

## **MEDIA RELEASE**

### **Unaudited Results of Keppel-KBS US REIT for the Financial Period since Listing on 9 November 2017 to 30 June 2018**

**17 July 2018**

The Directors of Keppel-KBS US REIT Management Pte. Ltd., as Manager of Keppel-KBS US REIT, are pleased to announce the unaudited results of Keppel-KBS US REIT for the financial period since listing on 9 November 2017 to 30 June 2018.

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*The materials are also available at [www.kepkbsusreit.com](http://www.kepkbsusreit.com), [www.kepcapital.com](http://www.kepcapital.com) and [www.kepcorp.com](http://www.kepcorp.com)*

DBS Bank Ltd. is the Sole Financial Adviser and Issue Manager for the initial public offering of Keppel-KBS US REIT (the “**Offering**”). DBS Bank Ltd., Citigroup Global Markets Singapore Pte. Ltd., Credit Suisse (Singapore) Limited and Merrill Lynch (Singapore) Pte. Ltd. are the Joint Bookrunners and Underwriters for the Offering.

**Keppel-KBS US REIT declares DPU of 3.82 US cents for the period  
since Listing Date to 30 June 2018, exceeding IPO forecast of 3.80 US cents**

**Results Highlights**

- Higher net property income supported by overall rental growth, lower property expenses, and a one-off compensation income
- Distribution per Unit (DPU) of 3.82 US cents above IPO forecast of 3.80 US cents, translating to an annualised distribution yield of 6.77%
- Proactive leasing efforts with 32 new leases signed in 2Q 2018 with reputable tenants, improving committed portfolio occupancy rate to 90.3% as at 30 June 2018
- Actively pursuing accretive acquisitions in key growth markets to expand portfolio and capture upsides in the market

**Summary of Results**

	2Q 2018 <sup>(1)</sup>			Listing Date to 30 Jun 2018 <sup>(1)</sup>		
	Actual	Forecast <sup>(2)</sup>	+ / (-)	Actual	Forecast <sup>(2)</sup>	+ / (-)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Gross Revenue	22,641	23,127	(2.1)	58,743	58,646	0.2
Property Expenses	(8,847)	(9,534)	(7.2)	(22,621)	(23,832)	(5.1)
Net Property Income	13,794	13,593	1.5	36,122	34,814	3.8
Income available for distribution to Unitholders <sup>(3)</sup>	9,453	9,447	0.1	24,069	24,054	0.1
Available DPU (US cents) for the period <sup>(3)</sup>	1.50	1.49	0.7	3.82	3.80	0.5
Annualised available for distribution yield (%) <sup>(4)</sup>				6.77%	6.74%	3 bps

*Notes:*

(1) No comparative figures presented as Keppel-KBS US REIT was constituted on 22 Sep 2017 and listed on 9 Nov 2017 (Listing Date). 2Q 2018 refers to the period from 1 Apr 2018 to 30 Jun 2018.

(2) Forecast for 2Q 2018 was derived from one quarter of the 2018 forecast. There was no forecast figure for the period from Listing Date to 31 Dec 2017. Hence, forecast results for the period from Listing Date to 30 Jun 2018 comprise actual figures from Listing Date to 31 Dec 2017 and one half of the 2018 forecast.

(3) Based on 100% of taxable income available for distribution. DPU of 3.82 US cents for the period from Listing Date to 30 Jun 2018 comprise (i) DPU of 0.82 US cents from Listing Date to 31 Dec 2017 and (ii) DPU of 3.00 US cents for the period 1 Jan 2018 to 30 Jun 2018.

(4) Based on IPO and 2Q 2018 closing price per Unit of US\$0.88.

**Financial Performance**

Keppel-KBS US REIT Management Pte. Ltd., as Manager of Keppel-KBS US REIT, is pleased to deliver net property income of US\$36.1 million for the financial period since listing on 9 November 2017 to 30 June 2018, exceeding its IPO forecast of US\$34.8 million by 3.8%.

This higher net property income was supported by overall rental growth, lower property expenses, and a one-off compensation income recognised in 1Q 2018 arising from an early lease termination at Westmoor Center in Denver, Colorado. The space was taken up in July 2018 by an existing tenant who was expanding its space, and cash rental contribution will commence in December 2018.

DPU for the period from 9 November 2017 to 30 June 2018 is 3.82 US cents, 0.5% above the IPO forecast of 3.80 US cents. This translates to an annualised available for distribution yield of 6.77%. The distributions will be paid out on 25 September 2018.

### **Portfolio Review**

The Manager continues to capitalise on the steady demand for its portfolio of assets. 2Q 2018 saw positive leasing momentum with 32 new leases totalling to more than 222,000 sf secured during the period, bringing committed portfolio occupancy to 90.3% as at 30 June 2018, compared with 89.8% as at 31 March 2018. All new leases have built-in annual rental escalations of 2-4%, providing organic growth visibility for the portfolio.

As at 30 June 2018, the portfolio weighted average lease expiry<sup>1</sup> (WALE) was 3.7 years. WALE<sup>1</sup> for the portfolio's top 10 tenants, which include Ball Aerospace & Tech Corp and Zimmer Biomet Spine Inc. in the technology sector, as well as companies in the finance and insurance sectors, was 5.1 years.

### **Capital Management**

Keppel-KBS US REIT adopts a prudent capital management approach. As at 30 June 2018, 75.0% of the REIT's term loans have been hedged with floating-to-fixed interest rate swaps, and all its borrowings are made in USD, providing a natural hedge for its income and investments.

The REIT's average cost of debt for the period from 9 November 2017 to 30 June 2018 was 3.4%<sup>2</sup>. As at 30 June 2018, aggregate leverage was 33.1%, and interest coverage ratio remained healthy at 5.7 times. The REIT's weighted average term to maturity of its debt is 3.9 years, with the first tranche of its term loan facilities maturing in 2021.

The Manager continually reviews the REIT's financing requirements to ensure an optimal and nimble capital structure that is favourable for yield-accretive acquisitions to grow its portfolio.

### **Outlook**

The International Monetary Fund (IMF) has raised its US GDP growth projection for 2018 from 2.7% to 2.9%, citing strong near-term outlook and robust job creation, supported by fiscal stimulus, recovery of private investment as well as favourable financial conditions. Risks remain that the expansion in the federal deficit could trigger a rise in inflation, and recent moves to impose tariffs on imports could increase market volatility.

The US office market remains healthy. According to CoStar, the 12-month<sup>3</sup> office net absorption was 50.2 million sf as at end-June 2018. Deliveries were 67.2 million sf in the same period, with the majority of new supply coming from major cities' central business district.

National average occupancy rate for the same period remained stable at 89.7%. The 12-month overall rent growth improved from 1.5% as at end-March 2018 to 1.6% as at end-June 2018, with Seattle, Sacramento and Atlanta amongst the markets with highest rent growth.

The REIT, with assets located in key growth markets in the West Coast, Central, and East Coast, is well-placed to benefit from organic growth, largely from improved occupancies and built-in rental escalations in its portfolio. Office demand in these markets is underpinned by strong and defensive sectors such as technology, education and healthcare.

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<sup>1</sup> By committed occupancy and NLA.

<sup>2</sup> Includes amortisation of upfront debt financing costs.

<sup>3</sup> Refers to the period from July 2017 to June 2018.

To capture value and further upsides, the Manager is actively pursuing accretive acquisitions in key growth markets where the REIT has a presence in, as well as other US cities with similar growth characteristics. The Manager remains committed to deliver sustainable distributions and strong total returns to Unitholders.

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### **About Keppel-KBS US REIT ([www.kepkbsusreit.com](http://www.kepkbsusreit.com))**

Listed on 9 November 2017 on the mainboard of the Singapore Exchange Securities Trading Limited, Keppel-KBS US REIT is a distinctive office REIT with properties located in key growth markets of the United States (US). The REIT's investment strategy is to principally invest in a diversified portfolio of income-producing commercial and real estate assets in key growth markets of the US to provide sustainable distributions and strong total returns for Unitholders.

Its current portfolio comprises a balanced mix of 11 office properties located in seven key growth markets across US. With an aggregate Net Lettable Area (NLA) of 3.2 million square feet, these quality properties have a diversified tenant base led by tenants in the growth and defensive sectors such as technology, finance and insurance, professional services, as well as medical and healthcare.

The assets in the West Coast are The Plaza Buildings and Bellevue Technology Center, both located in Seattle, Washington, as well as Iron Point in Sacramento, California. In the Central region, the assets are Great Hills Plaza and Westech 360 in Austin, Texas; and 1800 West Loop South and West Loop I & II in Houston, Texas; and Westmoor Center in Denver, Colorado. In the East Coast, the REIT owns Powers Ferry and Northridge Center I & II in Atlanta, Georgia and Maitland Promenade II in Orlando, Florida.

Keppel-KBS US REIT is managed by Keppel-KBS US REIT Management Pte. Ltd., which is jointly owned by two reputable Sponsors, Keppel Capital Holdings Pte. Ltd. (Keppel Capital) and KBS Pacific Advisors Pte. Ltd. (KPA)<sup>4</sup>. Keppel Capital is a premier asset manager in Asia, with a diversified portfolio of real estate, infrastructure and data centre properties in key cities globally. It has an established track record of managing Singapore-listed REITs and Business Trust. With KPA as a co-sponsor of Keppel-KBS US REIT, the Manager is able to leverage KPA's affiliation with KBS Capital Advisors LLC (KBS), which is one of the largest US owners of office properties globally.

Through the association with Keppel Capital and KBS, the Manager will be able to harness synergies from two best-in-class management platforms to deliver long-term sustainable distributions and total returns to Unitholders.

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<sup>4</sup> The co-founding partners of KBS include Peter McMillan III and Keith D. Hall, who are partners of KPA and together indirectly hold a one-third stake of KBS. As KPA is a co-sponsor of Keppel-KBS US REIT, the Manager is able to leverage KPA's affiliation with KBS.

**Important Notice**

*The past performance of Keppel-KBS US REIT is not necessarily indicative of its future performance. Certain statements made in this release may not be based on historical information or facts and may be “forward-looking” statements due to a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes, and the continued availability of financing in the amounts and terms necessary to support future business.*

*Prospective investors and unitholders of Keppel-KBS US REIT (Unitholders) are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of Keppel-KBS US REIT Management Pte. Ltd., as manager of Keppel-KBS US REIT (the Manager) on future events. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, or opinions contained in this release. None of the Manager, the trustee of Keppel-KBS US REIT or any of their respective advisors, representatives or agents shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this release or its contents or otherwise arising in connection with this release. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. The value of units in Keppel-KBS US REIT (Units) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including possible loss of principal amount invested.*

*Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (SGX-ST). Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.*