



**CGS-CIMB  
Corporate  
Webinar**

**28 September 2022**

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The information presented in this document as at and for the period ended 30 June 2022 is not audited or reviewed by the external auditors.







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Information as at 30 June 2022

**14**  
Prime U.S. Office  
Properties

**US\$1.66b**  
Valuation

**100%**  
**Freehold**  
Land Title

**100%**  
**Class A**  
Office Properties

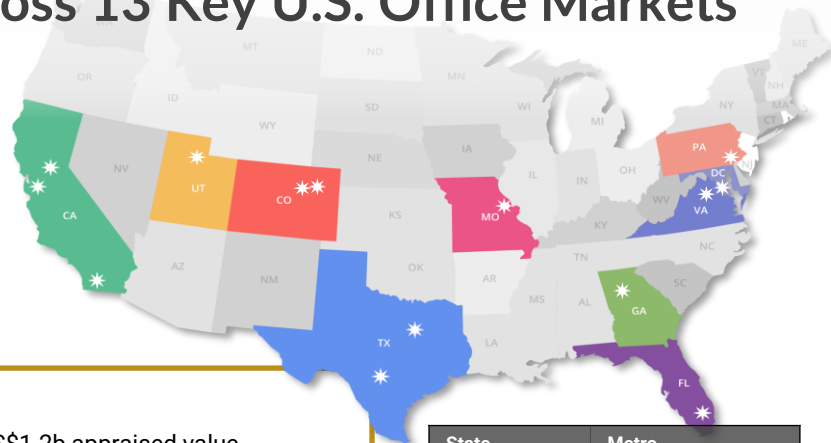
**4.4 million**  
NLA (sq ft)

**89.6%**  
Portfolio  
Occupancy

**Focus on non-gateway cities:**

- Highly educated workforce
- Strong employment growth
- Affordability
- Transportation infrastructure
- Lower density urban environment

# High Quality Portfolio of Prime Office Properties Diversified Across 13 Key U.S. Office Markets



**2019**

- **Jul 2019** IPO : 11 properties, US\$1.2b appraised value
- **Nov 2019** Inclusion into MSCI Singapore Small Cap Index

**2020**

- **Feb 2020** Raised US\$120.0m private placement  
Maiden Acquisition of **Park Tower** for US\$165.5m

**2021**

- **Jun 2021** Upsized of credit facility to US\$600m  
Raised US\$80.0m private placement
- **Jul 2021** Acquisitions of **Sorrento Towers** for US\$146m and **One Town Center** for US\$99.5m
- **Sep 2021** Inclusion into FTSE EPRA Nareit Global Real Estate Index (Global Developed Index)

State	Metro
California	Sacramento
	San Fran/Oakland
	San Diego
Utah	Salt Lake City
Colorado	Denver
Texas	Dallas
	San Antonio
Missouri	St. Louis
Pennsylvania	Philadelphia
Washington DC	Washington DC (VA)
	Washington DC (MD)
Georgia	Atlanta
Florida	Boca Raton

## Financials Attractive Yield



**1H 2022 DPU of  
US 3.52 cents up +5.7%**

### DPU

1H2022 : US 3.52 cents

2H2021 : US 3.45 cents

1H2021 : US 3.33 cents

## Robust Leasing Class A Quality Assets



- Portfolio Occupancy at 89.6%
- Positive rental reversion 8<sup>th</sup> straight quarter (2Q2022: 10.9%)
- 1H2022 leasing activity 257.5k sq ft vs 110k in 1H2021
- Healthy WALE of 4 years

## Well Positioned: Flexibility & Growth



- Healthy gearing of 37.8% and 4.9x interest coverage with fully extended debt maturity of 3.2 years
- Ample liquidity > US\$222M and Debt headroom of US\$417M
- Minimal interest rate exposure, with 86% debt either fixed rate or hedged

## Resilience via Diversification



- No single primary market contributing more than 11.7% of CRI
- No single property contributing more than 13.8% of CRI
- Well staggered lease expirations
- Tenant industry sector diversification contributes to resiliency

## 1H2022 DPU at US 3.52 cents

- Contribution to earnings 1H2022 from accretive acquisitions of Sorrento Towers, San Diego and One Town Center, Boca Raton
- Stable occupancy and collections
- Positive rental reversions
- Pickup in leasing activity in 1H2022 vs 1H2021
- Amortizing lease termination fees included in DPU; in place through to mid-4Q 2022

## Financial Performance

	1H2022 (US\$'000)	1H2021 (US\$'000)	Year-on-Year Variance
Net Property Income	50,820	46,340	▲ 9.7%
Income available for distribution to Unitholders	41,327	35,425	▲ 16.7%
DPU (US cents)	3.52	3.33	▲ 5.7%
Annualised DPU Yield (%)	10.5 <sup>1</sup>	7.8 <sup>2</sup>	▲ 34.6%

[1] Based on annualised DPU against closing unit price of US\$0.675 as at 30 June 2022.

[2] Based on annualised DPU against closing unit price of US\$0.865 as at 30 June 2021.

# Strong Financial Position

	30 June 2022 (US\$ M)
Investment Properties	1,663.8
<b>Total Assets</b>	<b>1,700.8</b>
Borrowings	638.5
<b>Total Liabilities</b>	<b>686.0</b>
Net Assets attributable to Unitholders	1,014.9
<b>NAV per Unit (US\$)</b>	<b>0.86</b>

- 100% payout of distributable income
- Resilient NAV per unit
- Prudent capital management – low gearing and high proportion of debt hedged
- Demonstrated access to capital – both debt and equity

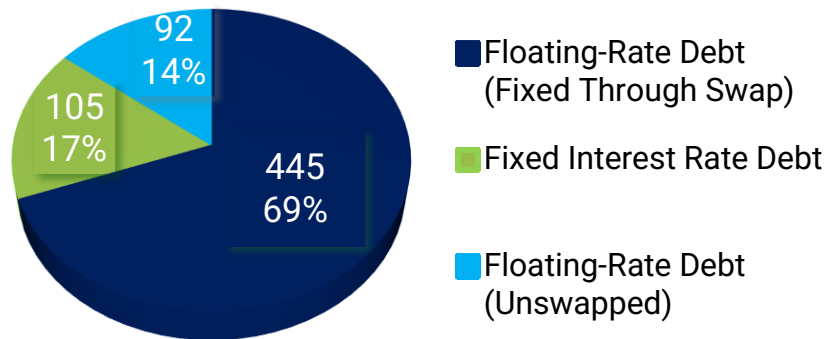
DPU for the period from  
1 January to 30 June 2022:

US 3.52 cents

Ex-Date	11 August 2022
Record Date	12 August 2022
Payment Date	26 September 2022

# Debt Summary

Interest Rate Exposure(US\$ million)



Hedging profile of 86% provides protection in current interest rate environment

- c. 51% of June 2022 debt has hedges in place through to 2026 (swaps go out beyond the fully extended debt maturity of July 2024)
- c. 18% of June 2022 debt is hedged through for the next 2 years
- Fixed interest rate debt aggregating 17% of June 2022 debt matures in 2029.

<p><b>Healthy Aggregate Leverage</b></p> <p><b>37.8%</b></p>	<p><b>High % Debt Fixed or Hedged</b></p> <p><b>86%</b></p>	<p><b>Ample Liquidity; Available &amp; Undrawn Facilities<sup>1</sup></b></p> <p><b>US\$222m</b></p>
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	As at 31 Dec 2021	As at 30 Jun 2022
Gross Borrowings (drawn) (US\$ M)	633.6	642.1
Debt Headroom to 50% (US\$ M)	405.8	416.7
All-in Weighted Average Interest Rate <sup>2</sup>	3.0%	3.1%
Effective Interest Rate <sup>3</sup>	2.5%	2.8%
Interest Coverage <sup>4</sup>	5.4	4.9
Weighted Average Maturity (Years)	3.0 / 3.7 <sup>5</sup>	2.5 / 3.2 <sup>5</sup>

[1] US\$22.5M of RCF drawn as at 30 Jun'22. 4 and 5-year term loan facilities of US\$200M each, both fully drawn as at 30 Jun'22. 3-year term loan facilities obtained in 3Q2021 amounting to US\$114.6M, fully drawn as at 30 Jun'22. RCF of US\$45M obtained in 3Q2021 maturing in 2024, undrawn as at 30 Jun'22.

[2] Based on interest expense (including amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings for the year/period ended 31 Dec'21 and 30 Jun'22.

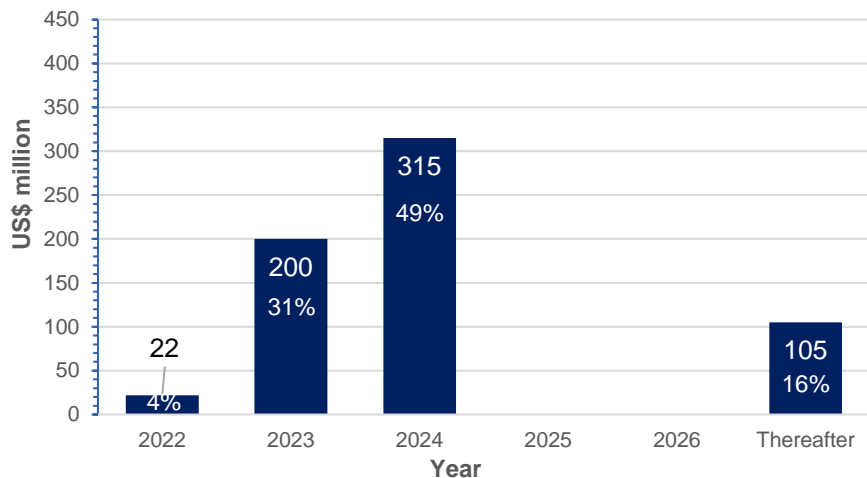
[3] Based on interest expense (excluding amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings outstanding as at 31 Dec'21 and 30 Jun'22.

[4] Calculated as net income before tax expense, net finance expense, change in fair value of derivatives and amortisation of lease commissions, change in fair value of investment properties divided by finance expenses, including amortisation of upfront debt-related costs and commitment fees, for trailing 12-month periods ended 31 Dec'21 and 30 Jun'22.

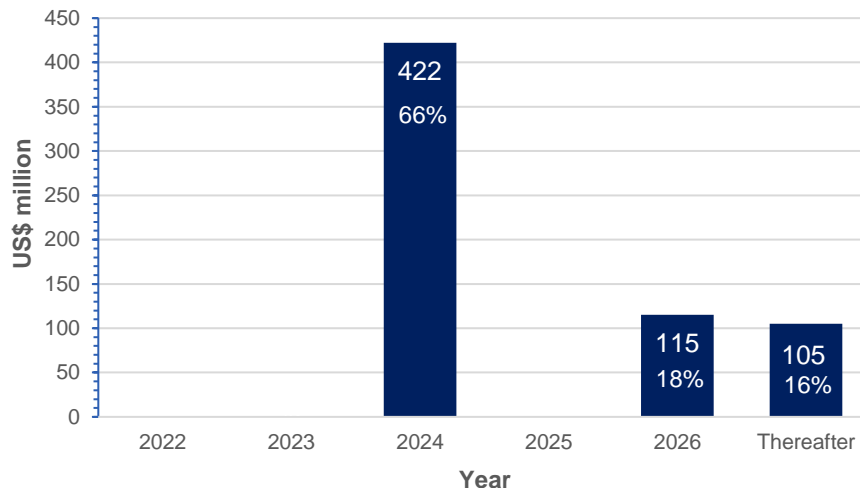
[5] Fully extended debt maturity. Extension options are available to the borrower to extend the 4-year term loan and Revolver maturities to 2024 and maturities of the two 3-year term loan and Revolver facilities aggregating US\$159m obtained in 3Q2021 from 2024 to 2026.



### Debt Maturity Profile (as at 30 June 2022)



### Adjusted Debt Maturity Profile (assuming extension options fully exercised)



Adjusted debt maturity based on:

- Two 1-year extension options on the US\$200m 3-year revolver due 2022 (US\$22m drawn as at 06/22) \*
- One 1-year extension option to extend the \$200m 4-year term loan from 2023 to 2024
- Two 1-year extension options available on the new Sorrento Towers and One Town Center secured debt aggregating US\$159m due 2024 through to 2026 (US\$115m drawn as at 06/22)

\* Subsequent to the end of 1H2022, the first of two 1-year extensions on the revolver has been exercised, extending maturity through to July 2023

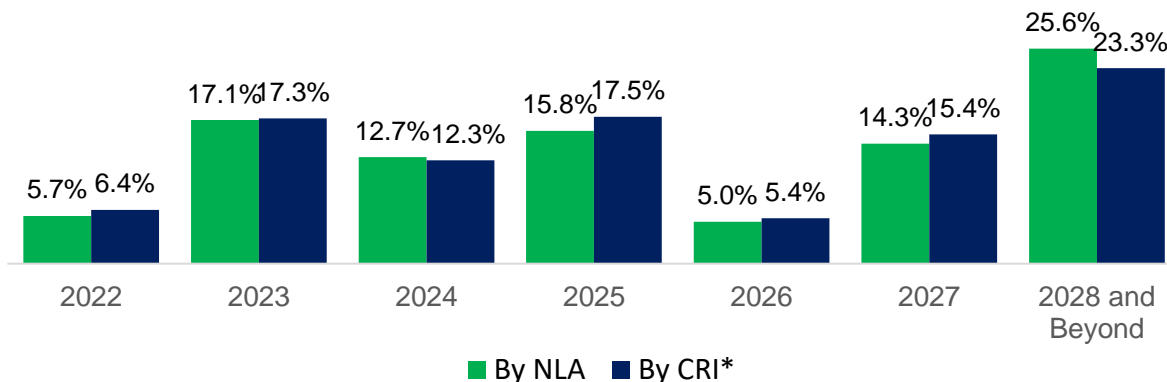
# Continued Leasing Activity

**1.8%**  
of Portfolio Leased in  
2Q2022 (by CRI)

**4.0 years**  
Weight Average Lease  
Expiry (WALE)  
as at 30 June 2022

**10.9%**  
Positive rental  
reversion for  
2Q2022

## Stable Tenancy Profile with Well Staggered Expirations <sup>(1)</sup>



\* Annualized cash rental income based on the month of June 2022.

[1] Excludes month to month leases accounting for 3.8% of NLA or 2.4% of annualized CRI.

[2] Excludes leases which are less than one year. For 2Q22, these amounted to 7.4k sf

Leasing activity of 85.7k sq ft in 2Q2022 with overall positive rental reversion of 10.9%.

- 40.7k sq ft : 47% of all leases signed were new leases
- 1H2022 leasing activity 257.5k sq ft vs 110k in 1H2021
- 2Q2022 leasing activities mainly from Finance, Professional services and Health care sectors.
- Consistent positive rental reversions<sup>2</sup> over last 8 quarters during COVID-impacted environment (excluding short-term leases < 1year):
  - FY2021: +14.1%
  - 1Q2022: +3.4%
  - **2Q2022: +11.2%**

## Positive Reversion Potential Remains In Place

Name of Property	Annual In Place Rent (US\$)	Annual Asking Rent (US\$)	Potential Rental Reversion	WALE	Occupancy	Lease expiry through 2022 by CRI <sup>(1)</sup>
Tower I at Emeryville	\$55.74	\$55.80	0.1%	2.1	58.9%	0.2%
222 Main	\$39.30	\$37.30	-5.1%	4.3	95.4%	0.1%
Village Center Station I	\$23.77	\$23.50	-1.1%	1.7	69.9%	0.0%
Village Center Station II	\$24.70	\$24.00	-2.8%	6.0	100.0%	0.0%
101 South Hanley	\$29.06	\$31.50	8.4%	3.6	90.3%	0.1%
Tower 909	\$29.48	\$33.20	12.6%	3.7	84.1%	0.2%
Promenade I & II	\$28.28	\$28.50	0.8%	2.4	98.6%	0.0%
CrossPoint	\$34.45	\$41.00	19.0%	3.1	100.0%	1.6%
One Washingtonian Center	\$36.21	\$36.50	0.8%	2.5	81.2%	0.2%
Reston Square	\$43.81	\$37.00	-15.6%	1.6	100.0%	2.7%
171 17th Street	\$29.08	\$28.00	-3.7%	5.7	91.9%	0.6%
Park Tower	\$33.29	\$40.50	21.7%	3.9	87.2%	0.4%
One Town Center	\$34.46	\$37.00	7.4%	5.4	98.4%	0.0%
Sorrento Towers	\$40.56	\$47.57	17.3%	5.7	97.0%	0.3%
<b>Total / Weighted Average</b>	<b>\$33.41</b>	<b>\$35.19</b>	<b>5.3%</b>	<b>4.0</b>	<b>89.6%</b>	<b>6.5%</b>

[1] Lease expiry excludes month to month leases accounting for 2.4% of CRI.

Occupancy remained stable in 2Q 2022 against backdrop of delayed return-to-office.

7 out of 14 assets : above 95%

5 out of 14 assets : 80-95%

Reversion potential due to in place rents below asking rents by 5.3%.

Upcoming lease expiries well spread across portfolio reducing single asset exposure, largest single asset lease expiry of 2.7% of portfolio CRI.

- ❖ Reston Square: Whitley Bradley & Brown lease (2.6% CRI) expiry in July 2022.
- ❖ Active leasing discussions at Tower I ,VCS I, Tower 909, 222 Main, 171 17<sup>th</sup> St.

# Diversified Income Provides Stability

- No single market contributing more than 11.7% of CRI
- No single property contributing more than 13.8% of CRI
- 99% rent collection and minimal deferrals
- Stable occupancy of 89.6%

## Geographic Diversification

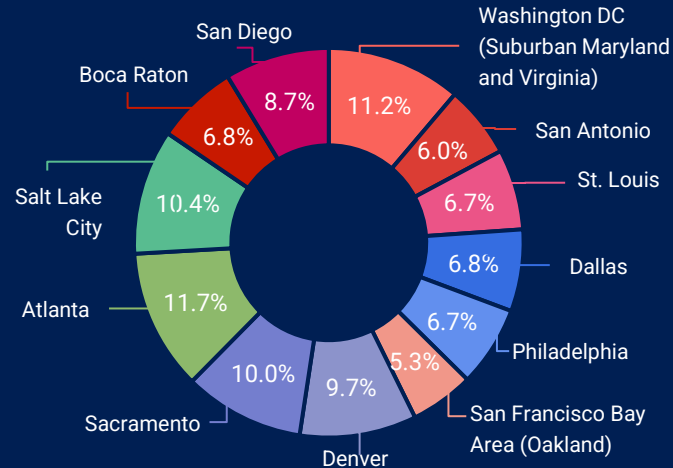
CRI by Primary Market

12 Primary Markets

No single market contributing more than

11.7%

Total CRI



## Asset Diversification

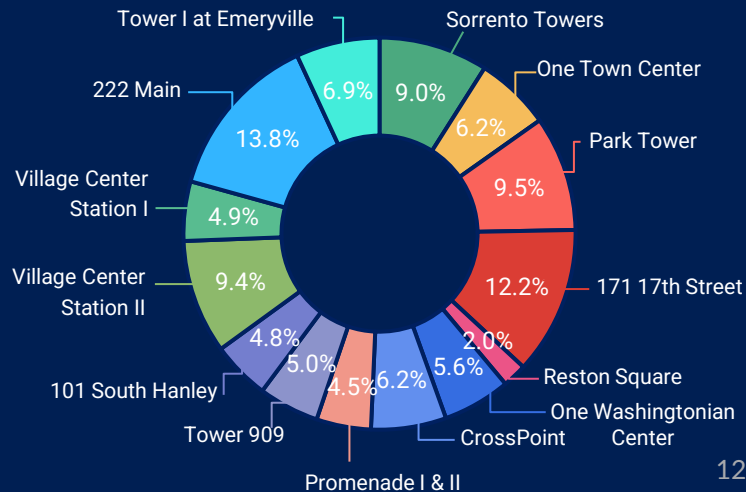
Asset by Valuation

14 Assets

No single asset contributing more than

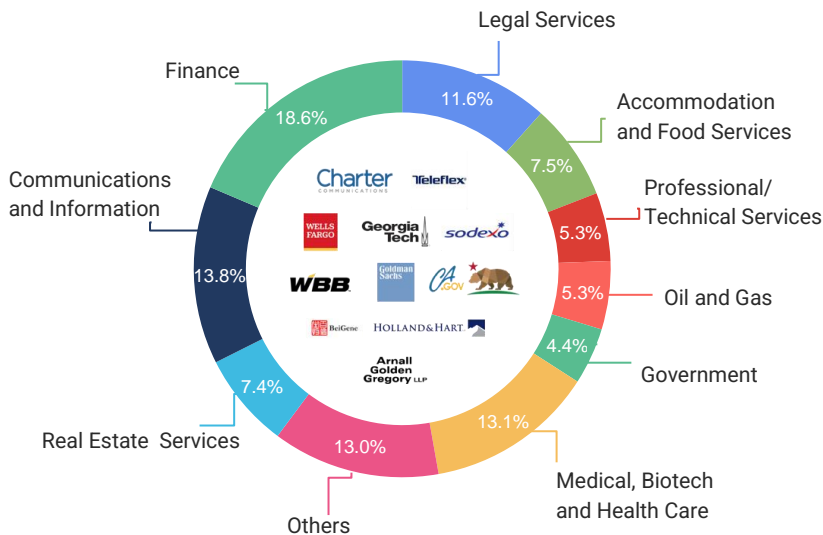
13.8%

Total Portfolio Valuation





# Sector Diversification Adds to Resiliency



▶ 74%

In Established + Growth (STEM/TAMI)<sup>2</sup> Sectors

[1] Data for Cash Rental Income as at 30 June 2022

[2] Established: Finance, Real Estate, Legal, Government

STEM/TAMI: Communications, Health Care, Scientific R&D Services, Information, Professional, Scientific and Tech Services.

# Top 10 Tenants

Tenant	Industry	Credit Rating	Property	Leased sq ft	% of Portfolio CRI <sup>1</sup>
Charter Communications	Communications	Moody's: Ba1	Village Center Station I & II	419,881	8.3%
Goldman Sachs Group Inc.	Finance	Moody's: A2 S&P: BBB+ Fitch: A	222 Main	177,206	5.1%
Sodexo Operations LLC	Accommodation and Food Services	S&P: BBB+	One Washingtonian Center	190,698	5.1%
Dexcom	Medical, Biotech & Health Care	Independent Firm Credit Analysis: Strong	Sorrento Towers	148,383	4.4%
Holland & Hart	Legal Services	Private Firm	222 Main	89,960	3.1%
Arnall Golden Gregory LLP	Legal Services	Private Firm	171 17th Street	122,240	3.1%
Wells Fargo Bank NA	Finance	Moody's: Aa2 S&P: AA- Fitch: AA	171 17th Street	106,030	3.0%
State of California	Government	Moody's: Aa2	Park Tower	124,722	2.8%
Whitney, Bradley & Brown	Professional / Technical Services	Private Firm	Reston Square	73,511	2.6%
Bank of America, NA	Finance	Fitch: AA Moody's: Aa2	One Town Center	61,430	2.3%
<b>Total</b>				<b>1,514,061</b>	<b>39.8%</b>
<b>WALE Top 10</b>					<b>4.5 Years</b>



# Market Environment

## U.S. Economy

- U.S. real GDP contracted 0.9%<sup>1</sup> year-on-year (YoY) in Q2 2022. According to 21 September FOMC meeting notes, U.S. real GDP is expected to grow 0.2% in 2022 and 1.2% in 2023<sup>2</sup>.
- The Fed hiked interest rates by another +75bps in September, raising the new target fed rate to 3.00%-3.25%, citing robust job gains, a low unemployment rate, and elevated inflation as reasons. Fed Chairman reiterated their commitment to return inflation to 2%.<sup>2</sup>
- Unemployment rate as at end August of 3.7% rose 0.2% compared to 3.5% in the prior month. Latest data represents a 1.5% decrease YoY against August 2021 of 5.2%. Labour market continued to recover from the previous pandemic-induced job losses. August growth brings total nonfarm employment 240,000 higher than its pre-pandemic level in February 2020.<sup>3</sup>
- U.S. inflation rate remained high in August 2022 at 8.3% but showed signs of easing as it lowered from 8.5% in July 2022 and from 9.1% in June 2022, which was the highest inflation rate in four decades. While gasoline prices declined 10.6% in August from the preceding month, other segments continued to increase (including shelter, food, and medical care).<sup>3</sup>

### Footnotes:

1. U.S. Bureau of Economic Analysis Advance Estimate Q2 2022
2. Federal Open Market Committee (21 September 2022)
3. U.S. Bureau of Labor Statistics August 2022
4. JLL Research Office Outlook Q2 2022
5. C&W U.S. National MarketBeat Office Q2 2022
6. CoStar United States Office National Report July 2022
7. VODI Monthly Report July 2022

## U.S. Office Market

- U.S. office sector recovery remains highly uneven in Q2 2022. Leasing volume held steady quarter-on-quarter (QoQ) in Q2 2022. Tenants in high-growth sectors such as tech, media and creative industries put expansion plans on hold. CBD Class A offices' asking rents and effective rents were -0.4% and -6.2% respectively below pre-pandemic levels in Q2 2022<sup>4</sup>.
- Overall national office vacancy inched up 34 bps to 17.6% for the quarter despite vacancy declines in a third of U.S. office markets as at end June 2022.<sup>5</sup>
- Office absorption remained negative in Q2 2022 despite more than a third of office markets being positive. Negative absorption was disproportionately found in Class B and C space, which contributed 69.4% of negative net absorption despite comprising 41.7% of inventory.<sup>4</sup>
- Continued reassessments of space needs as a result of delayed return-to-office plans pushed sublease availability upward modestly. Short-term expansion stayed below 20% of Q2 2022 activity, indicating stable rather than decreased confidence among tenants.<sup>4</sup>
- Office sales volume remained active (1H 2022: US\$47 billion<sup>5</sup>) after returning to pre-crisis norms in the last year (2021: US\$107 billion<sup>6</sup>). Pricing and cap rates continue to be stable.
- National VTS Office Demand Index (VODI)<sup>7</sup> reported that new demand for office space fell slightly in June, down 6%. VODI has remained stable since October 2021.

# Submarket Outlook

State	Metro Submarket	PRIME's Occupancy Rate (%)	Class A Submarket Occupancy Rate (%)	Projected Rent growth (%) <sup>1</sup>
California	San Fran/Oakland Oakland/Emeryville/Berkeley	58.9%	78.5%	-0.9%
	Sacramento, Downtown	87.2%	92.7%	0.3%
	San Diego, Sorrento Mesa	97.0%	94.1%	4.4%
Utah	Salt Lake City, Downtown	95.4%	86.3%	0.7%
Colorado	Denver, Greenwood Village	VCS I: 69.9% VCS II: 100.0%	75.2%	1.7%
Texas	Dallas, Urban Center	84.1%	73.0%	0.9%
	San Antonio, Far Northwest	98.6%	83.5%	-0.3%
Missouri	St. Louis, Clayton	90.3%	91.0%	2.5%
Pennsylvania	Philadelphia, Suburban	100.0%	83.6%	0.5%
Washington DC	Washington DC (VA), Reston	100.0%	78.6%	-2.6%
	Washington DC (MD), Gaithersburg	81.2%	99.7%	-1.3%
Georgia	Atlanta, Midtown	91.9%	81.6%	1.5%
Florida	Boca Raton	98.4%	87.7%	5.4%

1. CoStar as of 13 July 2022, 4/5 star properties

- Occupancy at 9 out of PRIME's 14 properties higher than submarket average
- CoStar 12-month rent outlook positive in 9 of PRIME's 13 submarkets

# Consolidation of Property Management Services

- Previously seven property management firms for 14-property portfolio.
- Strategic decision to consolidate property management platform\* with the following objectives:
  - ✓ Enhanced consistency for property level activities
  - ✓ Efficiencies emanating from standardized processes and greater coordination
  - ✓ Facilitate the implementation of best-in-class, holistic incorporation of ESG & T practices with measurable, data-driven solutions
  - ✓ Enhanced resources as PRIME considers the broadening of its investment mandate and portfolio diversification
  - ✓ On the ground resources and market intelligence in PRIME's existing and growth markets

\* 13 of 14 assets have been transitioned to LPC, with the final property management transfer decision to be based on achievement of key property milestones.

## Selected manager: Lincoln Property Company (“LPC”)

One of the Largest Diversified  
Real Estate Services Firms in  
the US

- 8,550 Employees Nationwide
- \$94b in Managed Assets
- 55+ Years Experience
- 433m sf under leasing and/or management
- \$22b of acquisitions over past 15 years
- Firm-wide commitment to ESG and Sustainability
- Commitment to Technology and Innovation Solutions through LPC Ventures



# Consolidation of Property Management Services

## LPC as a Strategic Resource to PRIME

- Pre-eminent real estate service provider to long-term capital with strong alignment of interests with ownership mentality vs transaction driven RE advisory firms
- Geographical breadth, boots on the ground, extensive commercial property management experience across the US
- Invested in ESG and Tech companies –a key component of property management
- Senior LPC leadership team committed to the relationship with Prime

## LPC Implementation of ESG +T Initiatives

- Led by Leadership Committee of Senior Management representatives of all the business lines within the organization
- Established senior point person with certification in corporate sustainability to fulfill a strategic advocacy role
- Team includes ESG “Champions” throughout the firm, supported by ongoing commitment to workshops, training and internal communications across platform to advocate for ESG solutions at the property level
- Target and deploy systematically using ESG Checklist to evaluate asset level needs and opportunities, prioritize efforts, use peer comps, iterate and improve as knowledge base and technology tools evolve

## LPC Services to PRIME

### Business resources and expertise:

- Property Management
- Construction Management
- Accounting
- ESG evaluation, training, planning, budgeting and implementation
- Green Building Services
- Leasing

## ROLE OF FUTURE OFFICE + HYBRID WORKING

### C&W<sup>1</sup>

- Office space is still in demand.
- Strong job growth has spurred many companies to add office space to house a larger workforce, even if in a more agile manner.
- Positive activity is broad and is impacting secondary and gateway cities.
- Seeing many organizations reimagining space to emphasize collaboration while still utilizing similar amounts of square footage.

### JLL<sup>2</sup>

- Remote work cannot replace the utility of the office in terms of face-to-face interactions and collaboration.
- Regenerative workplace is a powerful tool to support employee resilience.
- Employees say that an ideal working week would constitute 2.6 days in the office and 2.4 days remote (on average).
- Firms are also eager for employees to spend as much time in the office as possible.
- Corporates need to ensure they have the right mix of fixed workspaces, collaboration space and breakout areas.

### CBRE<sup>3</sup>

- Occupiers still see value in bringing people together in the office, keen to ensure a vibrant office atmosphere
- Most companies expecting employees to spend around half their time in the office.

#### Footnotes:

1. Cushman & Wakefield (May 2022): Office of the Future Revisited
2. JLL Research (December 2021): Future of Work: The Regenerative workplace
3. CBRE (Jul 2022) Five Steps Companies Are Taking to Accommodate New Ways of Working

## PRIME US REIT

- Increased leasing activity; 257.5k sq ft in 1H2022 vs 110k in 1H2021.
- Physical occupancy across the portfolio is increasing as more tenants implement their return-to-work plans.
- The emerging business pattern is for employees to work in the office Tuesdays through Thursdays.
- This hybrid approach is providing some increased visibility into in-office headcount for future planning purposes.

# Key Management Priorities

## Leasing

- Tenant retention remains a priority
- Re-evaluation of leasing teams on assets with low leasing momentum
- Increase ESG focus as a driver to attract/retain tenants in our assets
- Assess asset enhancements and building amenities to support leasing efforts

## ESG Commitment

- Appointment of LPC as consolidated property manager a landmark step forward in PRIME's ESG journey
- Portfolio level implementation and tracking of energy management, enhanced conservation efforts and building safety protocols
- Evaluation and rollout of real estate technology solutions supported by LPC expertise

## Active Capital Management

- Evaluation of capex needs for asset enhancements to improve leasing momentum
- DRP program for 1H 2022 distribution: January 1<sup>st</sup> to June 30<sup>th</sup>
- Ample liquidity from undrawn lines >US\$222m
- Debt hedging provides protection in current interest rate environment

## Acquisitions

- Monitor evolving market and asset attributes that best support corporate long term workspace needs and hybrid work plans
- Higher acquisition cap rate threshold in rising interest rate environment





## Thank You

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