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MEDIA RELEASE

Unaudited Results of Keppel Pacific Oak US REIT for the Second Half and Full Year ended 31 December 2020

27 January 2021

The Directors of Keppel Pacific Oak US REIT Management Pte. Ltd., as Manager of Keppel Pacific Oak US REIT, are pleased to announce the unaudited results of Keppel Pacific Oak US REIT for the second half and full year ended 31 December 2020.

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Keppel Pacific Oak US REIT delivers 15.4% year-on-year growth in distributable income for FY 2020

Highlights

- Distributable income (DI) of US$58.6 million for FY 2020 was 15.4% higher year-on-year (y-o-y), driven by contributions from One Twenty Five, which was acquired in November 2019, as well as higher rental income from the rest of the portfolio.
- Distribution per Unit (DPU) for 2H 2020 was 3.13 US cents, bringing FY 2020 DPU to 6.23 US cents, 3.7% higher y-o-y.
- Committed approximately 367,000 sf in office space in FY 2020, which brought KORE's committed occupancy to 92.3% as at 31 December 2020.
- Healthy average rental collections of approximately 99% for FY 2020.

Summary of Results

	2H 2020 (US$'000)	2H 2019 (US$'000)	% Change	FY 2020 (US$'000)	FY 2019 (US$'000)	% Change
Gross Revenue	69,090	64,162	7.7	139,590	122,886	13.6
Property Expenses	(27,979)	(25,585)	9.4	(56,607)	(48,133)	17.6
Net Property Income (NPI)	41,111	38,577	6.6	82,983	74,753	11.0
Income Available for Distribution(1)	**29,519**	**26,025**	**13.4**	**58,628**	**50,783**	**15.4**
DPU (US cents) for the period	3.13	3.01	4.0	6.23	6.01	3.7
Distribution yield (%)(2)				9.0%	7.7%	130bps

(1) The income available for distribution to Unitholders is based on 100% of the taxable income available for distribution to Unitholders.
(2) Distribution yields for FY 2020 and FY 2019 are based on market closing prices of US$0.690 and US$0.780 per Unit as at last trading day of the respective periods.

Financial Performance

Keppel Pacific Oak US REIT (KORE) has achieved DI of US$29.5 million for 2H 2020, bringing DI for FY 2020 to US$58.6 million, 13.4% and 15.4% above that of 2H 2019 and FY 2019 respectively. The increased year-on-year performance was driven by contributions from One Twenty Five in Dallas, Texas, which was acquired in November 2019, proactive efforts to drive leasing, built-in rental escalations and positive rental reversion across our portfolio.

DPU for 2H 2020 was 3.13 US cents, 4.0% above 2H 2019's DPU of 3.01 US cents. This brought FY 2020 DPU to 6.23 US cents, 3.7% higher than FY 2019's DPU of 6.01 US cents. Distribution yield as at end-2020 was 9.0% based on the market closing price of US$0.690 per Unit. KORE declares its distributions semi-annually, and Unitholders can expect to receive their 2H 2020 distributions on 31 March 2021.

Portfolio Review

In FY 2020, KORE committed approximately 367,000 sf of office space, equivalent to about 7.8% of its total portfolio by net lettable area (NLA). Most of the leasing activity occurred in Seattle – Bellevue/Redmond, Atlanta and Sacramento. This brought KORE's portfolio committed occupancy to 92.3% as at 31 December 2020. Rental reversion for FY 2020 was 10.2%, driven mainly by strong rent growths from leasing activities in Seattle – Bellevue/Redmond, Sacramento and Austin.

Average rental collection for FY 2020 was approximately 99% by cash rental income (CRI). During the year, the Manager granted rent relief requests equivalent to approximately 0.8% in economic impact on FY 2020's NPI. To date, none of its top ten tenants have requested for rent relief and 2H 2020 saw rent relief requests continue to trend lower, with almost half of the tenants who had their rents deferred starting their repayment schedules.

Over 37% of KORE's tenants were from the key growth sectors of technology and healthcare while those in the retail sector, including those in medical retail, accounted for less than 2% of KORE's CRI.

The weighted average lease expiry by CRI for KORE's portfolio and top 10 tenants was 3.8 years and 4.8 years respectively. Tenant concentration risk remains low with the top 10 tenants accounting for only 20.2% of CRI.

Capital Management
Following the Manager's early refinancing of its borrowings due in November 2021, KORE has no long-term debt refinancing requirements until November 2022.

As at 31 December 2020, KORE's all-in average cost of debt was 3.22%, average term to maturity was 2.9 years and interest coverage was 4.7 times. KORE continues to maintain a strong and flexible balance sheet with significant liquidity. All of KORE's borrowings are US dollar-denominated and 100% unsecured, providing the REIT funding flexibility as it continues to pursue long-term growth. The Manager continues to limit interest rate exposure with floating-to-fixed interest rate swaps. As at 31 December 2020, 84.7% of the REIT's non-current loans have been hedged.

Market Outlook
In 3Q 2020, the US economy grew at an annual rate of 33.4% quarter-on-quarter (q-o-q). The rebound followed a 31.4% q-o-q decline in 2Q 2020, reflecting the continued resumption of economic activity that had been curtailed due to the COVID-19 pandemic and efforts to contain it. The leading contributors to the increase were healthcare and social assistance, durable goods manufacturing, as well as accommodation and food services[1]. The unemployment rate was 6.7% in December 2020[2], down from its peak of 14.8% in April 2020.

In view of the continued risks to the economic outlook over the medium term, the Federal Open Market Committee voted to keep the federal funds rate at the range of 0-0.25%[3] during its December 2020 meeting, preserving the flow of credit and liquidity for strained businesses.

In its January 2021 Office National Report, CoStar reported 12-month average rent growth of -0.9% and average vacancy rate of 11.4%. Although work-from-home policies remain in place for some of the larger tech firms, these companies contributed to some of the largest leases signed in 2H 2020.

Seattle – Bellevue/Redmond, which constitutes 44.5% of KORE's portfolio NPI, has 71.8% of its under-construction inventory pre-leased. In September 2020, Amazon signed for more than 2.0 million sf across two properties in Bellevue[4]. Both buildings are under construction with plans to accommodate 25,000 of its employees by 2025. In the same month, Facebook bought REI's headquarters in Bellevue's Spring District, adding 400,000 sf to its more than 800,000 sf commitment in the district alone. In November 2020, Google also increased its footprint in the Eastside of Seattle with a purchase of 400,000 sf of office space in Kirkland, adding to the 200,000 sf it purchased earlier in August 2020[5].

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[1] U.S. Bureau of Economic Analysis, December 2020.
[2] U.S. Bureau of Labor Statistics, January 2021
[3] Federal Reserve FOMC Statement, December 2020.
[4] Amazon announcement, 25 September 2020
[5] CoStar January 2021 Seattle, Washington Office Market Report.

Looking Ahead
Notwithstanding the progress in the roll-out of COVID-19 vaccination programmes, the pandemic continues to spread internationally, and its full economic and social impact remain to be seen.

The Manager remains focused on its long-term goal of delivering stable distributions and strong total returns for Unitholders. While leasing activities are likely to remain slow across the US, due to the continued impact of COVID-19, the Manager has started proactive engagement with tenants whose leases are due for renewal in 2021. The Manager's continued prudent approach towards capital management and its proactive leasing efforts will also see KORE capture rental escalations and positive rental reversions as leases expire.

As businesses re-evaluate their space needs and some move toward decentralising their workforce[6], KORE's suburban office buildings and business campuses are well positioned to benefit from this potential shift away from downtown, CBD locations. KORE's distinct portfolio of office towers and business campuses also lends itself well to the additional space requirements as businesses de-densify. KORE's strategic exposure to the historically fast-expanding tech hubs provides further income resilience as businesses accelerate their digital transformation strategies driven by COVID-19.

Against a volatile backdrop, the Manager exercised a cautious approach towards acquisitions during the year. Amid a prolonged low interest rate environment, the Manager will continue to look out for quality assets in key growth markets that will strengthen and add value to KORE and its Unitholders.

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[6] JLL Research, Future of Global Office Demand, June 2020.

About Keppel Pacific Oak US REIT (www.koreusreit.com)

Keppel Pacific Oak US REIT (KORE) is a distinctive office REIT listed on the main board of the Singapore Exchange Securities Trading Limited (SGX-ST) on 9 November 2017. KORE's investment strategy is to principally invest in a diversified portfolio of income-producing commercial assets and real estate-related assets in key growth markets of the United States (US) with positive economic and office fundamentals that generally outpace the US national average, and the average of the gateway cities, so as to provide sustainable distributions and strong total returns for Unitholders. KORE is managed by Keppel Pacific Oak US REIT Management Pte. Ltd., which is jointly owned by two Sponsors, Keppel Capital and KPA.

KORE's portfolio comprises a balanced mix of 13 freehold office buildings and business campuses across eight key growth markets driven by innovation and technology in the US. The assets have a combined value of US$1.30 billion and an aggregate net lettable area of over 4.7 million sf. KORE has an extensive and diversified tenant base, some of which are from the growth and defensive sectors such as technology, as well as medical and healthcare, which will continue to support and drive growth.

KORE is a technology-focused office REIT with over 50% of the portfolio located in the technology hubs of Seattle – Bellevue/Redmond, Austin and Denver. The remainder of the portfolio is located in the key growth markets of Houston, Dallas, Orlando, Sacramento and Atlanta.