

NEWS RELEASE

PRIME US REIT REPORTS STRONG 1H 2020 RESULTS; DISTRIBUTABLE INCOME EXCEEDS FORECAST BY 15.0% AT US\$35.9 MILLION

- DPU outperformed IPO forecast by 5.1% to post US 3.52 cents; annualised DPU yield of 9.1%¹
- Stable rental collections of 99% for 2Q 2020, underpinned by focus on tenant retention and satisfaction.
- Resilient balance sheet with gearing ratio of 33.0% and interest coverage of 5.4 times
- Proactive management of strategically-located quality assets continues to maximise portfolio value and provide stable and diverse income stream

Singapore, 6 August 2020 – KBS US Prime Property Management Pte. Ltd., the manager (the “**Manager**”) of Prime US REIT (“**PRIME**”), a real estate investment trust with a high-quality office portfolio in the United States (the “**U.S.**”), today announced its financial results for the half year ended 30 June 2020 (“**1H 2020**”).

Summary of Results²

	1H 2020 1 January to 30 June 2020		
	Actual (US\$'000)	Forecast ³ (US\$'000)	Variance (%)
Net Property Income	47,450	44,089	+7.6
Distributable Income to Unitholders	35,878	31,185	+15.0
DPU (US cents)	3.52 ⁴	3.35	+5.1
DPU Yield	9.1%		

DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering of Prime US REIT.

¹ Based on annualised DPU against closing unit price of US\$0.78 as at 30 June 2020.

² Not audited or reviewed by external auditors.

³ The forecast figures were derived from the apportionment of Forecast for Projection Year 2020 financials as disclosed in the Prospectus.

⁴ Comprised advance distribution of US 0.96 cents per Unit from 1 January 2020 to 20 February 2020 and US 2.56 cents per Unit from 21 February 2020 to 30 June 2020.



Net property income (“**NPI**”) and distributable income for 1H 2020 of US\$47.5 million and US\$35.9 million outperformed IPO projections by 7.6% and 15.0%, respectively. PRIME’s 1H 2020 distribution per unit (“**DPU**”) of US 3.52 cents per Unit⁴ exceeded IPO projection by 5.1%. PRIME distributes 100% of distributable income for FY2020 and payment is expected to be made on Wednesday, 23 September 2020.

The increase in NPI was partially offset by the short-term reduction in demand for parking. The outperformance of distributable income and DPU against forecasts was due to higher NPI, and lower trust and interest expense, in addition to the accretive acquisition of Park Tower in Sacramento on 24 February 2020.

Ms Barbara Cambon, Chief Executive Officer and Chief Investment Officer of the Manager of PRIME, said, “We are pleased to have delivered a strong performance and continued to exceed our IPO forecasts for 1H 2020. Through our disciplined approach to capital management, PRIME has retained its durability to thrive and withstand the current adversities. While COVID-19 continues to present challenges to the overall U.S. market and globally, we are confident in PRIME’s resilient business model and diversified portfolio of assets and tenant mix.

“Our priority remains to maximise returns to Unitholders through the execution of a proactive lease management strategy to capture growth, ensure stability and minimise risks during this trying period. The long weighted average lease expiry (“**WALE**”) and built-in rental escalations in place for almost all our leases support PRIME’s sustainable growth and income visibility. We will continue regularly review leasing strategies to enhance tenant retention and satisfaction as well as evaluate growth opportunities to position ourselves to thrive in the recovery.”

Prudent and Proactive Capital Management

Supported by a strong balance sheet with a net asset value (“**NAV**”) per Unit of US\$0.87 PRIME continues to retain a well-staggered debt maturity profile and a conservative gearing ratio of 33.0% as at 30 June 2020, providing ample debt headroom and liquidity. PRIME has fixed interest rates on 90.0% of its total borrowings of US\$478.8 million and fully extended debt maturity of 5.1 years, mitigating against near-term interest rate and refinancing risks. Following

the restructuring of its interest rate swaps in April 2020, PRIME's effective interest rate as at 30 June 2020 decreased to 2.6%⁵.

Strong and Resilient Portfolio

With a focus on proactive lease management, PRIME has been responsive to its tenants' changing requirements. Rental collections for the 2Q 2020 remained strong at 99%, with positive rental reversion of 8.5% on long term leases, and over 60% of its leases renewed by existing tenants. Lease deferrals were minimal with no rent abatements. Portfolio occupancy remains high at 93% for 1H 2020, with built-in rental escalations in 99.8% of cash rental income ("CRI"), averaging 2% per annum. The WALE is 4.8 years with 3.3% of leases by CRI expiring in 2020.

Underpinned by a strong and resilient diversified portfolio of Class A assets with a premium tenant mix, no single property contributes more than 15.3% of NPI.

Outlook

The U.S. office market has remained relatively resilient in 1H 2020 with only 4 million office-using jobs lost according to Oxford Economics, compared to the more than 40 million jobless claims filed since mid-March. COVID-19 case numbers have continued to rise in the U.S. which has delayed plans to return to work. However, June marked the largest single-month payroll gain in U.S. history with the addition of 4.8 million new jobs and was the second month in a row that far exceeded expectations according to Green Street Advisors⁶.

Established professional and financial services sectors have continued to provide a stable demand base. Moving forward, the growing technological sectors are expected to drive demand for office space to create shared spaces for employees to foster a culture of collaboration and innovation. Notable companies such as Microsoft are expanding in higher profile submarkets such as Midtown Atlanta and Reston Virginia (Washington D.C.); both markets where PRIME's assets are located.

⁵ Based on interest expense (excluding amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings outstanding as of 30 Jun'20.

⁶ Green Street Advisors, July 2020.

Prior to the emergence of COVID-19, many U.S. corporations already had in place work-from-home policies. While plans to return to the office have been delayed, office spaces continue to be favoured as environments which promote efficiency, creativity and teamwork. According to a CBRE Global Occupier Sentiment Survey, while a more flexible work environment is important, the physical office remains an important function with 60% of participants pursuing renewals and optimising their portfolios, and 70% confident in setting long-term real estate strategies.

There is also growing interest in de-densification over the short-term, which sees firms spreading out employees to create less dense environments. Over the long term, current footprint sizes are likely to remain steady, balancing the relaxation of space density with potentially less office based headcount. According to the CBRE Survey, co-working will play a key role in satisfying a more hybrid workforce in office and remote working.

Urban environments have historically weathered event-driven shocks. Due to their strong underlying fundamentals including access to a highly skilled workforce, robust transportation infrastructure and prevalent modern lifestyle amenities, these markets are preferred locations for an incoming generation of office workers. PRIME's well-diversified portfolio is exposed to strategic markets that continue to attract large corporations but have little to no new office supply. The favourable locations of PRIME's highly amenitised assets within these markets are expected to continue to benefit through the medium-term.

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About Prime US REIT

Prime US REIT ("**PRIME**") is a diversified Singapore real estate investment trust ("**REIT**") with a focus on stabilised income-producing office assets in the United States ("**U.S.**"). PRIME offers investors a unique exposure to a high-quality portfolio of 12 prime and freehold office properties, strategically located in ten primary markets in the U.S., with a total appraised value of US\$1.42 billion.

With a geographically diversified portfolio of strategically-located prime office assets in key U.S. office markets, PRIME is well-positioned to achieve its key objectives to provide Unitholders with regular and stable distributions through long-term growth in distributions per unit and net asset value per unit growth while maintaining an appropriate capital structure.

About the Sponsor

KBS Asia Partners Pte. Ltd. ("**KAP**") is the sponsor of PRIME. KAP's shareholders include founding members of KBS, who is one of the largest U.S. commercial real estate managers with US\$11.6 billion of assets under management as at 31 December 2019, and more than US\$41.8 billion of transactional volume since inception in 1992.

About the Manager

PRIME is managed by KBS US Prime Property Management Pte. Ltd. which is jointly owned by KBS Asia Partners Pte. Ltd., Keppel Capital Two Pte. Ltd., a wholly-owned subsidiary of Keppel Capital Management Pte Ltd, Times Properties Private Limited, a wholly-owned subsidiary of SPH and Experion Holdings Pte. Ltd., a wholly-owned subsidiary of AT Holdings Pte. Ltd.



The Manager has general powers of management over the assets of PRIME. The Manager's main responsibility is to manage PRIME's assets and liabilities for the benefit of Unitholders.

The Manager will set the strategic direction and provide, investment, asset management, capital management, internal audit, human resource, information technology, accounting, compliance and investor relations services to PRIME.



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