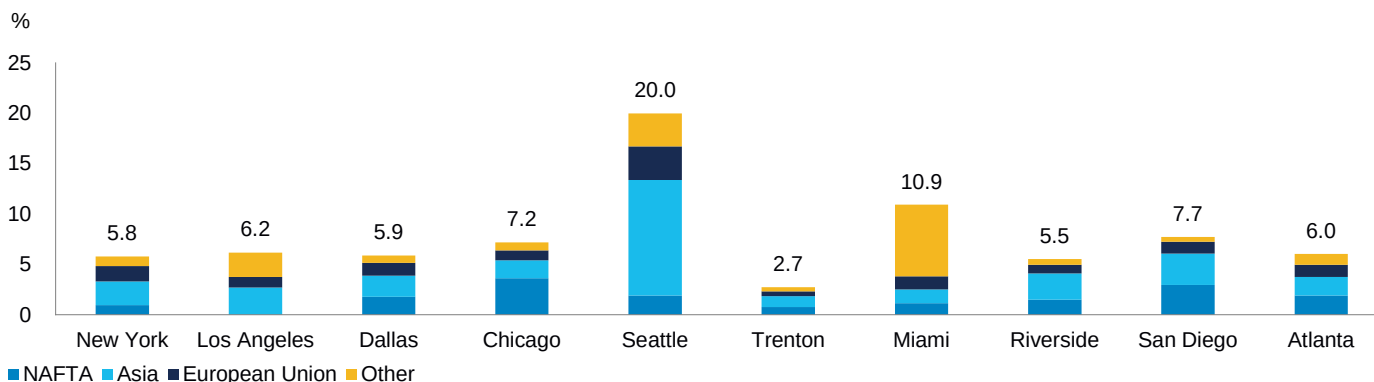
YoY (%)



Source: Bureau of Labor Statistics, ENR, Moody's Analytics, MSREI Strategy, data as of October 2018

Trade Intensity Differs by Market

Goods Trade as a Percent of GDP



Source: U.S. Department of Commerce International Trade Administration, Bureau of Economic Analysis, Moody's Analytics, MSREI Strategy, data as of October 2018

Notes

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**Morgan Stanley Real Estate
Investing
Prime Property Fund**

- The term spread, historically a reliable indicator of impending recession, remains positive but has narrowed to 25 bps
- Morgan Stanley research is expecting the term spread to invert in 2Q 2019
- Cap rate spread over 10-year Treasuries fell to 186 bps, 1.06 standard deviations below the long run average of 284 bps

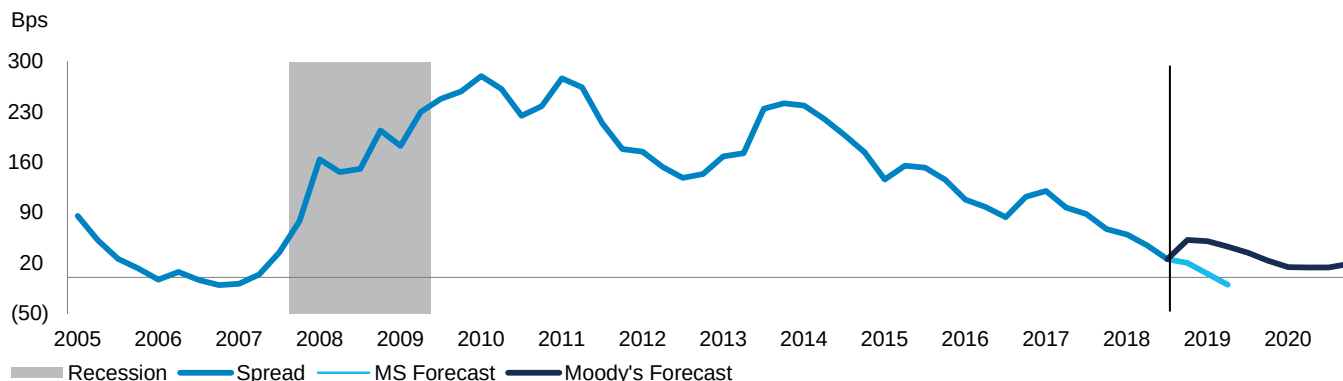
ADDITIONAL INFORMATION

Interest Rates

Interest Rate Rises will Continue to Narrow Spreads

Term Spread Continues to Flatten

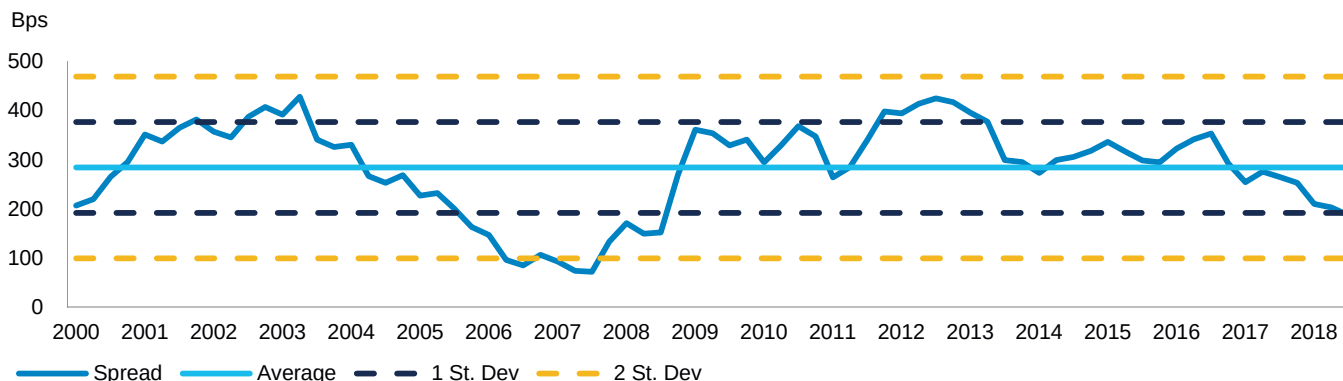
10-year Minus 2-year Treasury Yield



Source U.S. Board of Governors of the Federal Reserve System, NBER, Moody's Analytics, Morgan Stanley Research, MSREI Strategy, data as of October 2018

Cap Rate Spreads are within One Standard Deviation of the Historical Average

NPI Cap Rate Minus 10-year Treasury



Source U.S. Board of Governors of the Federal Reserve System, Moody's Analytics, NCREIF, MSREI Strategy, data as of October 2018

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**Morgan Stanley Real Estate
Investing
Prime Property Fund**

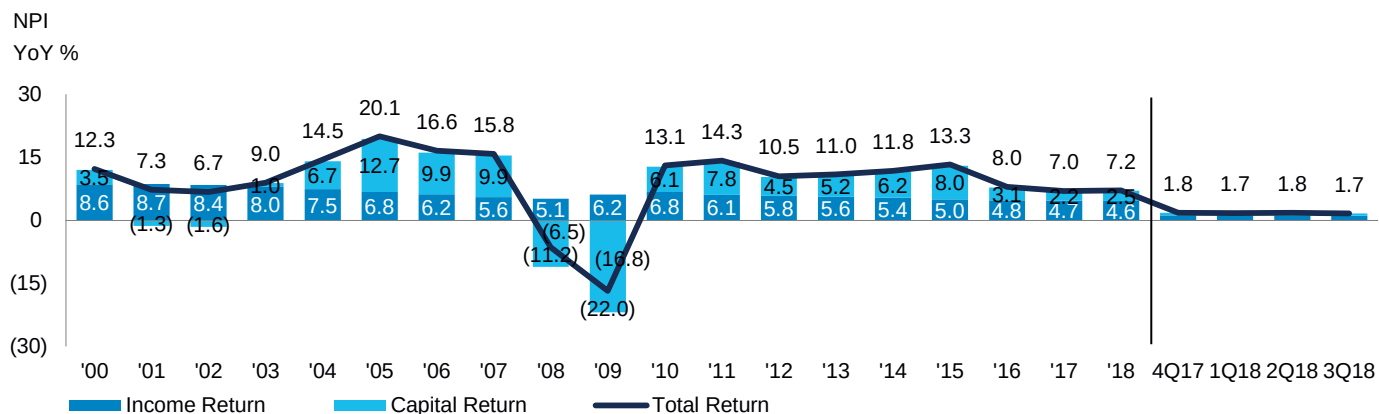
- Private real estate returns have stabilized over the last 9 quarters, averaging 1.7% quarterly returns
 - In 3Q 2018, total returns were 1.7% QoQ, driven by a 1.1% income return
 - TTM returns of 7.2%, up 30 bps from 1-year prior
 - Appreciation return steady at 2.5% YoY
 - While cap rate compression drove appreciation returns over the last 5 years, growth is increasingly dependent on NOI growth
- By property type, industrial returns continue to lead, 2x returns from other sectors
 - Mall returns have slowed by 350 bps YoY

ADDITIONAL INFORMATION

Investing Through the Cycle

Real Estate Returns Remain Attractive, Particularly Industrial

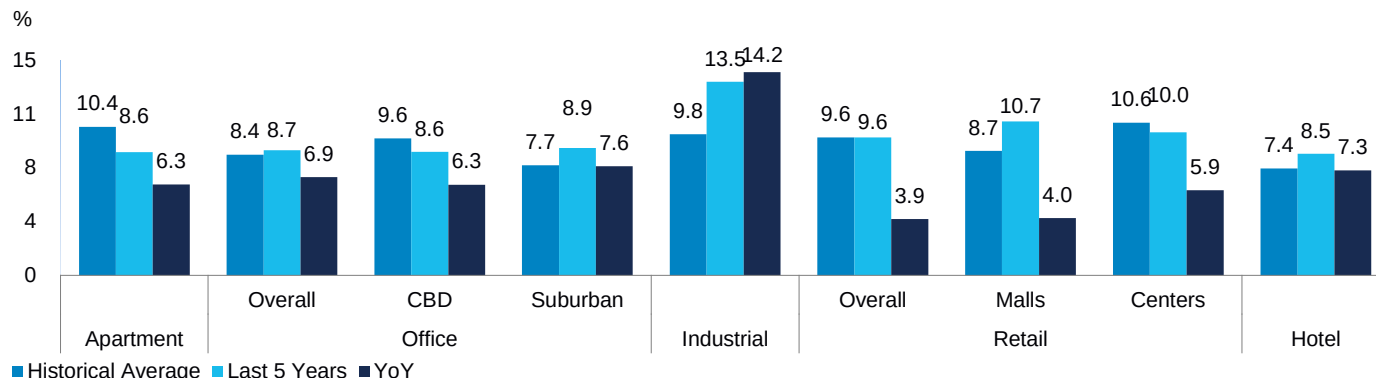
Private Real Estate Performance Has Stabilized



Source: NCREIF, MSREI Strategy, data through October 2018

Industrial Returns 2x All Other Sectors

Annualized Performance by Property Type



Source: NCREIF, MSREI Strategy, data as of October 2018

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**Morgan Stanley Real Estate
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Prime Property Fund**

- Transaction volume totaling \$394Bn YTD in 2018, up 11% YoY
 - Industrial transaction volume starting to moderate, growing by 17% YTD
 - Only office volumes declined compared to the prior year, falling by 4%
 - Cross border volume increased by 56% YoY
- REITs slowed their pace of acquisitions while also increasing their dispositions making them large net sellers once again
 - Cross-border capital remains the dominate net buyer while institutional capital is once again a net buyer
- Debt markets remain healthy, supporting investment activity

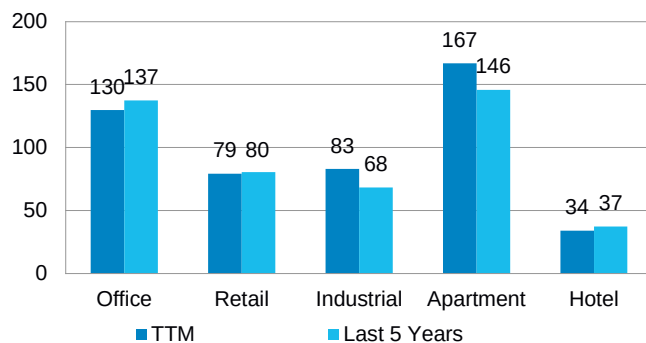
ADDITIONAL INFORMATION

Capital Markets Continue to be Active

Apartment and Industrial Sectors Showing Strongest Growth

Volume by Property Type

Annualized
USD, Bn

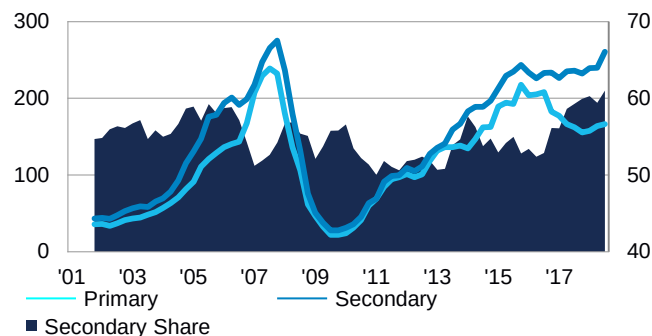


Source Real Capital Analytics, MSREI Strategy, data as of October 2018

Primary & Secondary Markets

Annualized
USD, Bn

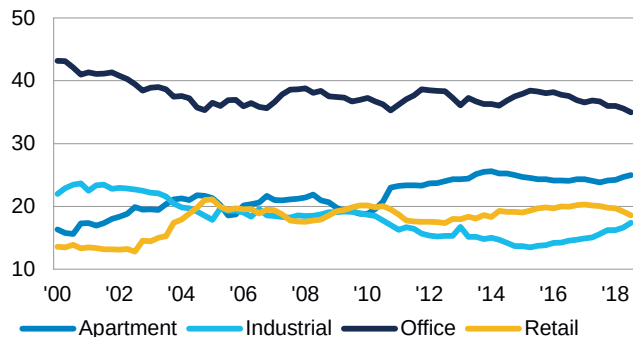
Share of Overall, %



Source Real Capital Analytics, MSREI Strategy, data as of October 2018

ODCE Allocation

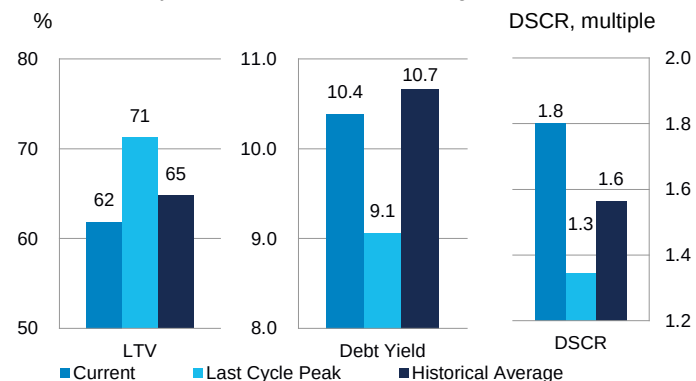
Annualized
Share of Overall, %



Source NCREIF, data as of October 2018

U.S. Debt Markets Remain Healthy

3Q18, Last Cycle Peak, and Historical Average



Source Real Capital Analytics, MSREI Strategy, data as of October 2018

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- Major U.S. real estate markets are generally in the mature stage of the cycle
- However, the current cycle may extend for the next several years due to economic tailwinds, limited new supply in most markets and sectors, robust liquidity, and healthy debt markets
- Occupancy remains above prior peak levels across all sectors
 - Retail mall occupancy of 96% and neighborhood centers of 93%
- Logistics NOI growth projected to remain the strongest over the next 5 years

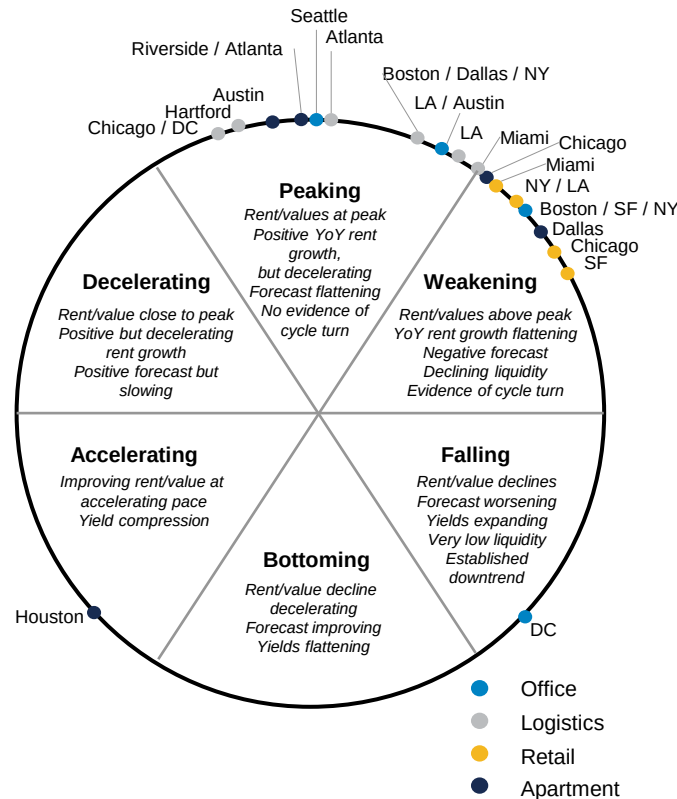
ADDITIONAL INFORMATION

Cycle Normalization

Market Fundamentals Remain Healthy but are Decelerating

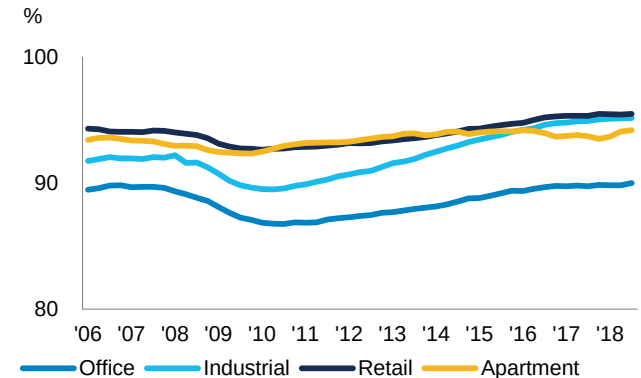
Market Cycle is Advanced ⁽¹⁾

3Q 2018



Occupancy Levels Above Prior Peak Levels

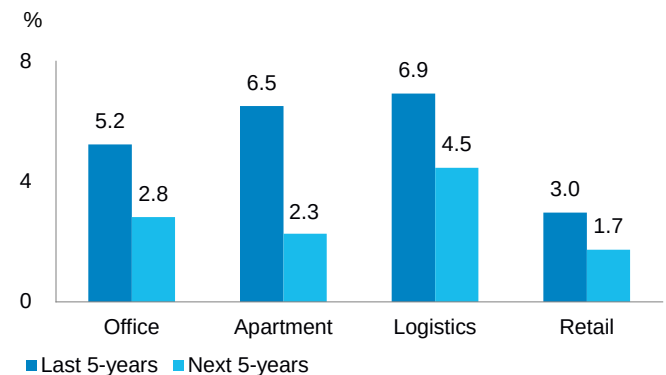
By Property Type



Source: CoStar, MSREI Strategy, data as of October 2018

NOI Growth Decelerating

Annualized



Source: NCREIF, Green Street, MSREI Strategy, data as of October 2018

Notes

1. The market cycle positioning framework is the outcome of the use of an internal tool being developed by MSREI based on a consistent set of real estate metrics available on a country-by-country basis. It is aimed to help identify drivers of market performance, market positioning relative to prior cyclical peaks and troughs, turning points and implications for investing strategies. It is updated on a quarterly basis in line with the release of macroeconomic and commercial real estate data. The tool uses a mix of real estate fundamentals and capital markets metrics that are generally available in applicable countries (including rent, occupancy, cap rates and spreads and liquidity and values metrics). The majority of the metrics are based on "actuals", versus relying on forecast data. Note that other outcomes could result if different inputs or assumptions are made. The market cycle positioning constitutes a "forward looking statement." Due to various risks and uncertainties, actual events or results may differ materially from those reflected or contemplated in such forward-looking statement.

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Past performance is not indicative of future results. When comparing asset classes, keep in mind that each has differences. Stocks can be more volatile than other securities. Fixed income securities are subject to credit risk. U.S. government bonds and fixed income investments are guaranteed by the issuer as to the timely payment of principal and interest and pay a fixed rate of interest. Due to the appraisal methods for valuing real estate, there may be inherent issues when comparing real estate to other asset classes.

**Morgan Stanley Real Estate
Investing
Prime Property Fund**

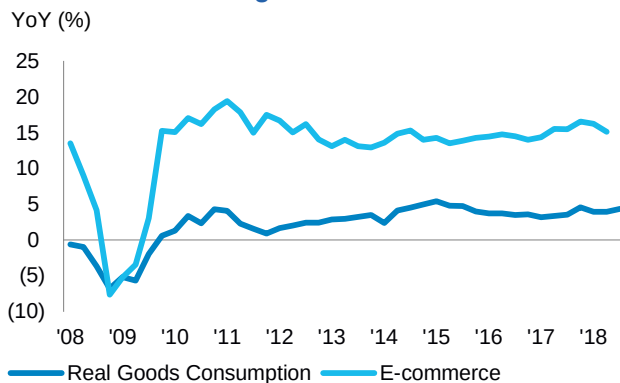
- Goods consumption increased by 4.4% YoY in 3Q 2018
 - E-commerce spending continues to expand at 15% annually
- Inventory-to-sales turned the corner in 2012 and has remained steady
 - However, recent trade tensions have weakened confidence
- Employment growth remains the brightest spot of the economy
 - The U.S. is adding an average of 210K new jobs per month so far in 2018

ADDITIONAL INFORMATION

Industrial Sector Demand Drivers

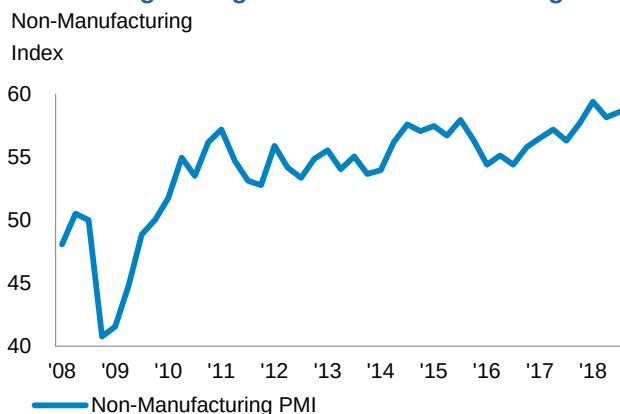
All Trending Positively

Consumption Growth Stable, eCommerce Growth Accelerating



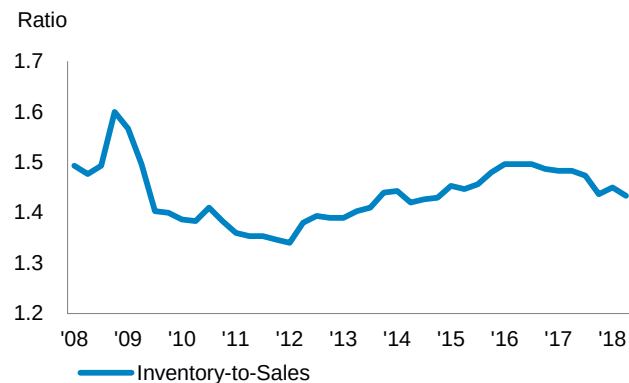
Source Bureau of Economic Analysis, Bureau of the Census, Moody's Analytics, MSREI Strategy, data as of October 2018

Purchasing Managers Index at Ten Year Highs



Source Institute for Supply Management, Moody's Analytics, MSREI Strategy, data as of October 2018

Inventory-To-Sales Ratio has Turned the Corner since 2012



Source Census Bureau, Moody's Analytics, MSREI Strategy, data as of October 2018

Employment Growth Remains Robust



Source Bureau of Labor Statistics, Moody's Analytics, MSREI Strategy, data as of October 2018

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**Morgan Stanley Real Estate
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Prime Property Fund**

- Industrial net absorption has totaled 182MM SF in YTD in 2018, down 5% YoY
 - Demand projected to moderate significantly starting in 2020 as capacity constraints in the labor market continue to build and the economy begins to decelerate
- Vacancy declined 30 bps YoY to 4.8%, a new historical low
- Industrial returns expected to continue to outperform other sectors
- Industrial yields and cashflow returns are also higher than other sectors, driving an outsized share of investment activity (versus historical average)

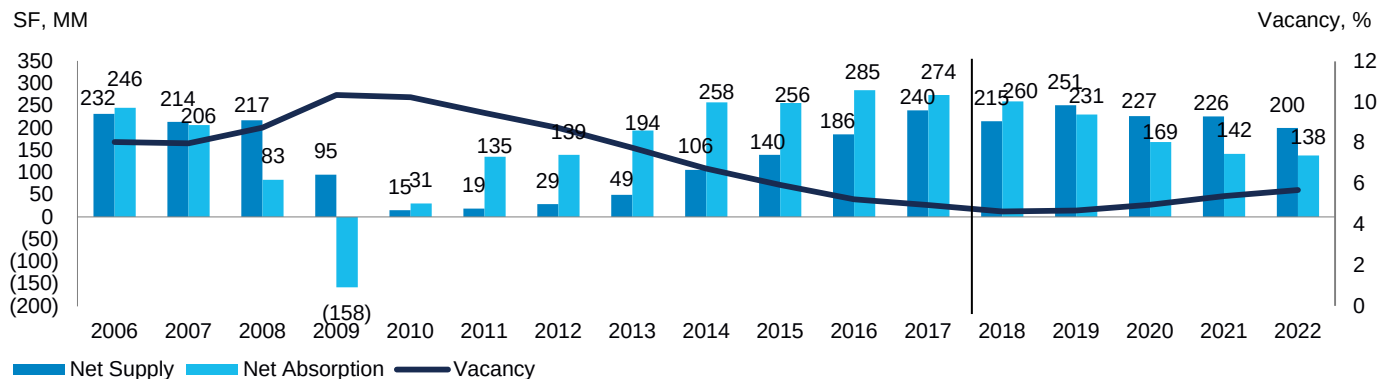
ADDITIONAL INFORMATION

Industrial Fundamentals

Expected to Outperform

Supply & Demand Largely in Balance

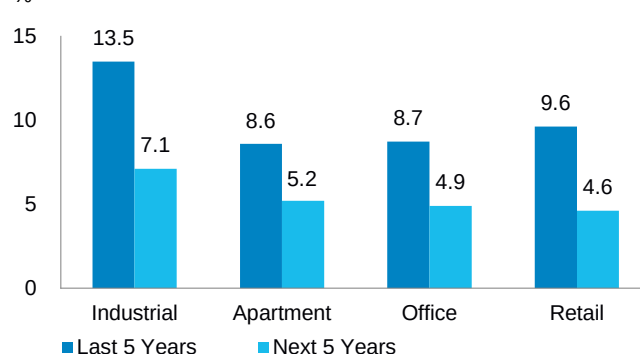
Annual
SF, MM



Source: CoStar, MSREI Strategy, data as of October 2018

Industrial Returns Strong and will Outperform

Annualized
%



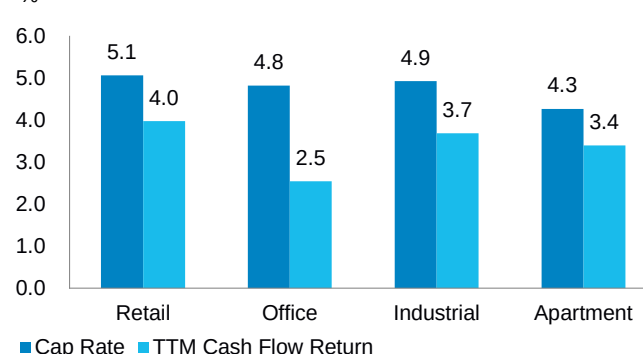
Source: NCREIF, PREA, MSREI Strategy, data as of October 2018

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Yields and Cashflow Returns

By Property Type
%



Source: NCREIF, data as of October 2018

**Morgan Stanley Real Estate
Investing
Prime Property Fund**

- Net absorption in Tier II and III markets has begun to outpace Tier I markets as tenants seek more affordable options with deeper labor pools
- However rent growth remains stronger in Tier I markets
- Yield spread between Tier I and Tier II and III markets has compressed by 25bps over the past 12 months
- Industrial properties with some vacancy are trading at a discount to fully stabilized buildings

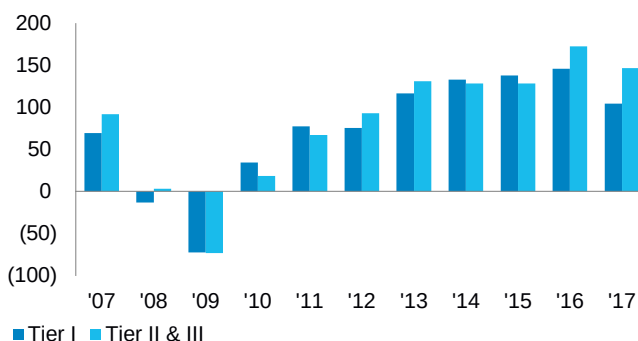
ADDITIONAL INFORMATION

Industrial Opportunities

Attractive Opportunities in Select Tier II Markets and Vacant Properties

Net Absorption in Second Tier Markets has Accelerated

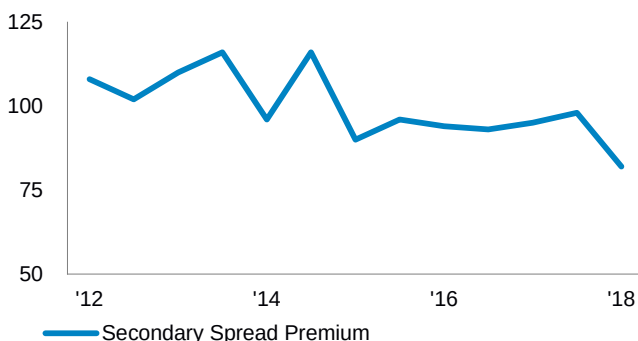
Tier I vs. Tier II & III⁽¹⁾ (SF, MM)



Source CBRE, MSREI Strategy, data as of October 2018

Yield Spread Compressing between Tier I and Tier II Markets

Tier I vs. Tier II & III⁽¹⁾ (Bps)



Source CBRE, MSREI Strategy, data as of October 2018

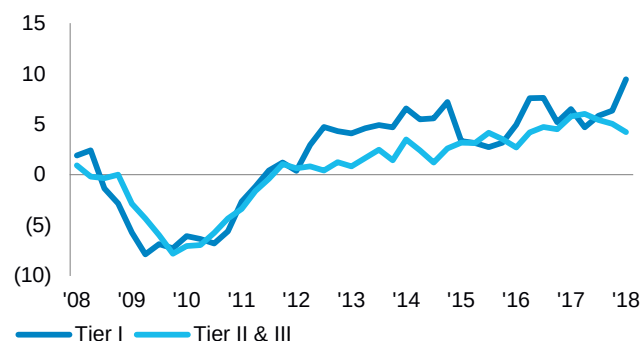
Notes
1. As defined by CBRE Research; Tier I markets include Atlanta, Chicago, Dallas, Houston, Riverside, Los Angeles, Miami, New York/New Jersey, Oakland, Orange County, San Francisco, San Jose, Seattle, Central PA, and Washington DC. Tier II & III markets include Baltimore, Boston, Columbus, Denver, Indianapolis, Minneapolis, Philadelphia, Portland, Albuquerque, Austin, Charlotte, Cincinnati, Cleveland, Detroit, El Paso, Honolulu, Jacksonville, Kansas City, Las Vegas, Louisville, Memphis, Nashville, Oklahoma City, Orlando, Pittsburgh, Raleigh, Richmond, Sacramento, Salt Lake City, San Antonio, San Diego, St. Louis, Tampa and Reno

2. Stabilized defined as properties with occupancy >90%; vacant defined as properties with occupancy <50%

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Rent Growth Remains Strong Across All Segments

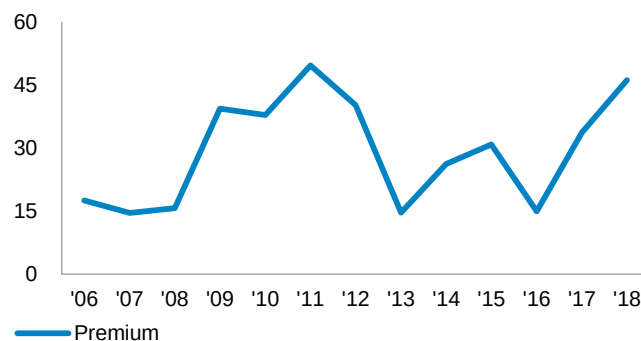
Tier I vs. Tier II & III⁽¹⁾ (YoY, %)



Source CBRE, MSREI Strategy, data as of October 2018

Stabilized Properties Trading at a Premium

Stabilized vs. Vacant⁽²⁾ (%)



Source Real Capital Analytics, MSREI Strategy, data as of October 2018

**Morgan Stanley Real Estate
Investing
Prime Property Fund**

Consumer confidence has reached pre-recession highs, although has decelerated recently as a result of growing trade tensions

- Moderate wage growth has driven income growth above consumption growth supporting a slight tick up in the US savings rate
- Spending patterns continue to shift away from department stores, apparel and electronics to healthcare, restaurants and housing-related products

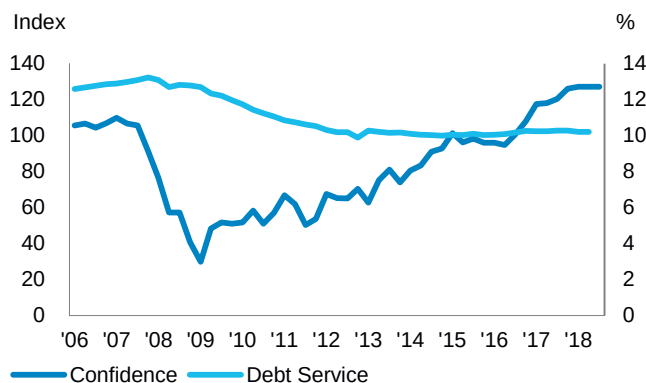
ADDITIONAL INFORMATION

Retail Demand Drivers

Consumers Remain Healthy

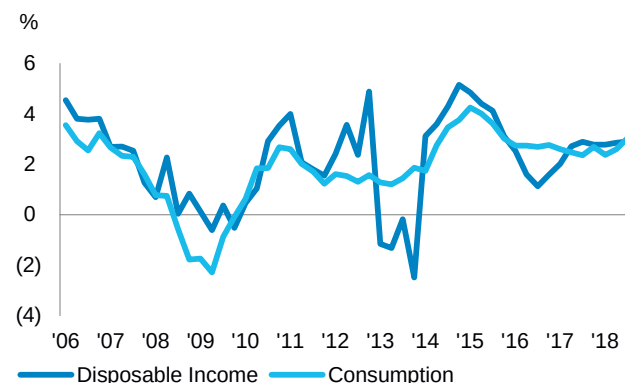
Consumer Confidence High & Debt Burden Low

Consumer Confidence Index & Debt Service % of Income



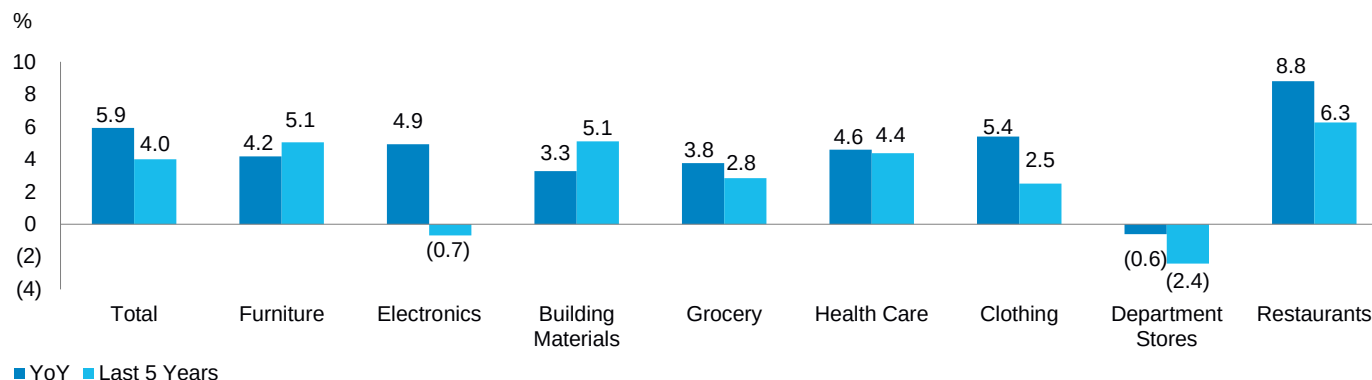
Income & Consumption Robust

YoY



Retail Sales Share Continues to Shift to Healthcare, Services and Housing-Related Sectors

Annualized



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Retail demand and supply levels remain in balance and well below prior cycle levels

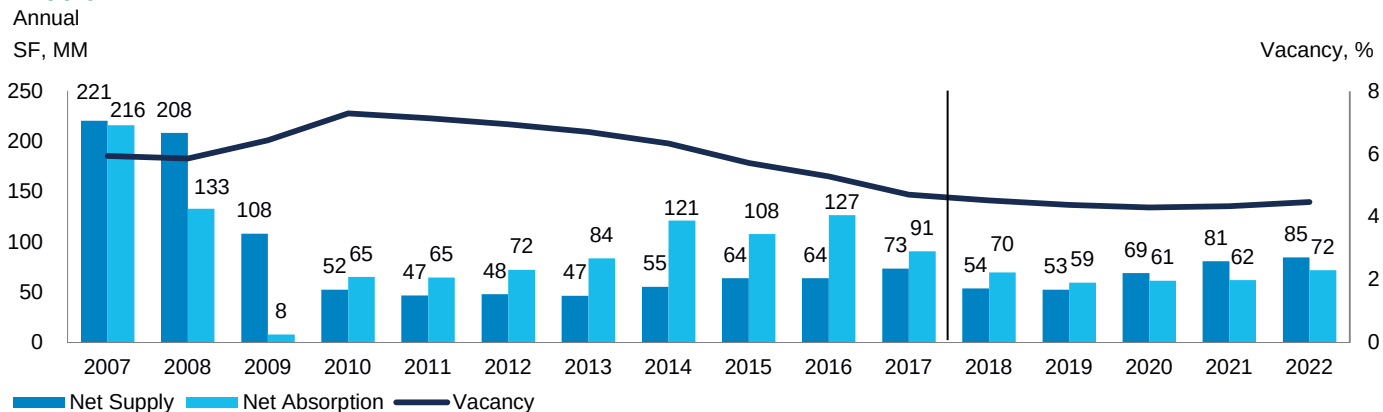
- Significant bifurcation exists in the retail mall sector
 - Yields for the best quality malls remain ~4%
 - NOI growth for high productivity malls is expected to remain positive significantly outpace lower productivity malls
 - Department stores have closed locations in lower productivity malls

ADDITIONAL INFORMATION

Retail Fundamentals

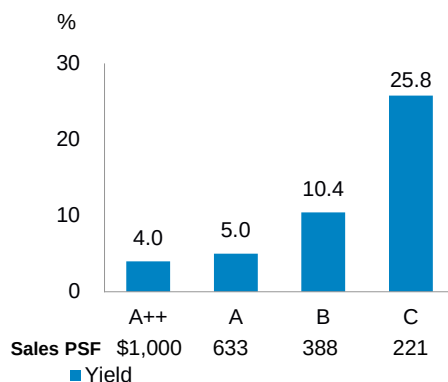
Low Supply Supporting Fundamentals

Supply & Demand In-Balance



Source: CoStar, MSREI Strategy, data as of October 2018

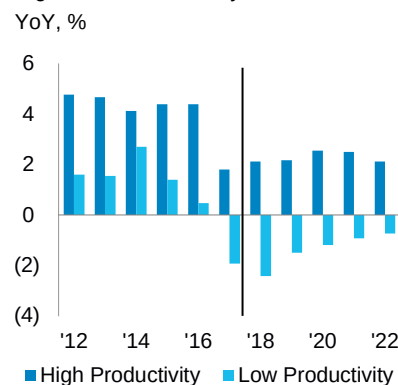
Significant Bifurcation in Yields



Source: Green Street Advisors, data as of October 2018

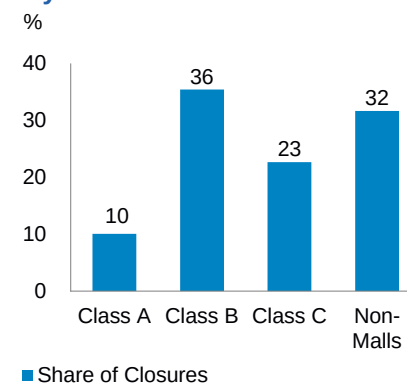
NOI Growth

High & Low Productivity Malls⁽¹⁾



Source: Green Street Advisors, data as of October 2018

Department Store Closures By Mall Tier⁽²⁾



Source: CoStar, data as of October 2018

Source Notes

1. Proxied by public REITs; as defined by Green Street Advisors. High productivity includes GGP, Macerich, Simon Property Group and Taubman Centers; low productivity includes CBL, Pennsylvania REIT, and Washington Property Group.

2. Closures of JC Penny, Sears and Macy's

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**Morgan Stanley Real Estate
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Prime Property Fund**

Homeownership rate ticked up in 2017 for the first time since the recession

- Apartment vacancy rates dropped marginally in 2018 as robust demand offset slightly lower levels of supply
- Rent growth of 3.4% YoY, expected to slow to an average of 1.2% over the next 5 years

ADDITIONAL INFORMATION

Apartment Fundamentals

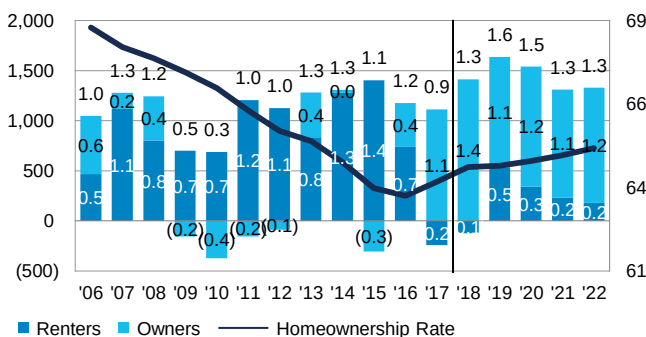
Continue to Decelerate due to High Levels of Supply

Household Formation Remains Strong

Renters & Owners

000s

Homeownership, %



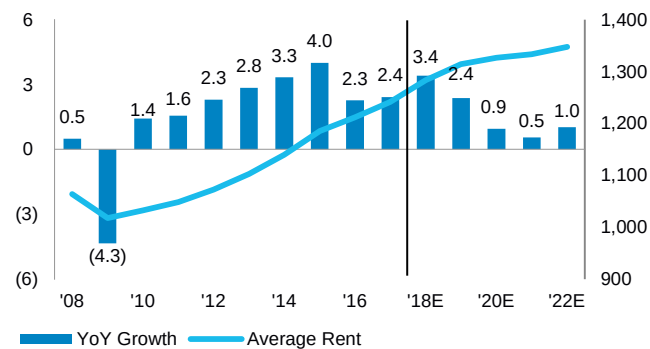
Source: Census Bureau, Moody's Analytics, data as of October 2018

Rent Growth Decelerating

Annual

Rent Growth YoY, %

Rent PSF



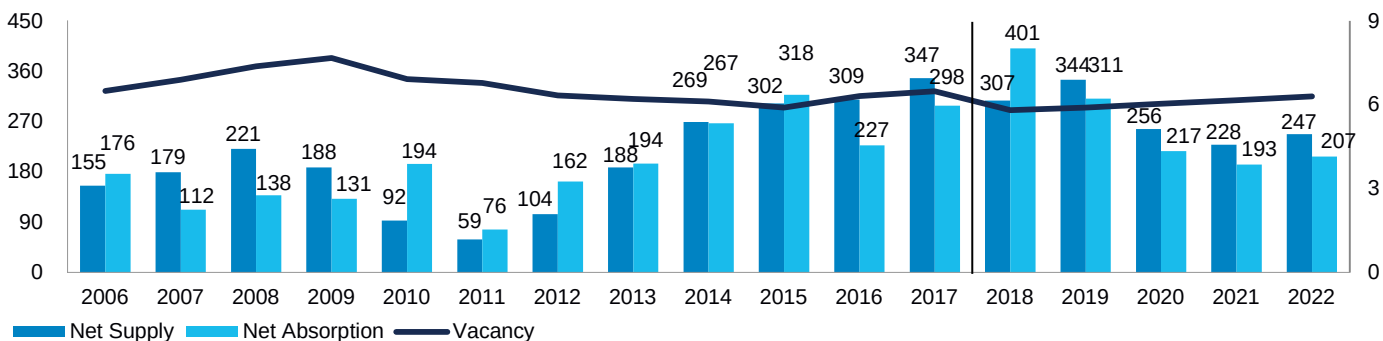
Source: CoStar, MSREI Strategy, data as of October 2018

Supply Expected to Outpace Slowing Demand

Annual

Units, 000s

Vacancy, %



Source: CoStar, MSREI Strategy, data as of October 2018

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**Morgan Stanley Real Estate
Investing
Prime Property Fund**

Demand tailwinds from secularly stronger office employment growth

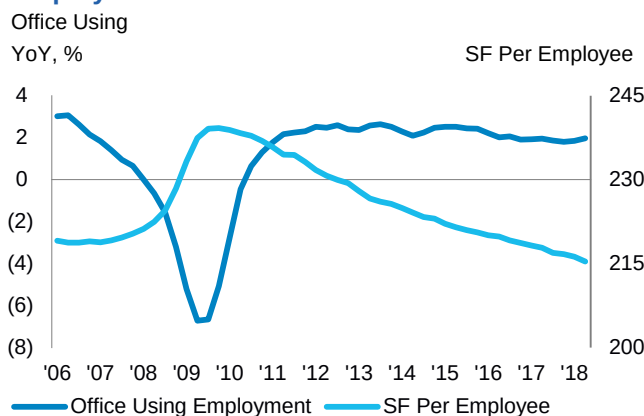
- Demand mitigated by increased densification of office space
- Office vacancy flat YoY at 10%
 - Vacancy is now below the prior cycle's low
- Price growth has been stronger in primary CBD markets

ADDITIONAL INFORMATION

Office Fundamentals

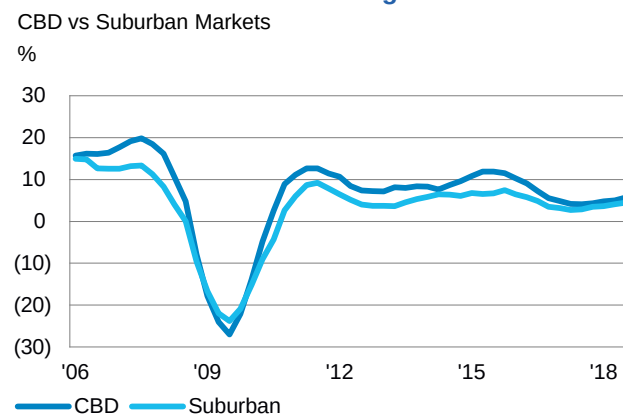
Lower Demand and Supply versus Prior Cycles

Employment Growth Continues to be Robust



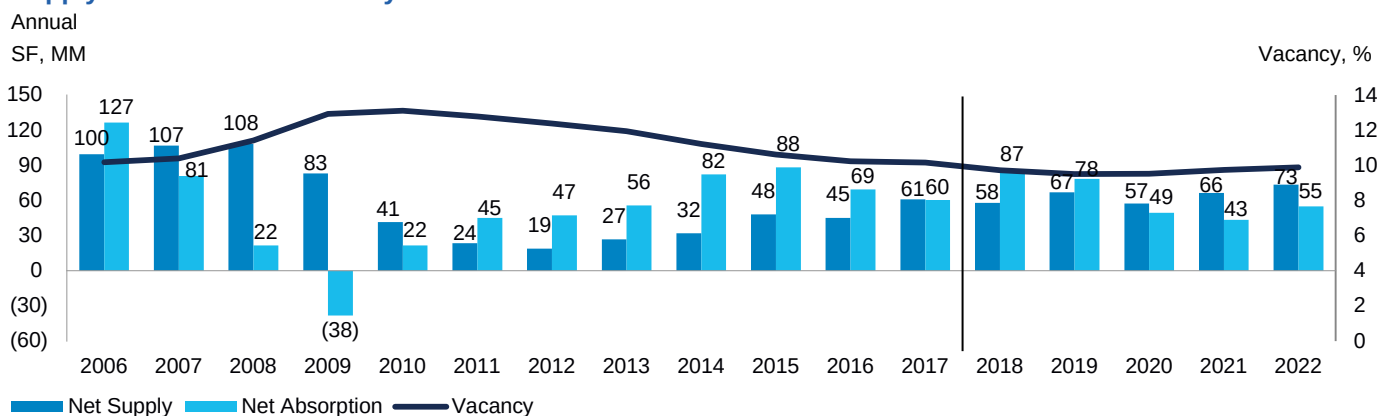
Source: Bureau of Labor Statistics, CoStar, Moody's Analytics, MSREI Strategy, data as of October 2018

Price Growth has been Stronger in CBD Markets



Source: NCREIF, MSREI Strategy, data as of October 2018

Supply and Demand Relatively in-Balance



Source: CoStar, MSREI Strategy, data as of October 2018

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**Morgan Stanley Real Estate
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Prime Property Fund**

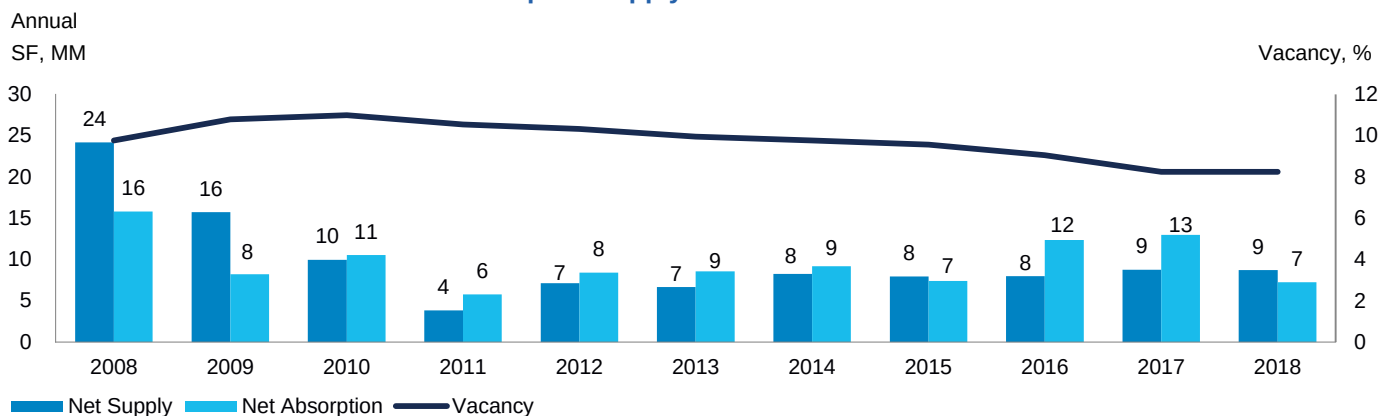
- Demand tailwinds from aging population and increased healthcare spending
 - Outpacing supply growth
- Rents have remained relatively stable over the past ten years
- Transaction volume down 12% YoY
 - Cap rates stabilizing

ADDITIONAL INFORMATION

Healthcare Fundamentals

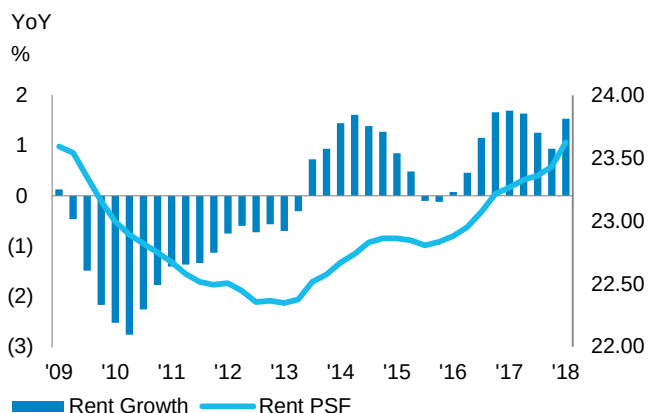
Demand Drivers Robust

Medical Office Demand Continues to Outpace Supply



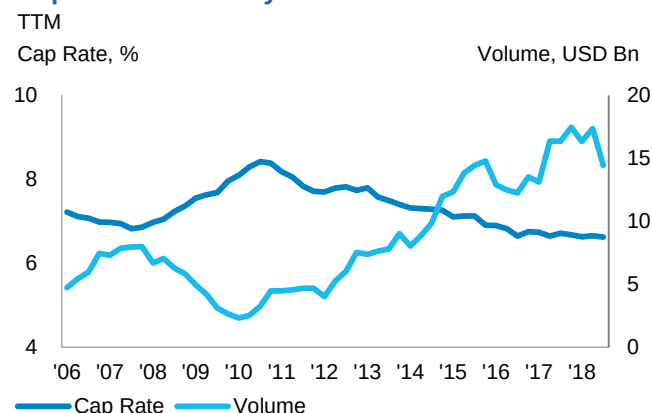
Source: CoStar, MSREI Strategy, data as of October 2018

Rent Growth Remains Stable



Source: CoStar, MSREI Strategy, data as of October 2018

Capital Markets Very Active



Source: Real Capital Analytics, Green Street Advisors, MSREI Strategy, data as of October 2018

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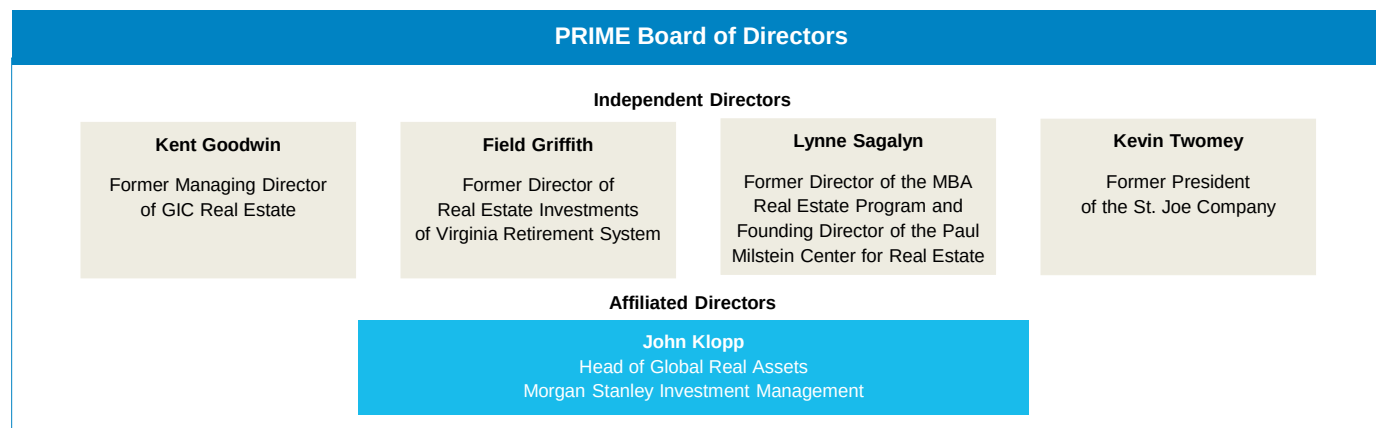
**Morgan Stanley Real Estate
Investing
Prime Property Fund**

- Morgan Stanley Real Estate Advisor, Inc. is the investment adviser (the “Adviser”) to PRIME
- PRIME’s board of directors meets each quarter to review the investment performance of the Fund and monitor the Adviser’s performance of its management responsibilities

ADDITIONAL INFORMATION

Governance

PRIME Investment Adviser—Morgan Stanley Real Estate Advisor, Inc.



Key Duties of Directors

- Review quarterly investment performance of PRIME
- Monitor overall performance of the Adviser
- Remove/replace Adviser
- Review/approve investment guidelines and dividend policy
- Approve incurrence of any debt causing consolidated debt to exceed 50% of gross value of assets
- Engage/change independent appraisers and auditors
- Review/approve asset valuation policy
- Resolve certain conflicts of interest; approve certain affiliated transactions (Independent Directors)

Morgan Stanley Real Estate
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Prime Property Fund

ADDITIONAL INFORMATION

Key Executives

Scott A. Brown

Global Head of Prime

Scott Brown is a Managing Director of Morgan Stanley, Head of Prime Property Fund in the U.S. and Global Head of Prime. With over 28 years of real estate experience, he is responsible for the portfolio construction and performance of PRIME as well as the direction and execution of the Fund's strategy. He also serves as a member on various investment committees across the platform. Scott began working with PRIME in 1993 as part of Equitable Real Estate and then Lend Lease while becoming fully dedicated to PRIME in 2002. He transitioned to Morgan Stanley in 2003 and took a leadership position in PRIME in 2007. He is a member of the Pension Real Estate Association and Urban Land Institute. He received an MBA from Indiana University and a BS in Finance from the University of Illinois.



Candice W. Todd

Chief Financial Officer of Prime Property Fund, LLC

Candice Todd is a Managing Director of Morgan Stanley and the Chief Financial Officer of Prime Property Fund. She is responsible for PRIME's capital structure and REIT compliance and also serves on the fund's Investment Committee. In addition, she oversees various portfolio management functions for Prime Property Fund Asia L.P. Prior to joining Morgan Stanley in November 2003, Candice worked for Lend Lease (predecessor The Yarmouth Group) since 1994 and has over 28 years of real estate experience. She previously worked for Prentiss Properties Limited overseeing systems and reporting related to Resolution Trust Corporation contracts. Candice started her career at Price Waterhouse working primarily on real estate clients. In June 2017, she was appointed to the Global Standards Steering Committee, a committee sponsored by ANREV, INREV, PREA and NCREIF to establish global reporting standards wherever practical. Candice was appointed to the Board of NCREIF in November 2014. She has served as the Co-Chairperson of the Accounting Committee at NCREIF and was a REIS Council member. She has also served on the NAIOP Capital Markets Advisory Board. Candice received a Master of Accountancy, and a BS in Human Resources from the University of Alabama.



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Key Executives (cont'd)

Josh Myerberg

Deputy Portfolio Manager

Josh Myerberg is a Managing Director of Morgan Stanley and Deputy Portfolio Manager for Prime Property Fund. Prior to joining the Prime executive team, he was responsible for sourcing, underwriting and executing transactions on the West Coast on behalf of Morgan Stanley's real estate funds. During his tenure at Morgan Stanley, Josh has been involved in the acquisition and asset management of a wide range of assets, property types and investment structures for PRIME. Josh joined Morgan Stanley in 2006 after previously working for Banc of America Securities' Real Estate Investment Banking group and First Union Securities. Josh is on the Board of NAREIM and an active member of ULI. Josh received his MBA from the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill and a BA in economics from Washington & Lee University.



Bennett A. Weaver

Head of Operations

Bennett Weaver is an Executive Director of Morgan Stanley and the Head of Operations of Prime Property Fund. Prior to joining Morgan Stanley in July 2004, Bennett worked for Lend Lease and has over 19 years of real estate experience. He departed Morgan Stanley in February 2012 in the lift out of the portfolio accounting & finance team to State Street and rejoined Morgan Stanley in October 2013. Bennett began his career in assurance services at Ernst & Young focusing primarily on real estate clients. Bennett is a Certified Public Accountant. He is an active member of the Accounting Committee at NCREIF. Bennett received an MBA from the University of Georgia, and a BS in Accounting from Oglethorpe University.



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ADDITIONAL INFORMATION

Key Executives (cont'd)

Megan Golder

Executive Director

Megan Golder is an Executive Director in the Morgan Stanley Real Estate Investing. She joined Morgan Stanley in 2007 and is currently a dedicated Investor Coverage resource to Prime Property Fund. In this role, Megan is responsible for client and consultant relationships as well as fund marketing. Megan previously spent three years at Ernst & Young, LLP within the Assurance Advisory Business Services group working primarily on real estate clients. Megan is a Certified Public Accountant and a member of the Pension Real Estate Association. Megan received a Masters of Accountancy and a BBA in Accounting from the University of Georgia.



Tony Charles

Head of Global Research and Strategy

Tony Charles is a Managing Director and Global Head of Research and Strategy for Morgan Stanley Real Estate Investing. Tony works with the global investment teams to integrate market research into investment decisions and strategy. He is responsible for conducting research on the global real estate markets to identify new products and investment opportunities designed to meet clients' investment goals. With his research team, he develops quarterly global macroeconomic, property sector, and capital markets updates. He serves on fund investment and valuation committees. Prior to joining Morgan Stanley, Tony ran the Research and Strategy function for GE Capital's real estate business, and was senior strategy manager in the financial services practice at Accenture. Tony received a Bachelor of Commerce from the University of Melbourne and a Graduate Diploma in Applied Finance from the Securities Institute of Australia.



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ADDITIONAL INFORMATION

Key Executives (cont'd)

John R. Klopp

Head of Global Real Assets, Morgan Stanley Investment Management

John R. Klopp is a Managing Director of Morgan Stanley and Head of Global Real Assets for Morgan Stanley Investment Management. Mr. Klopp joined the firm in 2010 and served as Co-CEO and Co-CIO of Morgan Stanley Real Estate Investing until early 2016. From 1997 to 2009, Mr. Klopp was the Chief Executive Officer of Capital Trust, Inc. (NYSE: CT), a publicly-traded real estate finance and investment management company that he co-founded. Prior to this, Mr. Klopp was the founder and Managing Partner of Victor Capital Group, L.P. from 1989 until 1997. Mr. Klopp had previously served as Managing Director and Co-Head of Chemical Realty Corporation, the real estate merchant banking arm of Chemical Bank. Mr. Klopp is the Chair of Columbia Business School's Real Estate Advisory Committee and an active member of various real estate organizations including the Pension Real Estate Association. He received a B.A. in Economics from Tufts University and an MBA in Finance and Real Estate from The Wharton School of the University of Pennsylvania



Olivier de Poulpiquet

Chief Executive Officer and Chief Investment Officer, Morgan Stanley Real Estate Investing

Olivier de Poulpiquet is a Managing Director of Morgan Stanley and Chief Executive Officer and Chief Investment Officer of Morgan Stanley Real Estate Investing. Olivier began his career in Morgan Stanley's Investment Banking Division in 1994 and moved to REI two years later. He went on to serve as the Head of REI in Italy and later the Co-Head of European Real Estate Investing, responsible for all REI core and opportunistic funds in Europe. Olivier left Morgan Stanley in 2004 to join Pirelli & C. Real Estate S.p.A. as Chief Investment Officer and Head of Asset Management where he was responsible for capital raising, asset allocation, investment decisions and asset management. In June 2008, he was named Pirelli RE's Executive Board Member. Subsequently, he rejoined Morgan Stanley in May 2010. Olivier received an MBA from Columbia Business School.



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Key Executives (cont'd)

F. Claiborne Johnston III

Head of North America Real Assets Client Coverage

Claiborne Johnston is a Managing Director of Morgan Stanley and Head of North America Real Assets client coverage responsible for real estate, private infrastructure and listed real asset securities. Claiborne re-joined Morgan Stanley Investment Management in 2016. Claiborne began his career with Morgan Stanley where he spent nearly 12 years focused on private equity capital markets, investment banking and investment management activities including the coverage of global capital sources for the firm's investment banking and investment management services. Claiborne also had global responsibility for the supervision and coordination of the firm's real estate activities with Wealth Management. Prior to re-joining the firm, Claiborne spent four years with Invesco Real Estate. Claiborne received an MBA from Columbia University and BA from James Madison University. He currently is involved in a number of industry groups such as INREV, AFIRE, ULI, PREA and the institute for Fiduciary Education.



Gareth Dittmer

Head of Europe Real Assets Client Coverage

Gareth serves as a Managing Director for Morgan Stanley Real Estate Investing based in London. He has more than 13 years of institutional private markets experience across a range of global and regional real estate investing strategies, risk profiles and fund structures. In his current role, he oversees the capital markets activities across Europe and is involved with key institutional investor relationships, fund formation and capital raising. Prior to joining Morgan Stanley in 2012, Gareth served as a European Director in a leading London based private equity real estate fund manager. Gareth is an active member of the European Association for Investors in Non-Listed Real Estate Vehicles (INREV).



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Risk Considerations

There are significant risk factors associated with an investment in PRIME. An investment in PRIME will involve significant risks due to, among other things, the nature of the Fund's investments and potential conflicts of interest. There can be no assurance that the Fund will realize its rate of return objectives or return any investor capital. Investors should have the financial ability and willingness to accept the risks (including, among other things, the risk of loss of investment and the lack of liquidity). The value of an investment in a fund may fluctuate. Past results do not guarantee future performance. These risk factors include the following:

- **Financial Reform Legislation:** In July, 2010 (the "Enactment Date"), President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, one provision of which will eventually prohibit bank holding companies and their affiliates, subject to certain exceptions (including an exemption for certain funds to which Morgan Stanley has committed no more than 3% of the capital), from investing in or sponsoring private equity funds following passage of a transition period. While the Adviser will endeavor to minimize the impact of such legislation on the Fund and the assets held by the Fund, investors may be adversely affected by the legislation and the supporting rules and regulations that have yet to be created.
- **Bank Holding Company:** Morgan Stanley became both a bank holding company and a financial holding company under the U.S. Bank Holding Company Act of 1956, as amended (the "BHCA"). As such, Morgan Stanley is subject on a worldwide basis to regulation (including capital adequacy regulations), examination and supervision by the U.S. Board of Governors of the Federal Reserve System (the "Federal Reserve"). Because it is an indirect subsidiary of Morgan Stanley, the Adviser of the Fund is subject to the BHCA.
- There can be no assurance that PRIME's return objectives will be realized or that there will be any return of capital.
- Investors should carefully review and evaluate the more detailed description of risk factors and conflicts of interest in the Offering Memorandum.
- General economic factors and many other conditions affecting performance (including interest rates, capital flows and employment levels) are beyond PRIME's control.
- Shareholders have no assurance of liquidity. Real estate is relatively illiquid, and redemption queues can develop. PRIME has fully satisfied the redemption queue at the end of the third quarter 2010. There is no guarantee that PRIME will have sufficient cash to fund redemptions, and PRIME is under no obligation to make cash available through sale of assets, borrowings, or otherwise. Also, the right to transfer shares in PRIME is subject to restrictions.

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Risk Considerations (cont'd)

- Earthquakes, floods, other natural disasters, terrorism, war, etc., could cause significant damage to PRIME's properties and may not be adequately insurable.
- PRIME must comply with complex legal and tax rules (particularly, but not limited to, maintaining qualification as a tax advantaged REIT and as an ERISA-exempt "operating company"). There can be no assurance that it will be successful or that ensuring such compliance may not be economically disadvantageous at times. Failure to comply would have a material adverse impact on returns realized by PRIME's shareholders. For example, if PRIME fails to qualify or remain qualified as a REIT, PRIME's dividends will not be deductible by it, and its income will be subject to taxation at regular corporate rates.
- To the extent PRIME makes loans, it has special risks as lender (e.g., lender liability, usury, partner fiduciary issues for partner loans, etc.).
- The Adviser has various conflicts of interest, including that it and its affiliates represent other advisory and/or investment banking clients; they may provide services to PRIME or represent counterparties in transactions with PRIME, subject in some but not all cases to the need for board approval. These conflicts could adversely impact performance.
- PRIME has significant assets in joint ventures, which can keep PRIME from implementing decisions in its sole judgment, and can increase the risk of disputes and litigation with the joint venture partner.
- PRIME relies heavily on its Adviser, which can choose to vary materially from the stated investment guidelines and allocation targets. Shareholders have only limited voting rights, with no control over daily investment decisions.
- Tenant financial condition deterioration could impact performance.
- Mortgage debts and other leverage incurred by PRIME can exacerbate certain risks and, upon default, result in loss of property and cross-defaults.
- Competition for desirable real estate assets is intense.
- Unstabilized properties, if acquired, carry extra risk, as does development of properties. Underwriting of acquisitions and other transactions can be an imprecise process. Litigation can also result from property level transactions or events.

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Risk Considerations (cont'd)

- Real estate valuations are inherently uncertain given the uniqueness of real property, the need to project rental income with such projections being inherently unreliable, and the absence of frequent trading. Real property can be subject to property and transfer taxes. The Fund makes no assurances regarding the price at which an asset may be sold and cautions investors that sales may occur at prices materially lower or higher than the latest appraised value for such asset.
- Owners/operators of real property can be subjected to significant environmental liabilities over extended periods, which may not be insurable.
- The Adviser of PRIME may face challenges as it oversees the management of AMLI and Safeguard and their businesses in conjunction with PRIME's existing investments.
- The rental growth rates in markets where PRIME currently owns many of its apartment assets have historically lagged the rental growth rates of other major U.S. markets.
- There is no guarantee that the PRIME management team, the management team of its operating companies, PRIME's property managers, joint venture partners or other partners in PRIME's operations will remain in place.
- Additional risk factors and conflicts of interest are set forth in PRIME's Offering Memorandum.