

## **Completed Major Refinancing With US\$550 million New Credit Facilities Divested One Town Center – Improved Gearing and Liquidity PRIME Reports 1H2024 Gross Revenue of US\$73.5 million**

- US\$550 million new credit facilities, with fully extended maturity in 2027
- Divested One Town Center; reduced gearing, increased liquidity and debt headroom
- Lease signings more than doubled in 1H2024 YoY; from 131.2k sf in 1H2023 to 268.6k sf in 1H2024

**Singapore, 13 August 2024** – Prime US REIT Management Pte. Ltd., the manager (the “**Manager**”) of Prime US REIT (“**PRIME**”), is pleased to announce the completion of PRIME’s major refinancing exercise and to report the financial results for the first half year (“**1H2024**”<sup>1</sup>).

### **Completion of Major Refinancing Exercise**

PRIME entered into a new credit facility agreement on 9 August 2024 for an aggregate principal amount of up to US\$550 million, comprising a US\$400 million term loan facility and a US\$150 million committed revolving credit facility. The facility has an initial maturity of July 2026 and a further one-year extension option. US\$330 million of borrowings remained hedged till mid-2026 via interest rate swap.

### **Divestment of One Town Center**

PRIME completed the divestment of One Town Center located in Boca Raton, Florida for a sale price of US\$82 million on 10 July 2024. The divestment was a strategic sale, in line with Prime US REIT’s deleveraging strategy. The completion not only brought down the aggregate leverage but also provided immediate additional liquidity, as PRIME seeks to pare down existing debt, manage interest cost and provide for capital expenditures which are essential to enhance PRIME’s income resilience and deliver sustainable total return to Unitholders.

### **Prudent Capital Management & Liquidity**

PRIME continues to adopt a prudent approach to capital management and to manage debt ratios within required regulatory thresholds. Following the completion of refinancing and divestment exercises which took place subsequent to 30 June 2024, PRIME’s aggregate leverage stood at a range of 46% to 47% on a proforma basis. This represents approximately US\$102 million debt headroom to MAS 50% leverage threshold assuming net proceeds from divestment are wholly used to pare down debt. More than 60% of PRIME’s debt is hedged/fixed to mid-2026 and beyond. Interest coverage currently stands at 2.8 times as at 30 June 2024. PRIME has a fully extended weighted average debt maturity of 3.3 years.

1. The financial results for the first half year ended 30 June 2024 (“1H2024”) have not been audited or reviewed.
2. Pro Forma: (i) Post-divestment of OTC (completed on 10 July 2024) assuming net divestment proceeds wholly used to pare down borrowings; and (ii) Post-refinancing with US\$550m credit facilities (completed on 9 August 2024).

**1H2024 Financials**

PRIME reported 1H2024 gross revenue and net property income of US\$73.5 million and US\$40.6 million, respectively. Cash revenue<sup>3</sup> was 5.8% lower mainly due to lower contribution from One Washingtonian Center (“OWC”) which has been undergoing asset enhancement initiatives since early 2024. Cash revenue for the remaining portfolio remained stable in 1H2024. Income available for distribution to Unitholders for 1H2024 was US\$23.3 million, after accounting for higher finance expenses due to incremental drawdowns to fund capital expenditures. 1H2024 distributable income per Unit of 1.78 US cents represented an annualised distributable yield of 20.5%<sup>4</sup>.

**Distribution Policy**

PRIME understands the importance of regular distributions. We remain fully committed and focused to deliver the best outcomes to Unitholders. With PRIME’s long-term interest in mind, the Manager has made the decision to announce a distribution per Unit of 0.18 US cents, equating to approximately 10% of the distributable income for 1H2024, in order to balance our objectives to preserve a substantial proportion of distributable income to meet PRIME’s capex needs and reinvest cash flows in the business. Going forward, the Manager will continue to evaluate PRIME’s distribution policy dynamically, factoring in macro, regulatory and REIT-specific developments.

**Active Asset Management Strategies Focused on Leasing**

PRIME’s leasing volume more than doubled YoY in 1H2024, increasing from 131.2k sf in 1H2023 to 268.6k sf in 1H2024. The increase in lease executed in the first half 2024 accentuated U.S. office tenants’ improving confidence on executing leases. Leased occupancy was 83.9% excluding One Town Center which was divested in July 2024 and excluding the ongoing enhancement at OWC. Weighted average lease expiry was 4.2 years as of 30 June 2024. While the recovery of the office sector remains bifurcated across markets, PRIME saw encouraging leasing demand, albeit longer lead-time for larger leases. Renewals and new signings at several assets including Reston Square, Promenade, 171 17<sup>th</sup> Street, Tower 909, 101 South Hanley, and One Washingtonian Center.

3. Cash revenue excludes non-cash straight-line rent adjustments.

4. Based on closing price of US\$0.175 on 12 August 2024.

**Asset Enhancement Initiative at One Washingtonian Center**

As part of our continual efforts to rejuvenate, reimagine and redefine PRIME's office spaces. PRIME took the opportunity in early 2024 to carry out an asset enhancement initiative ("AEI") at One Washingtonian Center, one of the most desirable office assets in the area. The iconic 14-storey office building with a lakefront view, adjacent to Rio Shopping Center, offers a diverse and eclectic mix of restaurants, shops, cinema and entertainment options. The AEI slated to complete in 4Q2024 will feature a repositioned lobby entrance, inviting presence for guests and visitors. OWC will also see rejuvenated tenant lounges, conference center, new full-service gym, and Grab & Go Café with banquette seating and direct water views.

**Current Market Environment**

U.S. real GDP grew 2.8%<sup>5</sup> in 2Q 2024. CPI inflation rate eased more than expected by 3.0%<sup>6</sup> YoY in June 2024. Personal consumption expenditure (PCE) price index was up 2.5%<sup>6</sup> YoY in June 2024, underscoring the progressively improving inflation environment. U.S. unemployment rose to 4.3%<sup>6</sup> in July 2024, compared to 3.5% in July 2023. Target federal fund rate remained unchanged at 5.25%-5.50% at the last FOMC meeting on 31 July 2024<sup>7</sup>.

U.S. office leasing volume surged 15% QoQ in 2Q 2024, reaching nearly 90% of pre-pandemic levels, recording the highest quarterly volume since the onset of the pandemic. Sublease backfills reached their highest level since the pandemic in 2Q 2024 with 5.8 million sf of subleases signed. Downsizing rates continue to gradually taper as more tenants begin to expand footprints. Groundbreakings remained near historic lows in 2Q 2024, with the few projects that broke ground concentrated in smaller scale pre committed developments in high growth markets. Demolitions and conversions exceeded new deliveries in 2Q 2024, and overall U.S. office inventory declined in 2Q 2024<sup>8</sup>.

Negative net absorption declined by more than 50% QoQ in 2Q 2024. As conversions and redevelopments accelerate, some negative net absorption is being created through "notional occupancy loss" (i.e. spaces proposed for redevelopment, and will be removed from office inventory over the short-term). Notional occupancy loss has elevated negative net absorption and obscures the fact that while occupancy loss has been intense, it has not been especially widespread. Remaining tenants in buildings marked for redevelopment have high probability of relocating into other space when redevelopment begins. As such, just 12.5% of buildings experienced an increase in vacancy in 2Q 2024, the lowest share since 3Q 2017<sup>8</sup>.

5. U.S. Bureau of Economic Analysis Advance Estimate 2Q 2024

6. U.S. Bureau of Labor Statistics June and July 2024

7. U.S. Federal Reserve Press Release (31 July 2024)

8. JLL Research Office Outlook Q2 2024

According to JLL, as functionally obsolete stock is gradually removed from inventory or substantially renovated, and tenants continue to exhibit more confidence in cementing long-term space plans, the remainder of the year is expected to see a continuation of in-place trends, with activity accelerating in the capital markets as interest rate cuts become a more realistic near-term prospect<sup>8</sup>.

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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 13 Class A freehold office properties which are strategically located in 12 key U.S. office markets. PRIME's portfolio has a total carrying value of US\$1.3 billion as at 30 June 2024.

**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](http://www.primeusreit.com).

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