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MEDIA RELEASE

Unaudited Results of Keppel Pacific Oak US REIT for the Second Half and Full Year ended 31 December 2021

26 January 2022

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 2021.

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Keppel Pacific Oak US REIT delivers total Unitholder returns of 27.2%¹ for FY 2021

Highlights

- Distributable income (DI) of US\$62.4 million for FY 2021 was 6.5% higher year-on-year (y-o-y), driven by the acquisitions of Bridge Crossing and 105 Edgeview, which were completed in August 2021; positive rental reversions and built-in annual rental escalations across the portfolio.
- Distribution per Unit (DPU) for 2H 2021 was 3.18 US cents, bringing FY 2021 DPU to 6.34 US cents, 1.8% higher y-o-y.
- Continued positive leasing momentum with 250,454 sf of office space committed in 4Q 2021, bringing portfolio committed occupancy to 91.9% as at end-2021.
- Achieved positive average rental reversion of 6.0% for the whole portfolio for FY 2021, and maintained healthy average rental collections of approximately 99% for FY 2021.

Summary of Results

	2H 2021 (US\$'000)	2H 2020 (US\$'000)	% Change	FY 2021 (US\$'000)	FY 2020 (US\$'000)	% Change
Gross Revenue	72,874	69,090	5.5	141,257	139,590	1.2
Net Property Income (NPI)	42,095	41,111	2.4	82,682	82,983	(0.4)
Adjusted NPI (excludes non-cash straight-line rent, lease incentives and amortisation of leasing commissions)	42,684	40,411	5.6	83,552	80,642	3.6
Income Available for Distribution⁽¹⁾	32,480	29,519	10.0	62,417	58,628	6.5
DPU (US cents) for the period	3.18	3.13	1.6	6.34	6.23	1.8
Distribution yield (%) ⁽²⁾	-	-	-	7.9%	9.0%	(110 bps)

(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 2021 and FY 2020 are based on market closing prices of US\$0.800 and US\$0.690 per Unit as at the last trading day of the respective periods.

Financial Performance

Keppel Pacific Oak US REIT (KORE) has achieved DI of US\$32.5 million for 2H 2021, bringing DI for FY 2021 to US\$62.4 million, 10.0% and 6.5% above that of 2H 2020 and FY 2020 respectively. The stronger y-o-y performance was driven by several factors, including contributions from the acquisitions of Bridge Crossing in Nashville, Tennessee, and 105 Edgeview in Denver, Colorado, which were completed in August 2021; as well as positive rental reversions and built-in annual rental escalations across the portfolio.

DPU for 2H 2021 was up 1.6% y-o-y to 3.18 US cents. This includes the advanced distribution of 0.64 US cents for the period from 1 July 2021 to 5 August 2021 that has been paid out on 28 September 2021. This brought FY 2021 DPU to 6.34 US cents, 1.8% higher than FY 2020's DPU of 6.23 US cents. Distribution yield was 7.9% based on the market closing price of US\$0.800 per Unit as at the last trading day on 31 December 2021. Unitholders can expect to receive their distributions for the period from 6 August 2021 to 31 December 2021 on 31 March 2022.

Portfolio Review

During the year, KORE expanded and solidified its presence in the fast-growing 18-Hour cities of Nashville and Denver with the acquisitions of Bridge Crossing and 105 Edgeview respectively. The acquisitions were completed in August 2021, and were partially funded by way of a private placement, with strong demand from new and existing unitholders comprising institutional investors and accredited investors.

¹ Source: Bloomberg

Meanwhile, KORE continued to see positive leasing momentum, committing a total of approximately 250,454 sf of office space in 4Q 2021. This brought full-year leasing to over 730,619 sf, equivalent to about 14.3% of its total portfolio by net lettable area. KORE ended the year with a healthy portfolio committed occupancy of 91.9%. Rental reversion continued to remain positive at 6.0% for the whole of 2021, driven mainly by strong rents in the technology hubs of Seattle – Bellevue/Redmond and Austin. At the same time, average rental collections for FY 2021 remained high at approximately 99%.

As at end-2021, approximately 35.6% of KORE's tenants operate in the key growth sectors of TAMI². According to CompTIA Cyberstates Report 2021, close to 12.2 million net tech employment was achieved in the US. KORE's presence in the key tech hubs and its experience in this highly resilient tech sector positions it well to be the first choice US office S-REIT, offering long term value to Unitholders.

The weighted average lease expiry by cash rental income (CRI) for KORE's portfolio and top 10 tenants was 3.6 years and 5.0 years respectively as at 31 December 2021. Tenant concentration risk remains low with the top 10 tenants accounting for only 22.6% of CRI.

Capital Management

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.

As at 31 December 2021, KORE's all-in average cost of debt was 2.80%. Aggregate leverage and interest coverage ratio were 37.2% and 5.1 times respectively. The weighted average term to maturity (WATM) of KORE's debt was 2.8 years. On 19 January 2022, KORE secured new loan facilities of US\$80.0 million. Come February 2022, the new loan facilities together with existing revolving credit facilities will be used to early refinance KORE's loan due only in November 2022. Assuming the early refinancing happened on 31 December 2021, the adjusted WATM of KORE's debt would have been 3.2 years.

The Manager continues to manage its interest rate exposure with floating-to-fixed interest rate swaps. As at 31 December 2021, 83.4% of the REIT's non-current loans have been hedged.

Advancing Sustainability

Placing sustainability at the core of KORE's strategy, the Manager is committed to improve resource efficiency, and reduce its impact on the environment at the same time. Guided by Sustainability Framework comprising three thrusts – Environmental Stewardship, Responsible Business, as well as People and Community, the Manager has set environmental, social and governance (ESG) targets that will guide KORE in its business strategy and operations.

Environmental Stewardship: *KORE aims to do its part to combat climate change and is committed to improving resource efficiency and reducing its environmental impact.*

- Achieve 30% greenhouse gas emission reduction by 2030, from 2019.
- Embark on energy savings initiatives through utilising LED light bulbs and reducing the use of energy intensive equipment across the portfolio.
- Continue to improve water conservation efforts and increase waste recycling rates across the portfolio.

² TAMI stands for technology, advertising, media and information

Responsible Business: *The long-term sustainability of KORE's business is driven at the highest level of the organisation through a strong and effective board, good corporate governance and prudent risk management.*

- Uphold strong corporate governance, robust risk management, as well as timely and transparent communications with stakeholders.
- Execute a sound fiscal and asset management strategy to drive growth and long-term value for Unitholders.
- Maintain high standards of ethical business conduct and compliance best practices, with zero incidents of fraud, corruption, bribery and non-compliance with laws and regulations.
- Zero incidents of non-compliance with laws, regulations and voluntary codes pertaining to the provision, use, health and safety of its products and services.
- Uphold high standards of cybersecurity and data protection best practices through the Keppel Cybersecurity governance structure, with zero incidents of data breaches and non-compliance with data privacy laws.
- Encourage the adoption of sustainability principles throughout the supply chain.

People and Community: *People are the cornerstone of KORE's business, and KORE remains committed to providing a safe and healthy workplace, investing in developing and training its people, as well as uplifting communities.*

- Maintain at least 30% female directors on the Board.
- Provide a safe and healthy environment for all stakeholders, adopting the Keppel Zero Fatality Strategy to achieve a zero fatality workplace.
- Achieve at least 20 hours of training hours per employee, and at least 75% in employee engagement score in 2022.
- Continue engaging with local communities and contributing to Keppel Capital's target of >500 hours of staff volunteerism in 2022.

Testament to KORE's focus on governance, the REIT ranked 2nd in Singapore's Governance Index for Trusts 2021 and 10th in the Singapore Governance and Transparency Index under the REITs and Business Trust Category 2021. These accreditations affirm the Manager's commitment to uphold strong governance practices.

Market Outlook

In 3Q 2021, the US real GDP grew 2.3% quarter-on-quarter³, and economists are expecting better performance in 4Q 2021, supported by stronger economic activities and heightened by consumer spending. The unemployment rate was 3.9% in December 2021, considerably down from the high of 14.8% in April 2020's recession⁴. In February 2020, prior to the pandemic, unemployment rate was 3.2%.

In its December 2021 Office National Report, CoStar reported average office rental growth of 0.1% for the last 12 months. In comparison, the average rental growth for KORE's key growth markets have outperformed at 0.8%, while growth in the gateway cities was -0.9%.

Industry observers opined that leasing activities across the US have been improving as more employers look to bring their employees back to offices. In 3Q 2021, close to 100 million sf of office space was leased, demonstrating early indications of stabilisation⁵ in the US office market.

³ U.S. Bureau of Economic Analysis, December 2021

⁴ U.S. Bureau of Labor Statistics, November 2021

⁵ CoStar Office National Report, 1 December 2021

In addition, tech giants accounted for a large bulk of leasing activities as the sector displays a large spectrum of perspectives on office use and space needs⁶. Tech firms accounted for 22% of US office leasing in April to September 2021, up from 17% in 2020⁷, driven by increased hiring and demand for tech products and services.

Seattle – Bellevue/Redmond, which constitutes 43.8% of KORE’s portfolio NPI, continues to experience an influx of migration, in addition to its positive leasing traction in 2H 2021. Seen as a tech boomtown, this city ranks second as the highest paying salary in the country⁸, and continues to be an attractive city for employees to move into. Over the past decade, Amazon has grown more than tenfold in the Seattle – Bellevue area, from a mere 4,000 employees to over 45,000 employees⁹. Similarly, Facebook has continued with their expansion plans to secure a lease of almost 345,000 sf in Seattle – Bellevue, further increasing their headcount to 7,000 employees. This latest lease increases Facebook’s space by 10% to 3.3 million sf, that can accommodate up to 18,800 employees¹⁰.

Looking Ahead

The resurgence of the pandemic due to new variants has resulted in further restrictions and delays in reopening plans. Notwithstanding that, conglomerates, especially tech giants have and are expected to continue committing to office spaces despite potential delays in their return to office mandates¹¹, reinforcing the necessity of offices and its need for social interaction and workplace collaboration, both of which are essential for employee development.

KORE will continue to focus on key growth markets in the US, particularly on the defensive sectors of tech and healthcare, to seek out high-quality assets and deliver accretive acquisitions in Super Sun Belts and 18-Hour Cities. These highly sought-after states have been encountering increasing demand in the past quarter as more people are starting to move out of densely populated cities¹².

At the same time, the Manager remains focused on improving operating metrics and move forward with a tactical approach towards capital management to ensure KORE is able to capture more positive rental reversions and higher rental escalations.

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⁶ Cushman & Wakefield, US Office Sector, December 2021

⁷ <https://www.cbre.com/press-releases/tech-industry-expands-share-of-us-office-leasing-activity>

⁸ <https://www.seattlepi.com/realestate/article/2021-changed-seattle-real-estate-maybe-forever-16720243.php>

⁹ <https://www.noradarealestate.com/blog/seattle-real-estate-market/>

¹⁰ <https://www.geekwire.com/2021/facebook-inks-another-lease-seattle-area-now-7k-employees-3-3m-square-feet/>

¹¹ https://www.business-standard.com/article/economy-policy/demand-for-office-space-segment-to-rise-15-20-yoy-in-2022-colliers-122011000371_1.html

¹² <https://www.wsj.com/articles/the-great-pandemic-migration-ii-united-van-lines-national-movers-study-11641249932>

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 aims to be the first choice United States (US) office S-REIT focused on the fast-growing technology sector across key growth markets in the US, so as to provide sustainable distributions and strong total returns for Unitholders.

KORE invests in a diversified portfolio of income-producing commercial assets and real estate-related assets in key growth markets characterised by positive economic and office fundamentals that generally outpace the US national average, and the average of the gateway cities. These markets include the Super Sun Belts and 18-Hour Cities¹³, which has and continues to see accelerated relocations as part of The Great American Move.

KORE is a technology-focused office REIT with the technology hubs of Seattle – Bellevue/Redmond, Austin and Denver contributing more than half of its net property income. Its portfolio comprises a balanced mix of freehold office buildings and business campuses across key growth markets significantly driven by innovation and technology in the US. These quality properties have a diversified tenant base led by tenants in the growth and defensive sectors such as TAMI, as well as medical and healthcare.

KORE is managed by Keppel Pacific Oak US REIT Management Pte. Ltd., which is jointly owned by two Sponsors, Keppel Capital and KORE Pacific Advisors (KPA).

IMPORTANT NOTICE: *The past performance of Keppel Pacific Oak 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 Pacific Oak US REIT (Unitholders) are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of Keppel Pacific Oak US REIT Management Pte. Ltd., as manager of Keppel Pacific Oak 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 Pacific Oak 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 Pacific Oak 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.

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¹³ Source: Emerging Trends in Real Estate 2021 - US & Canada by PwC and the Urban Land Institute (ULI). Super Sun Belt Cities include Atlanta, Dallas and Houston; 18-Hour Cities include Austin, Denver and Seattle