Keppel Pacific Oak US REIT

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MEDIA RELEASE

Unaudited Results of Keppel Pacific Oak US REIT for the Third Quarter and Nine Months ended 30 September 2019

15 October 2019

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 third quarter and nine months ended 30 September 2019.

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The materials are also available at www.koreusreit.com, www.kepcapital.com and www.kepcorp.com

DBS Bank Ltd. is the Sole Financial Adviser and Issue Manager for the initial public offering of Keppel Pacific Oak 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 Pacific Oak US REIT achieves 31.0% year-on-year growth in distributable income for 9M 2019

Results Highlights

- Distributable income (DI) was US$12.4 million for the third quarter of 2019 (3Q 2019), bringing DI for the nine months of 2019 (9M 2019) to US$37.2 million.
- Distribution per Unit (DPU) for 9M 2019 was 4.50 US cents, translating to an annualised distribution yield of 7.8%.
- Strong leasing momentum with 14.3% of the portfolio leased during 9M 2019, bringing portfolio committed occupancy to 93.8% as at 30 September 2019.
- Positive rental reversion of 13.4% for the portfolio for 9M 2019, driven significantly by the technology (tech) sector in Seattle.

Summary of Results

	Actual 3Q 2019 (US$'000)	**Forecast 3Q 2019(1) (US$'000)**	**% Change**	**Actual 9M 2019 (US$'000)**	**Forecast 9M 2019(1) (US$'000)**	**% Change**
Gross Revenue	30,391	24,100	26.1	89,115	72,301	23.3
Property Expenses	(11,881)	(10,037)	18.4	(34,429)	(30,112)	14.3
Net Property Income	18,510	14,063	31.6	54,686	42,189	29.6
Income Available for Distribution(2)	**12,402**	**10,055**	**23.3**	**37,160**	**30,164**	**23.2**
DPU (US cents) for the period	1.50	1.58	(5.1)	4.50	4.74	(5.1)
Annualised Distribution yield (%)(3)				7.8%	7.2%	60bps
Adjusted DPU (US cents)(4)	**1.50**	**1.22(4)**	**23.0**	**4.50**	**3.65(4)**	**23.3**

	Actual 3Q 2019 (US$'000)	**Actual 3Q 2018 (US$'000)**	**% Change**	**Actual 9M 2019 (US$'000)**	**Actual 9M 2018 (US$'000)**	**% Change**
Gross Revenue	30,391	22,672	34.0	89,115	69,023	29.1
Property Expenses	(11,881)	(9,078)	30.9	(34,429)	(26,936)	27.8
Net Property Income	18,510	13,594	36.2	54,686	42,087	29.9
Income Available for Distribution(2)	**12,402**	**9,469**	**31.0**	**37,160**	**28,376**	**31.0**
DPU (US cents) for the period	1.50	1.50	-	4.50	4.50	-
Annualised Distribution yield (%)(3)				7.8%	7.6%	20bps
Adjusted DPU (US cents)(4)	**1.50**	**1.15(4)**	**30.4**	**4.50**	**3.43(4)**	**31.2**

(1) Forecast for 3Q 2019 and 9M 2019 were respectively derived from one quarter and nine months of the Projection Year 2019 respectively as disclosed in the Prospectus.

(2) The income available for distribution to Unitholders is based on 100% of the taxable income available for distribution to Unitholders.

(3) Actual 9M 2019 and 9M 2018 annualised distribution yield is based on market closing prices of US$0.775 and US$0.790 per Unit as at last trading day of the respective periods. Forecast 9M 2019 annualised distribution yield is based on the listing price of US$0.880 per Unit.

(4) Adjusted DPU for Forecast 3Q 2019 and 9M 2019 and Actual 3Q 2018 and 9M 2018 were calculated based on the actual number of units as at 30 September 2019 of 826,890,926 units for comparison purpose.

Financial Performance

Keppel Pacific Oak US REIT (KORE) has achieved DI of US$12.4 million for 3Q 2019, exceeding the IPO forecast for the same period by 23.3%, and 31.0% higher than the DI for 3Q 2018. DI for 9M 2019 was US$37.2 million, exceeding the IPO forecast and 9M 2018 by 23.2% and 31.0%, respectively.

KORE's higher year-on-year (y-o-y) performance for 9M 2019 continued to be driven by contributions from the tech focused markets of Seattle, Denver and Austin.

DPU for 3Q 2019 was 1.50 US cents, bringing total DPU for 9M 2019 to 4.50 US cents, which translated to an annualised distribution yield of 7.8% based on the market closing price of US$0.775 per Unit as at the last trading day on 30 September 2019. KORE declares its distributions semi-annually, and no distribution has been declared for the quarter under review.

Portfolio Review

KORE continued its strong leasing momentum with approximately 232,000 sf leased in 3Q 2019. Total leasing activity year-to-date was about 608,000 sf, equivalent to about 14.3% of KORE's portfolio by net lettable area (NLA) and bringing KORE's portfolio committed occupancy to 93.8% as at 30 September 2019.

Strong office demand and rent growth in KORE's key growth markets resulted in a portfolio rental reversion of 19.2% for 3Q 2019, bringing overall portfolio rental reversion for 9M 2019 to 13.4%.

Leasing demand in 3Q 2019 came mainly from the tech and professional service sectors, with over two-thirds of leasing activities occurring within KORE's business campuses in the fast-growing tech hubs of Seattle, Austin and Denver.

As at 30 September 2019, the weighted average lease expiry[1] by cash rental income (CRI) for KORE's portfolio and top 10 tenants was 4.1 years and 5.6 years respectively, positioning it well to capture further upsides in its key growth markets.

Capital Management

The Manager continues to maintain a prudent approach towards capital management. As at 30 September 2019, the weighted average term to maturity of KORE's debt was 3.0 years with an all-in average cost of debt of 3.74% per annum.

The REIT has no long-term debt refinancing requirements until November 2021, and 100% of its US dollar-denominated borrowings remain unsecured, providing the REIT funding flexibility. Aggregate leverage and interest coverage ratios were 38.5% and 4.6 times, respectively.

At the same time, the Manager will continue to limit interest rate exposure with floating-to-fixed interest rate swaps. As at 30 September 2019, 82.7% of the REIT's non-current term loans have been hedged.

Extending Footprint in the Key Growth Market of Dallas, Texas

On 6 September 2019, the Manager announced the proposed acquisition of One Twenty Five, a two building office complex in Dallas, a key economic hub of North Central Texas with one of the highest concentrations of corporate headquarters in the US.

The DPU-accretive acquisition extends and strengthens KORE's portfolio to a total of eight key growth markets with strong visible organic growth opportunities supported by positive rental reversion opportunities.

[1] Weighted average lease expiry, by NLA, was 4.0 years and 5.5 years for the portfolio and top 10 tenants respectively.

One Twenty Five is located in the first choice submarket of Las Colinas, which has been experiencing strong leasing demand supported by limited supply of quality office spaces, as well as strong employment growth and population expansion. Offering a total of 445,317 sf of quality space, the class A office complex is part of a desirable live-work-play community centrally located in the fast-growing Dallas-Fort Worth region, which is also home to a young, well-educated and affluent population.

The purchase consideration for the acquisition is US$101.5 million[2], and the acquisition was approved by Unitholders at an extraordinary general meeting on 15 October 2019.

Market Outlook

The US economy continued to stand on firm ground, growing at an annual rate of 2.0%[3] in the second quarter of 2019. The unemployment rate fell to a 50-year low of 3.5%[4] in September 2019, marking the 19th consecutive month at or below the 4% unemployment level, driven primarily by employment in the healthcare, as well as the professional and business services sectors.

At its September 2019 meeting, the Federal Open Market Committee voted to reduce the federal funds rate target by 25 basis points to 1.75-2.00%. While GDP growth has moderated, wage growth and low unemployment are expected to support disposable income growth and consumer spending.

In its September Office National Report, CoStar reported a vacancy rate of 9.7%, the lowest US office vacancy in more than a decade, following a solid rebound in absorption and strong leasing activity.

The tech sector continued to be a major driver of office rent growth y-o-y, with the strongest increases occurring in markets such as Seattle and Austin. Asking rent rose 6.6% in Austin and 6.2% in Seattle, ranking them first and third respectively in terms of 12-month asking rent growth. Seattle and Austin make up approximately 50% of KORE's portfolio by CRI.

Looking Ahead

Leveraging KORE's strategic exposure to the growing tech hubs and the REIT's unique value proposition of its office towers and business campus style properties that are desired by many tech and other companies, the Manager remains focused on its long-term goal of delivering stable distributions to Unitholders.

The Manager will continue its strategy of pursuing value accretive acquisitions in first choice submarkets with positive economic and office fundamentals that outpace the US national average. At the same time, the Manager will continue its prudent approach towards capital management and its proactive leasing efforts to capture rental escalations and positive rental reversions as leases expire.

- End -

[2] The independent appraised market valuations by Cushman & Wakefield and JLL Valuation & Advisory Services, LLC were US$103.5 million and US$102.0 million respectively.

[3] U.S. Bureau of Economic Analysis, September 2019.

[4] U.S. Department of Labor Statistics, September 2019.

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

Listed on 9 November 2017 on the mainboard of the Singapore Exchange Securities Trading Limited, Keppel Pacific Oak US REIT (KORE), previously known as Keppel-KBS US REIT, 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.

Prior to the acquisition of One Twenty Five in Irving, Dallas, KORE's portfolio comprises a balanced mix of 12 quality freehold properties across seven key growth markets across the US. With approximately 4.3 million sf of quality spaces, KORE has a diversified base with low tenant concentration led by tenants in the growth and defensive sectors such as technology, finance and insurance, professional services, as well as medical and healthcare.

KORE is a technology-focused office REIT with about 60% of the portfolio in the technology hubs of Seattle, Austin and Denver. The assets are The Plaza Buildings, Bellevue Technology Center and The Westpark Portfolio in Seattle, Washington; Great Hills Plaza and Westech 360 in Austin, Texas; as well as Westmoor Center in Denver, Colorado. The remaining properties in KORE's portfolio are located in key growth markets of the US, namely Iron Point in Sacramento, California; 1800 West Loop South and West Loop I & II in Houston, Texas; Powers Ferry and Northridge Center I & II in Atlanta, Georgia; as well as Maitland Promenade I & II in Orlando, Florida.

With One Twenty Five in its portfolio, KORE will have a total of 13 quality freehold properties in eight key growth markets across the US, offering a total of over 4.7 million sf of quality spaces.

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