Inland Private Capital Corporation

Self-Storage Portfolio III DST

Private Placement Memorandum

www.inlandprivatecapital.com

The Date of this Private Placement Memorandum is March 1, 2017

CONFIDENTIAL

Investing in DST Interests involves a high degree of risk. Before investing you should review the entire Private Placement Memorandum including the "*Risk Factors*" beginning on page 18.

Gessner Property

Self-Storage Portfolio III DST

A portfolio of four self-storage properties in Houston, Texas

Self-Storage Portfolio III DST, a newly formed Delaware statutory trust (DST) and an affiliate of Inland Private Capital Corporation (IPCC), also known as the Trust, is hereby offering (the Offering) to sell to certain qualified, accredited investors (Investors), pursuant to this Private Placement Memorandum (the Memorandum), 100% of the beneficial interests (Interests) in the Trust. **You should read this Memorandum in its entirety before making an investment decision.**

The Trust owns four self-storage properties (each, a Property and collectively, the Properties) located in Houston, Texas. In total, the Properties are comprised of 1,707 storage units, plus 71 rentable parking spaces. Each of the Properties is operated as a self-storage facility under the Metro Self Storage (Metro Storage) name.

The Properties

The Properties offer a total of approximately 225,900 square feet of leasable self-storage space with an average age of 16 years across all buildings. The Properties feature self-storage facilities for storing various household and commercial items, and certain Properties also include spaces for parking and/or storing boats, RVs or other motorized vehicles. Each of the Properties includes multiple storage buildings and a single-story office building, that serves as the leasing office and the apartment for the on-site manager. With a 24-hour on-site property manager, tenant requests are addressed immediately and the highest level of security is provided for the units. Every Property features between 19 and 23 storage buildings, for a total of 85 storage buildings. The construction of the buildings consists primarily of conventional wood frame with concrete slab-on-grade ground flooring. The table on the next page summarizes certain information about each Property. See "*The Properties*" in the Memorandum for additional detail. Also see "*Risk Factors – Risks Related to the Properties*" in the Memorandum.

Property	Storage Units	Physical Occupancy[1]	2015 Population (within 5 miles)[2]	Average 2015 Household Income (within 5 miles)[2]
Bissonnet Property 9840 Bissonnet Street Houston, Texas 77036	473	95.4%	541,513	$59,802
Gessner Property 1918 Gessner Road Houston, Texas 77080	438	93.7%	314,025	$95,388
Veterans Property 13800 Veterans Memorial Drive Houston, Texas 77014	422	86.7%	314,599	$80,270
West 43rd Property 6300 West 43rd Street Houston, Texas 77092	374	98.6%	332,750	$76,383

> Value-Add Opportunity

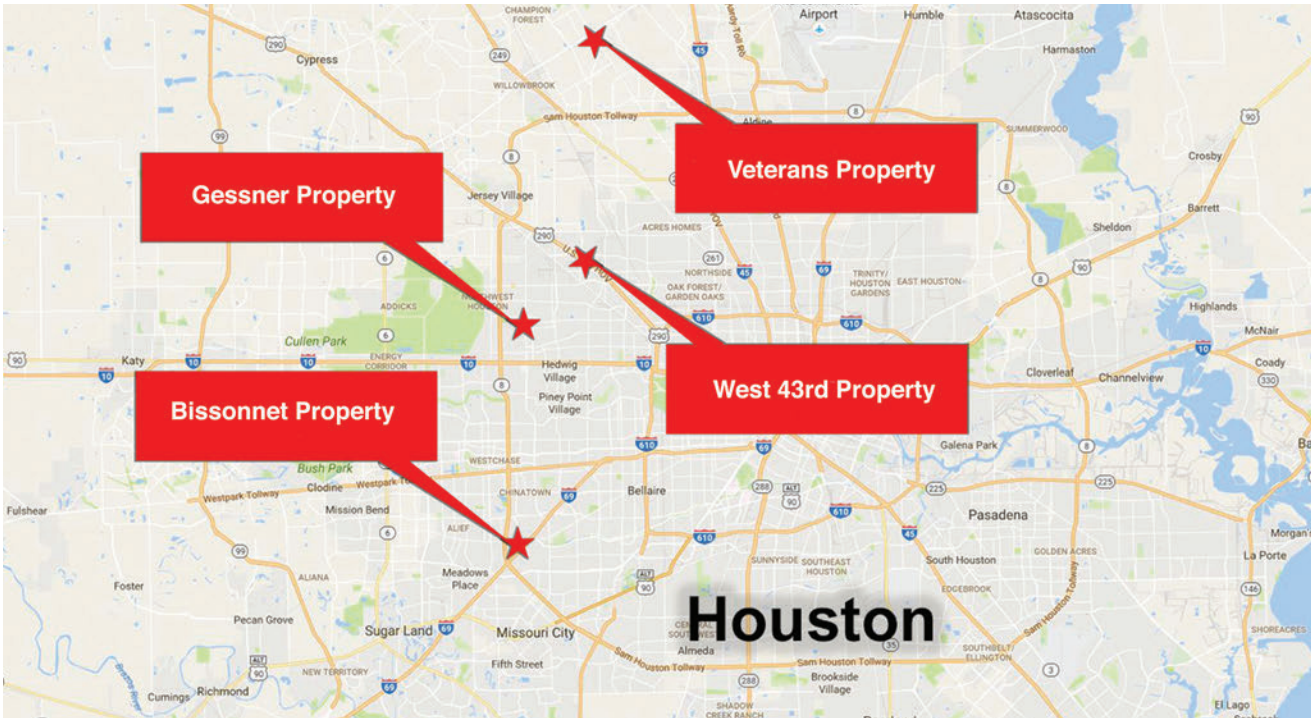
The value-add opportunity at these Properties is through Metro Storage's ability to implement institutional-level improvements. Given the subpar operating system of the previous owner, the property operations were not optimized.

- ✓ Generate ancillary revenue through sales of renter/tenant insurance and storage/moving merchandise, including boxes, tape and packing materials
- ✓ Implement capital improvements to maximize curb appeal and drive property walk-ins, including well-lit, branded signage and office upgrade
- ✓ Execute robust marketing plan leveraging Metro Storage's platforms and relationships
- ✓ Regular and scheduled rental rate increases to keep pace with current market conditions
- ✓ Define opportunities for economies of scale with current vendors and systems used throughout Houston-based Metro Storage's district management footprint

[1] Physical occupancy is reported as of January 31, 2017.
[2] Appraisal Reports from Colliers International Valuation & Advisory Services for the Properties.

The Location

The four Properties are located in Houston, Texas, which features strong demographics, including high population and high traffic counts. The Properties offer convenient access to north-south and east-west thoroughfares, including Interstate 10 and U.S. Highway 290, with unlimited visibility from surrounding highways.



The Houston metro area is the fifth largest metropolitan area in the United States, with over 6.6 million people, and the second largest in Texas.[3] Houston has one of the most robust and dynamic economies in the world. From population growth and cost of living, to foreign trade and energy, Houston has a significant economic impact. With the largest Gulf Coast container port, more than 8,000 ships visit Houston each year and handle more than two-thirds of the region's container trade.[4] The port also provides more than 1.1 million jobs in the state of Texas. Houston is widely noted for its ethnic diversity and strong international community, with residents speaking more than 90 different languages.[5]

According to the U.S. Census Bureau, the Houston metro added about 159,000 people from July 2014 to July 2015, resulting in the largest gain of any metro in the nation. Houston is one of the fastest growing cities in the nation with an estimated population of 2.2 million. By 2020, Houston's population is expected to grow to 2.5 million, with 2.8 million residents by 2030,[6] overtaking Brooklyn, New York.

Houston Market Highlights:

- **Ranked #1** for Fastest Growing Cities[7]
- **Ranked #6** in CNBC's "America's Best Places to Start a Business"[8]
- **Ranked #3** metro area in Fortune 500 headquarters, with 24 companies' operations in the region, including Phillips 66, Sysco, Conoco Phillips and Enterprise Product Partners[9]
- Voted "**Greenest Metro**"[10]

[3] Appraisal Reports from Colliers International Valuation.
[4] Greater Houston Partnership Research; April 2016.
[5] Porthouston.com/portweb/.
[6] http://worldpopulationreview.com/us-cities/houston-population; December 2, 2016.
[7] U.S. News & World Report; August 2016.
[8] CNBC.com 2016.
[9] Greater Houston Partnership; June 7, 2016.
[10] Business Facilities Magazine, July 29, 2016.

The Property Manager

Each of the Properties is managed by Metro Storage LLC, operating as Metro Storage, an established operator of self-storage properties. Metro Storage built the first self-storage facility located in the Midwest in 1973 and, as of December 31, 2016, had over $1 billion of assets under management or development. Metro Storage is one of the top 10 largest owner/operators of self-storage facilities in the United States with over 110 properties covering 13 states. Metro Storage has positioned itself as a premier self-storage operator and is currently the third largest private self-storage company in the country and the tenth largest among private and public self-storage companies. As of December 31, 2016, Metro Storage operated over 7.2 million rentable square feet of self-storage space, consisting of over 61,000 self-storage units.

Metro Storage's property management philosophy reflects its belief that the self-storage business is, first and foremost, a customer service business. Metro Storage therefore combines a disciplined approach to financial and operational management of its self-storage properties with an operation strategy that emphasizes customer service as a differentiating characteristic of the Metro Storage brand name. Metro Storage manages its properties with experienced, professionally trained, full-time employees. This full-time staffing philosophy differentiates Metro Storage from its peers.

Metro Storage has a seasoned senior management team averaging more than 15 years of experience each, both in the self-storage industry and with Metro Storage. See "*Property Management*" in the Memorandum for the biographies of Metro Storage's senior management.

Aligning the Interests of the Property Manager and Investors

1. The Property Manager is required to acquire a **2% ownership interest**, which incentivizes the Property Manager to deliver positive portfolio performance in order to maximize return on its retained interest.

2. To further incentivize Metro Storage, the master tenant will pay Metro Storage **70% of the master tenant's proportionate share of income generated** by the portfolio in excess of a stated supplemental rent breakpoint.

3. **Metro Storage is paid half of the acquisition fee and a disposition fee** based on pre-determined performance metrics and hurdles. **Investors** must receive **sales proceeds equal to at least** 100% of their original investment before Metro Storage is entitled to a **disposition fee**.


West 43rd Property

The Financing

The Properties are subject to a loan in the aggregate principal amount of $15,175,000 (the Loan) from Santander Bank, N.A. (the Lender) to the Trust. The Loan has a seven-year term, maturing on December 1, 2023, and bears interest at a variable rate equal to 2.50% above the one-month LIBOR rate. The Trust subsequently entered into certain hedging instruments, resulting in fixed interest rates as follows:

Effective Dates	Loan Principal of $14,930,455: Effective Annual Interest Rate	Loan Principal of $244,545: Effective Annual Interest Rate
01/09/2017 – 01/04/2018	3.50%	Variable
01/05/2018 – 01/04/2021	4.49%	4.49%
01/05/2021 – 12/01/2023	5.00%	5.00%

The Trust has the right to prepay the Loan, in full or in part, without penalty, at any time upon prior written notice to the Lender of such prepayment, subject to the payment of any breakage costs associated with terminating the swap agreements.

The Trust is required to make monthly payments, comprised of monthly interest-only payments for the initial three years and monthly payments of principal and interest in the final four years, with principal amortizing on a 30-year schedule thereafter. The Trust is responsible for repayment of the Loan. The Loan is nonrecourse to the Investors. Accordingly, the Investors have no personal liability in connection with the Loan.

The Offering

The Offering is designated for accredited investors seeking to participate in a tax-deferred exchange as well as those seeking a quality, multiple-owner real estate investment. Only accredited investors may purchase interests in this Offering. For more information, see *"Summary of the Offering"* and *"The Offering."*

Beneficial Interests:	**$20,001,613**
Loan Proceeds:	**$15,175,000**
Offering Price:	**$35,176,613**
Loan-to-Offering Price Ratio:	**43.14%**
Minimum Purchase (1031):	**$100,000**
Minimum Purchase (cash):	**$25,000**
Current Cash Flow:	**5.00%**

Snapshot

Self-Storage Sector

The self-storage industry has been the fastest growing segment of the commercial real estate industry over the last 40 years and has been considered by certain Wall Street analysts to be "recession resistant" based on its performance since the economic recession of September 2008.

The self-storage industry in the United States generated approximately $32.7 billion in annual U.S. revenues (2016).

Consistent Demand

Healthy in a strong economy

Resilient in a weak economy

Highest demand in spring/summer

Reasons for Demand

Marriage, Divorce, Birth, Death

Relocation, Moving, College, Military

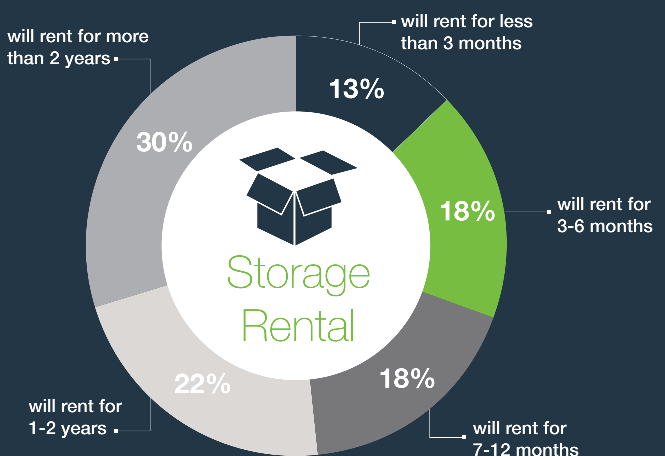
Extra garage, basement

Mini Warehouse for commercial business

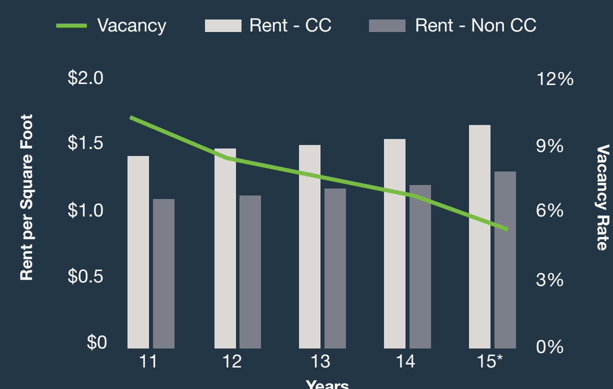
In fact, about **9.5% of all American households currently rent a self-storage unit**; an increase from 1 in 17 American housholds **(6%) in 1995** (20 years ago).

9.5% **Currently**

6% **1995**



National Vacancy and Rent Trends



* Forecast
Note: CC - Climate Control
Source: REIS Services, Inc.

Self-Storage Outlook

Demand for storage intensifies as U.S. households increase by 1.1% from previous year
Strong job growth is driving demand forward for self-storage
Rents increasing by up to 4% as compared to last year

Source: Marcus & Millichap Special Research Report 2016

Self-Storage Benefits

Strong net operating income growth
Low capital expenditure costs associated with tenant turnover

Source: selfstorage.org

An investment in Self-Storage Portfolio III DST may offer the following benefits:

- **Opportunity to Invest in Self-Storage Assets** – According to the Self-Storage Association, a not-for-profit trade association representing the self-storage industry, the self-storage industry has been the fastest growing segment of the commercial real estate industry over the last 40 years. The U.S. self-storage industry generated approximately $32.7 billion in annual revenues in 2016.

- **Experienced Property Management** – Each of the Properties is managed by Metro Storage, an established operator of self-storage properties. Metro Storage has positioned itself as one of the nation's premier self-storage operators. As of 2016, Metro Storage was the third largest private self-storage company in the country and the tenth largest among private and public self-storage companies. As of December 31, 2016, Metro Storage operated over 7.2 million rentable square feet of self-storage space, consisting of over 61,000 self-storage units in 110 properties across 13 states.

- **Value-Add Opportunity** – The Properties, which are an average age of 16 years old, present an opportunity to add value and increase rents. The Trust, through the master tenant and management team, intends to implement institutional-level improvements in an effort to increase occupancy and grow rental income.

- **Market Boasting Superior Economic Growth** – Houston's booming population growth along with strong property occupancy and operating history, has made it one of the fastest growing cities in the United States, growing nearly by 12.4% over the last six years. As of January 31, 2017, the average physical occupancy rate for the Properties, based on rentable square footage, was approximately 93.6%.

- **Long-term, Fixed Rate, Amortizing Loan** – The Properties have been financed with a loan having a term of seven years, with three years of interest only payments and principal amortizing in the final four years of the loan term, on a 30-year schedule. The Loan bears interest at a variable rate, which has been fixed pursuant to an interest rate cap and two interest rate swaps for the full term of the Loan. The loan may be prepaid, in full or in part at any time, without penalty, subject to the breakage costs associated with the hedging instruments. See *"Financing Terms"* in the Memorandum.

- **Master Lease Structure** – The master lease structure used by the Trust allows the master tenant, an affiliate of IPCC, to operate the Properties on behalf of the Trust and to enable actions to be taken with respect to the Properties that the Trust would be unable to take due to tax law-related restrictions, including, but not limited to, a restriction against re-leasing the Properties. See *"Summary of the Leases – Master Lease"* in the Memorandum.

About Inland Private Capital Corporation

The Inland Real Estate Group of Companies, Inc. (Inland) is one of the nation's largest commercial real estate and finance groups, representing nearly 50 years of expertise and integrity in the industry. As a business incubator, Inland specializes in creating, developing and supporting member companies that provide real estate-related investment funds – including limited partnerships, institutional funds and nonlisted real estate investment trusts (REITs) – and real estate services for both third parties and Inland-member companies.

In March 2001, Inland Private Capital Corporation was formed to provide replacement properties for investors wishing to complete a tax-deferred exchange under Section 1031 of the Internal Revenue Code of 1986, as amended, as well as investors seeking a quality, multiple-owner real estate investment. The programs sponsored by IPCC offer securities to accredited investors on a private placement basis.

Track Record Since Inception

(THROUGH DECEMBER 31, 2016)

Sponsored **197** private placement programs

527 properties in 43 states

Offered more than **$3** billion in equity

More than **$6.3 billion** of assets based on offering price

More than **31.80** million square feet of gross leaseable area

$1,232,937,239 cumulative distributions to investors

70 assets sold

Program Dispositions

(AS OF DECEMBER 31, 2016)

	RETAIL	OFFICE	MULTIFAMILY	INDUSTRIAL
Cumulative Sales Price	$435,738,911	$204,909,165	$49,266,108	$96,270,041
Weighted Avg. Total Return*	138.49%	119.43%	140.19%	133.26%
Weighted Avg. ARR**	8.11%	4.13%	22.68%	7.25%
Number of Programs	33	7	2	5

BBB. The Inland Real Estate Group of Companies, Inc. **2X RECIPIENT** of the Torch Award for Ethics in the Marketplace

ADISA | ALTERNATIVE & DIRECT INVESTMENTS — A CHAMPION OF EXCELLENCE. Inland Private Capital Corporation **2X RECIPIENT**

Metrics for Program Dispositions

* **Weighted Average Total Return** is calculated by dividing the sum of amounts distributed to investors over the hold period of the investment plus the sale proceeds returned to the investors, by such investors' capital invested in the program inclusive of all fees and expenses. To determine the weighted average, the total return for each program is multiplied by the capital invested in that program, divided by total capital invested in all programs represented in the analysis.

** **Weighted Average Annualized Rate of Return (ARR)** is calculated as the sum of total cash flows distributed during the term of the investment plus any profit or loss on the initial offering price, divided by the investment period. To determine the weighted average, the ARR for each program is multiplied by the capital invested in that program, divided by the total capital invested in all programs represented in this analysis.

The Weighted Average Total Return and Weighted Average ARR metrics presented above apply to those programs in which the property owned by such program was sold. Please note that this analysis does not include programs in which the subject property was in foreclosure. In such situations, IPCC has negotiated with the applicable lender and advanced funds to the investors to allow the investors to exchange their beneficial interests in the original program for a proportional beneficial interest in a new program, in order to continue their Section 1031 exchanges and avoid potential capital gains and/or forgiveness of debt tax liabilities.

Summary Risk Factors

An investment in the Interests of the Trust involves significant risk and is suitable only for Investors who have adequate financial means, desire a relatively long-term investment and who will not need immediate liquidity for their investment and can afford to lose their entire investment. Investors must read and carefully consider the discussion set forth in the section of the Memorandum captioned "*Risk Factors.*" Capitalized terms used below but not defined herein shall have the meanings set forth in the Memorandum. The risks involved with an investment in Self-Storage Portfolio III DST include, but are not limited to:

- The Interests may be sold only to accredited investors, which, for natural persons, are investors who meet certain minimum annual income or net worth thresholds.
- The Interests are being offered in reliance on an exemption from the registration requirements of the Securities Act of 1933, as amended, and are not required to comply with specific disclosure requirements that apply to registration under the Securities Act of 1933, as amended.
- The Securities and Exchange Commission has not passed upon the merits of or given its approval to the Interests, the terms of the offering, or the accuracy or completeness of any offering materials.
- The Interests are subject to legal restrictions on transfer and resale and Investors should not assume they will be able to resell their Interests.
- Investing in Interests involves risk, and Investors should be able to bear the loss of their investment.
- Investors will have limited control over the Trust.
- The Trustees will have limited duties to Investors and limited authority.
- There are inherent risks with real estate investments.
- Certain risks are inherent to the self-storage industry, such as significant occupancy rate fluctuations and relatively low capital requirements or other barriers to entry for competing properties.
- The Trust will depend on the Master Tenant for revenue and the Master Tenant will depend on the tenants under the rental agreements, and any default by the Master Tenant or the tenants will adversely affect the Trust's operations.
- The costs of complying with environmental laws and other governmental laws and regulations may adversely affect the Trust.
- The Loan will reduce the funds available for distribution and increase the risk of loss.
- Because the Loan is cross-collateralized, an event of default under the Loan may result in the Lender initiating a foreclosure action against all of the Properties.
- If the Trust is unable to sell or otherwise dispose of the Properties before the maturity date of the Loan, it may be unable to repay the Loan and may have to cause a Transfer Distribution.
- The Loan Agreement contains various restrictive covenants, and if the Trust fails to satisfy or violates these covenants, the Lender may declare the Loan in default.
- To hedge against interest rate fluctuations, the Trust has entered into derivative financial instruments, which may be ineffective.
- The Property Manager is subject to certain conflicts of interests.
- There is no public market for the Interests.
- The Interests are not registered with the Securities and Exchange Commission or any state securities commissions.
- Investors may not realize a return on their investment for years, if at all.
- The Trust is not providing any prospective Investor with separate legal, accounting or business advice or representation.
- There are various tax risks, including the risk that an acquisition of an Interest may not qualify as a Section 1031 Exchange.

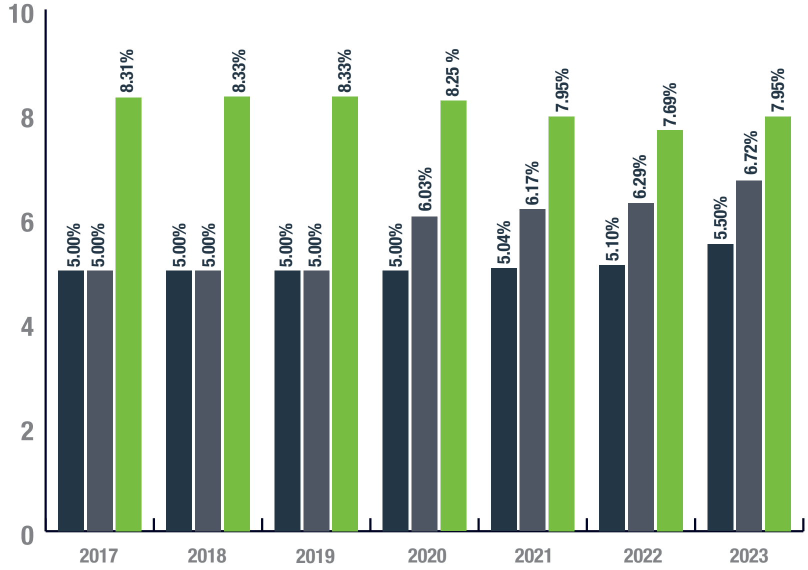
Important Notes:

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

Each prospective Investor should consult with his, her or its own tax advisor regarding an investment in the Interests and the qualification of his, her or its transaction under Internal Revenue Code Section 1031 for his, her or its specific circumstances.

Forecasted Cash-on-Cash Returns [1]

(Paid Monthly)



- Forecasted Cash-on-Cash Return [1]
- Yield [2]
- Tax Equivalent Yield [3]

(1) These forecasts are estimates which are based on certain assumptions and may vary. Please consult the "*Risk Factors*" section of the Memorandum for events that may cause the actual results to differ. The "Forecasted Cash-on-Cash Return" is calculated by taking the sum of the: (a) excess Base Rent (any amount of Base Rent after debt service); (b) Additional Rent; and (c) Supplemental Rent payable to the Trust. Additional Rent will be estimated and paid on a monthly basis with year-end reconciliation. Supplemental Rent will be paid annually within 90 days of the end of the calendar year.

(2) "Yield" is calculated by dividing the amounts distributed to investors plus any principal pay-down on debt over the indicated period divided by investors' original capital investment.

(3) "Tax Equivalent Yield" represents the yield required to achieve an equivalent after tax cash flow on an interest-bearing investment, which has no shelter from depreciation and would be taxed at the effective tax rate. The calculations are based on an assumed effective tax rate of 40% of taxable income. Each prospective Investor should consult with his or her own legal, tax, accounting and financial advisors.

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