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MEDIA RELEASE

Unaudited Results of Keppel-KBS US REIT for the Financial Period from 1 January 2019 to 31 March 2019

16 April 2019

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 from 1 January 2019 to 31 March 2019.

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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 achieves 30.7% year-on-year increase in Distributable Income for 1Q 2019

Results Highlights

- Distributable income (DI) was US\$12.4 million for the first quarter of 2019 (1Q 2019), 30.7% above 1Q 2018
- Distribution per Unit (DPU) for 1Q 2019 was 1.50 US cents, translating to an annualised distribution yield of 8.7%
- 1Q 2019 DPU was 30.4% higher than the 1Q 2018 adjusted DPU
- Leased 4.8% of portfolio (approximately 203,000 sf) in 1Q 2019, bringing portfolio committed occupancy to 92.1%

Summary of Results

	Actual 1Q 2019 US\$'000	Forecast 1Q 2019 US\$'000	+ / (-) %	Actual 1Q 2019 US\$'000	Actual 1Q 2018 US\$'000	+ / (-) %
Gross Revenue	29,444	24,100	22.2	29,444	23,710	24.2
Property Expenses	(11,256)	(10,039)	12.1	(11,256)	(9,011)	24.9
Net Property Income	18,188	14,061	29.4	18,188	14,699	23.7
Income available for distribution⁽¹⁾	12,354	10,054	22.9	12,354	9,454	30.7
DPU (US cents) for the period	1.50	1.58	(5.1)	1.50	1.50	-
Annualised distribution yield (%) ⁽²⁾	8.7%	7.3%	140 bps	8.7%	6.9%	180 bps
Adjusted DPU (US cents)	1.50	1.22⁽³⁾	23.0	1.50	1.15⁽³⁾	30.4

(1) The income available for distribution to Unitholders is based on 100% of the taxable income available for distribution to Unitholders. Keppel-KBS US REIT declares its distributions on a half-yearly basis, and no distribution has been declared for 1Q 2019.

(2) Actual 1Q 2019 annualised distribution yield is based on market closing price of US\$0.70 per Unit as at the last trading day of 1Q 2019. Forecast 1Q 2019 and Actual 1Q 2018 annualised distribution yields are based on the listing price and 1Q 2018 market closing price of US\$0.88 per Unit respectively.

(3) Adjusted DPU for Forecast 1Q 2019 and Actual 1Q 2018 was calculated based on the actual number of Units as at 31 March 2019 of 823,489,620 for comparison purpose.

Financial Performance

Keppel-KBS US REIT Management Pte. Ltd., as Manager of Keppel-KBS US REIT (KORE), has achieved DI of US\$12.4 million for 1Q 2019. This was 30.7% above the US\$9.5 million achieved for the corresponding period in 2018, and 22.9% higher than the IPO Forecast of US\$10.1 million.

The improved performance was due mainly to higher gross revenue as a result of contributions from the two acquisitions – the Westpark Portfolio in Seattle, Washington, and Maitland Promenade I in Orlando, Florida, which were acquired in November 2018 and January 2019 respectively – as well as positive rental reversion and healthy leasing momentum.

The Manager has declared a DPU of 1.50 US cents for 1Q 2019, which translated to an annualised distribution yield of 8.7% based on the market closing price of US\$0.70 per Unit as at 31 March 2019. On a like-for-like basis and assuming the same enlarged Unit base for all periods, 1Q 2019 DPU of 1.50 US cents would have been 30.4% above the 1Q 2018 adjusted DPU of 1.15 US cents and 23.0% above the IPO Forecast adjusted DPU of 1.22 US cents.

Portfolio Review

Continuing its proactive leasing efforts, the Manager leased 4.8% of its portfolio in 1Q2019 (29 leases totalling approximately 203,000 sf) during the quarter, bringing KORE's portfolio committed occupancy to 92.1% as at 31 March 2019.

More than half of leasing activities in 1Q 2019 were renewals. At the same time, more than half of the leases signed in the quarter were from the three Seattle properties – Bellevue Technology Center, The Plaza Buildings and The Westpark Portfolio. Leasing demand came mainly from tenants in the technology and professional services sectors.

The overall portfolio recorded positive rental reversion due to expiring leases that were marked to market, with the highest increases coming from the Seattle properties, consistent with the past few quarters. All long-term leases signed in the quarter included built-in average annual rental escalations of 3%.

The weighted average lease expiry¹ by cash rental income (CRI) for KORE's portfolio and top 10 tenants was 3.9 years and 5.2 years respectively.

As part of ongoing portfolio optimisation efforts, some of KORE's properties underwent asset enhancement efforts to enhance their competitiveness in their markets. At Westmoor Center, an open café was recently completed in February 2019 and a new gymnasium is currently being developed. Meanwhile, 1800 West Loop South in Houston, Texas, is currently being transformed to include conference rooms, a modern café and tenant lounge, as well as a new gymnasium.

Capital Management

As at 31 March 2019, the weighted average term to maturity of KORE's debt was 3.6 years, with no long-term debt refinancing requirements until November 2021.

All-in average cost of debt was 3.76% as at end-March 2019, and 100% of its US dollar-denominated borrowings remains unsecured. Aggregate leverage and interest coverage ratio was 38.1% and 4.7 times respectively.

To limit interest rate exposure in a volatile macroeconomic environment, 76.8% of the REIT's non-current term loans have been hedged with floating-to-fixed interest rate swaps.

Market Outlook

The latest figures from the Bureau of Economic Analysis showed the US economy grew 2.9% in 2018. The US labour market continued to show solid strength with the unemployment rate holding steady at 3.8% in March 2019, with significant demand coming from the health care, professional services and technical services sectors. The Department of Labor also reported that unemployment benefits fell to the lowest levels in 49 years. The Bureau of Labor Statistics reported average hourly earnings increased 3.2% year-on-year (y-o-y), above the 1.9% y-o-y increase in the consumer price index in March 2019.

In its latest announcement, the Federal Reserve indicated there would likely be no more rate hikes in 2019, deciding to hold its benchmark rate steady in a range of 2.25% to 2.5%. The combination of low unemployment, rising wages and low inflation, in addition to the Federal Reserve's more dovish stance and lower 10-year Treasury yields, points to a favourable operating environment for REITs. This is further evidenced by the single digit US office vacancies recorded for the first time since the early 2000s².

¹ Weighted average lease expiry, by net lettable area (NLA), would be 3.9 years and 5.4 years for the portfolio and top 10 tenants respectively.

² CoStar Office National Report 4 April 2019

The US office market continued to register positive rent growth in 2018. According to CoStar, Seattle, Sacramento, Austin, Atlanta and Denver, markets which represent 70% of KORE's portfolio CRI, were amongst those with the highest growth. In its Office National Report, CoStar also expects traditional central business district locations to continue to come under pressure from these submarkets.

Looking Ahead

Against the backdrop of a challenging global macro-economic environment, KORE will continue to pursue its strategy of optimising its assets and strengthening its income stream. The Manager remains focused on delivering long term value and stable distributions to Unitholders and will continue to grow KORE through its primary investment and management strategies of portfolio optimisation, value accretive acquisitions and prudent capital management.

Leveraging rising office rents in the submarkets where KORE operates, the Manager will also seek to capture rental escalations and positive reversions as leases expire. At the same time, the Manager will seek opportunistic acquisitions of quality income-producing properties in first choice submarkets with positive economic and office fundamentals.

- End -

About Keppel-KBS US REIT (www.kepkbsusreit.com)

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

KORE's portfolio comprises a balanced mix of 13 quality freehold properties across seven key growth markets across the US. With an aggregate NLA of approximately 4.3 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, Bellevue Technology Center and The Westpark Portfolio, located in Seattle, Washington; as well as Iron Point in Sacramento, California. In the Central region, the assets are Westmoor Center in Denver, Colorado; Great Hills Plaza and Westtech 360 in Austin, Texas; as well as 1800 West Loop South and West Loop I & II in Houston, Texas. In the East Coast, KORE owns Powers Ferry and Northridge Center I & II in Atlanta, Georgia; as well as Maitland Promenade I and Maitland Promenade II in Orlando, Florida.

KORE is managed by Keppel-KBS US REIT Management Pte. Ltd., which is jointly owned by two Sponsors, Keppel Capital Holdings Pte. Ltd. and KBS Pacific Advisors Pte. Ltd.

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.