NEWS RELEASE

Prime US REIT's Gross Revenue up 1.1% in 2H2023 vs 1H2023[1]

Announces Cash Distribution + Bonus Issue

- Strong leasing pipeline, of which 304k sf executed in 4Q2023 - more than double QoQ
- Portfolio occupancy increased to 85.4%; Positive rental reversion of +9.6% in 4Q2023
- Expansion of top ten tenant Matheson Tri-Gas at Tower 909 (Dallas)
- In constructive refinancing discussions with lenders
- Target to execute up to US$100 million of deleveraging in 2024
- Distribution policy aimed at balancing capital preservation with providing a return to unitholders

Cash Distribution of US 0.25 cents

- ✓ **Equivalent to c.10% of 2H 2023 Distributable income per Unit (i.e. US 2.40cents)**
- ✓ **Annualized yield of 4.8%[2] at the current price**

+

1-for-10 Bonus Issue

- ✓ **Translates to US 1.03[2] cents worth in value per Unit (equating to c.43% of 2H2023 Distributable income)**
- ✓ **Fully paid at nil consideration**

Singapore, 21 February 2024 – Prime US REIT 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 published its financial results for the second half year ("**2H2023**") and full year ended 31 December 2023 ("**FY2023**").

PRIME's gross revenue for 2H2023 increased 1.1% compared to the first half year ended 30 June 2023 ("**1H2023**") mainly due to rental escalation, while net property income ("**NPI**") for 2H2023 was 1.6% lower compared to 1H2023. Available distributable income for 2H2023 of US$28.6 million decreased slightly by 2.1% from 1H2023 mainly due to higher finance cost to fund capital expenditures in relation to building improvements and tenant incentives to drive leasing activity.

Gross revenue and NPI for 2H2023 decreased slightly by 1.1% and 1.5% year-on-year ("**YoY**") to US$80.3 million and US$46.4 million respectively. This was largely attributable to the lower occupancy, and higher property operating expenses owing to higher return to office, offset by lower property taxes. PRIME's gross revenue and NPI for FY2023 decreased by 2.0% and 4.5% YoY to US$159.8 million and US$93.6 million respectively.

1. The financial results for the second half year ended 31 December 2023 ("2H2023") have not been audited or reviewed
2. Based on closing unit price of US$0.103 on 20 February 2024

Active Asset Management Strategies Focused on Leasing

PRIME executed 304k sf of leases in 4Q2023, with a positive rental reversion of 9.6%. Leased occupancy was 85.4%, with a weighted average lease expiry (WALE) of 4.0 years as of 31 December 2023. This included renewals from 2 of PRIME's top 10 tenants, one of whom expanded their leased space concurrent to the renewal. While the recovery of the office sector has been uneven across markets, PRIME has seen good leasing momentum in several of its assets as reflected in more than a doubling of lease volumes QoQ (by number and lettable space), and is in the mix on sizable potential new leases in Sacramento, Maryland, Atlanta, Emeryville, St Louis, and St Antonio.

Annual Revaluation of Investment Properties

PRIME's 2023 year-end portfolio valuations were impacted by higher discount rates and capitalisation rates as a result of challenged market conditions for office, elevated interest rates, and a tight lending environment for the sector impacting transaction activities. Consequently, PRIME's fair value on investment properties was US$1.41 billion as at 31 December 2023. This represents an unrealised non-cash fair value decline on investment properties of 8.7% YoY, resulting in a year end gearing of 48.4%. Taking into account the unrealised fair value change, net asset value attributable to unitholders was US$713.7 million as of 31 December 2023, or US 60 cents per unit.

Prudent Capital Management & Liquidity

PRIME adopts a prudent approach to capital management and continues to manage debt ratios within required thresholds. As at 31 December 2023, 79% of PRIME's debt is hedged to mid-2024 and 62% is hedged to mid-2026 and beyond. PRIME has a fully extended weighted average debt maturity of 1.6 years. As a consequence of its hedging strategies, PRIME's interest coverage currently stands at a healthy 3.1 times.

The Manager is working on deleveraging strategies to pare down borrowings, strengthen its balance sheet, increase liquidity and create larger buffers to the MAS gearing thresholds, and to conclude refinancing discussions with lenders. PRIME targets to execute up to US$100 million of deleveraging in 2024.

PRIME is currently in constructive refinancing discussions with the lenders of its $600m credit facilities due in July 2024. The majority of the lender group comprises North American banks familiar with US commercial real estate lending and the markets in which PRIME's assets are located.

Outlook

U.S. real GDP grew 3.3%[3] in 4Q 2023 and 2.5% for the full year 2023. U.S. labor market remain healthy in January 2024, with unemployment rate at 3.7%[4]. U.S. reported an inflation rate of 3.1%[4] YoY in January 2024, against its target rate of 2%. The Fed kept the target fed rate at 5.25%-5.50%, unchanged for the fourth straight meeting, and added that a rate cut as soon as March 2024 was unlikely[5].

Demand for U.S. office space broadly strengthened in 4Q2023 as reflected by an increase in active tenant requirements and leasing activity. Active tenant requirements rose for the 3rd consecutive quarter in 4Q 2023, up 6.6% QoQ and 20.4% YoY. Leasing activity was up 14.1% QoQ in 4Q 2023, with larger transactions returning to the market. Sublease additions declined steadily in 2023, and fell 18.1% QoQ in 4Q2023. As a result of slowing additions and acceleration of backfill activities, sublease vacancy declined for the first time since late 2021.[6]

The pipeline of new supply has also continued to fall. Office groundbreakings fell to an over 20-year low in 4Q2023. Deliveries have fallen from c.85 million sf four years ago to c.46 million sf in 2023, and are expected to decline to below c.10 million sf by 2026. Conversion activity of 18.8 million sf in 2023 reached record volume for the 3rd consecutive year, as major cities and federal government continue to introduce incentives to reinvigorate commercial districts and combat housing affordability concerns. U.S. office transaction activity remain low but may begin to see improvement amid expectations of interest rates having peaked.[6]

3. U.S. Bureau of Economic Analysis Advance Estimate Q4 2023
4. U.S. Bureau of Labor Statistics January 2024
5. Bloomberg (1 February 2023): Powell Says Fed Rate Cut in March Is Unlikely
6. JLL Research Office Outlook Q4 2023

Distributions

Amidst a cautiously stabilising external environment, the Manager remains proactive and prudent in its leasing, asset management, and capital management strategies to maximise long-term returns to Unitholders.

With capital preservation as a key component to the REIT's deleveraging strategy, the Manager has made the decision to announce a distribution of 0.25 US cents, equating to approximately 10% of the distributable income for 2H 2023, in order to balance our objectives to preserve a substantial proportion of distributable income to meet PRIME's capex needs and provide creditors with the assurance that PRIME will reinvest cash flows in the business alongside its lenders. At the same time, PRIME understands the importance of regular distributions to Unitholders. In addition to the cash distribution, PRIME will be issuing new Units to Unitholders on the basis of 1 new Unit for every 10 existing Units held as at a date and time to be determined by the Manager for the purpose of determining the entitlements of Unitholders to the new Units, fractional entitlements to be disregarded. These new Units issued as fully paid at nil consideration reflect a token of acknowledgement for Unitholders' support in strengthening PRIME's capital position. Going forward, the Manager will evaluate PRIME's distribution policy dynamically, factoring in macro, regulatory and REIT-specific developments.

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About Prime US REIT

Listed on 19 July 2019 on the Main Board of the Singapore Exchange, Prime US REIT ("PRIME") is a well-diversified real estate investment trust ("REIT") focused on stabilised income-producing office assets in the United States ("U.S."). With the objectives to achieve long-term growth in distributions per unit and net asset value per unit while maintaining a robust capital structure, PRIME offers investors unique exposure to a high-quality portfolio of 14 Class A freehold office properties which are strategically located in 13 key U.S. office markets. PRIME's portfolio has a total carrying value of US$1.41 billion as at 31 December 2023.

About the Sponsor

KBS Asia Partners Pte. Ltd. ("KAP") is the Sponsor of PRIME. The shareholders of KAP include founding members of KBS, one of the largest owners of premier commercial real estate in the U.S. As a private equity real estate company and an SEC-registered investment adviser, KBS and its affiliated companies have completed more than US$43 billion of transactional volume on behalf of private and institutional investors globally since inception in 1992.

About the Manager

PRIME is managed by Prime US REIT Management Pte. Ltd. (formerly known as 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. For more information, please visit www.primeusreit.com.

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