

# Annual General Meeting

17 April 2019

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## **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.*



# Key Highlights

Downtown Bellevue,  
*Washington*



# Growing to Deliver in 2018

Distributable Income (DI)

**US\$43.8m**

2.0% above IPO forecast.

Assets Under Management

**US\$1.02b**

Grew 26.5% from  
US\$804.0 million at IPO

Stable Occupancy

**91.6%**

Portfolio Committed Occupancy  
as at 31 December 2018

## Tax Update

- US Department of Treasury clarified its position and treatment of hybrid entities and hybrid arrangements on 20 December 2018
- Government of Barbados proposed convergence of tax rates for domestic and international companies
- No material impact on KORE's consolidated NTA and DPU
- No further changes expected to Trust structure <sup>(1)</sup>

DPU

**6.22 US cts**

Distribution Yield

**8.9%**

as at 31 December 2018

Aggregate Leverage

**35.1%**

Interest Coverage Ratio

**5.5x**

All-in average cost of debt was  
3.53% per annum.

Announced  
Strategic Acquisitions

**2**

Deepened presence in  
key growth submarkets of  
Seattle (November 2018)  
and Orlando (January 2019).



# Deepening Presence in Key Growth Markets

Driving growth with value accretive acquisitions

## The Westpark Portfolio *Seattle, Washington*



- Completed on 30 November 2018
- 21 building business campus in Redmond, Washington
- Located in the supply-constrained Eastside suburban office market of Seattle
- Good connectivity to key commercial hubs in Redmond and the Seattle-Bellevue area

## Maitland Promenade I *Orlando, Florida*



- Completed on 16 January 2019
- Adjacent to Maitland Promenade II which KORE currently owns, allowing KORE to manage both assets as a business campus
- Extends foothold in the strong Maitland submarket

# Key Growth Markets with Positive Fundamentals

## Seattle, Washington



**The Plaza Buildings**

Occupancy rate: 94.2%



**Bellevue Technology Center**

Occupancy rate: 98.5%



**The Westpark Portfolio**

Occupancy rate: 97.8%

## Atlanta, Georgia



**Northridge Center I & II**

Occupancy rate: 86.7%



**Powers Ferry**

Occupancy rate: 94.9%

## Sacramento, California



**Iron Point**

Occupancy rate: 95.8%

## Denver, Colorado



**Westmoor Center**

Occupancy rate: 83.7%

## Austin, Texas



**Westech 360**

Occupancy rate: 93.4%



**Great Hills Plaza**

Occupancy rate: 96.5%

## Houston, Texas



**1800 West Loop South**

Occupancy rate: 78.1%



**West Loop I & II**

Occupancy rate: 90.5%

## Orlando, Florida



**Maitland Promenade I**

Occupancy rate: 97.9%



**Maitland Promenade II**

Occupancy rate: 98.3%

## Overview

13 freehold office properties  
across 7 key growth markets

## NLA

Over 4.3 million sf

## Assets Under Management

US\$1.07 billion

● West Coast

● Central

● East Coast

# 2018 Operational Update

Westpark Portfolio  
*Seattle, Washington*





# Financial Performance

## Stronger performance driven by acquisition and stable operating performance

	Listing Date to 31 December 2018 <sup>(1)</sup>		
	Actual (US\$'000)	Forecast <sup>(2)</sup> (US\$'000)	% Change
Gross Revenue	105,917	104,902	1.0
Property Expenses	(41,565)	(42,905)	(3.1)
Net Property Income	64,352	61,997	3.8
<b>Income Available for Distribution <sup>(3)</sup></b>	<b>43,796</b>	<b>42,947</b>	<b>2.0</b>
- IPO Portfolio	43,089	42,947	0.3
- The Westpark Portfolio	707	-	-
<b>DPU (US cents) for the period <sup>(3)</sup></b>	<b>6.22</b>	<b>6.79</b>	<b>(8.4)</b>
Distribution yield (%) <sup>(4)</sup>	8.90%	6.74%	216bps
<b>Adjusted DPU (US cents) <sup>(5)</sup></b>	<b>6.83</b>	<b>6.79</b>	<b>0.6</b>

(1) No comparative figures presented as Keppel-KBS US REIT was constituted on 22 September 2017 and listed on 9 November 2017. 4Q 2018 refers to the period from 1 October 2018 to 31 December 2018, and includes the contribution from the acquisition of Westpark Portfolio, which was completed on 30 November 2018.

(2) Forecast for 4Q 2018 was derived from one quarter of the 2018 forecast. There was no forecast figure for the period from Listing Date to 31 December 2017. Hence, forecast results for the period from Listing Date to 31 December 2018 comprise actual figures from Listing Date to 31 December 2017 and 2018 full year forecast.

(3) The income available for distribution to Unitholders is based on 100% of taxable income available for distribution to Unitholders. For the period from Listing Date to 31 December 2017, actual income available for distribution to Unitholders and DPU are US\$5.2 million and 0.82 US cents respectively.

(4) Annualised distribution yield for the period from Listing Date to 31 December 2018 for Actual and Forecast is based on market closing price per Unit of US\$0.61 as at the last trading day of 2018 and Listing Price of US\$0.88 respectively.

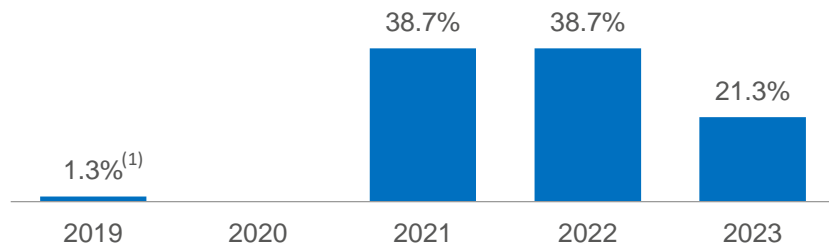
(5) Actual 2H 2018 DPU adjusted to exclude the effects of the acquisition of the Westpark Portfolio and Rights Issue to illustrate the performance of the initial IPO Portfolio against forecast.



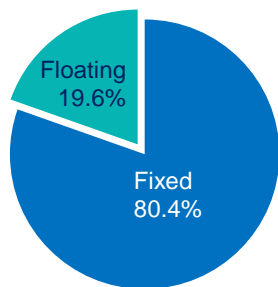
# Capital Management

## Limited interest rate exposure with term loans significantly hedged

### Debt Maturity Profile



### Interest Rate Exposure<sup>(4)</sup>



### Sensitivity to LIBOR<sup>(5)</sup>

Every +/- 50bps in LIBOR translates to **-/+ 0.044 US cents in DPU p.a.**

### As at 31 December 2018

Total debt	US\$374.4 million of external loans (100% unsecured)
Available facilities	US\$45.0 million of undrawn revolving credit facility
Aggregate leverage <sup>(2)</sup>	35.1%
Average cost of debt <sup>(3)</sup>	3.53% p.a.
Interest coverage <sup>(4)</sup>	5.5 times
Average term to maturity	3.7 years

- (1) Refers to the US\$5 million revolving credit facility.
- (2) Calculated as the total borrowings and deferred payments (if any) as a percentage of the total assets.
- (3) Includes amortisation of upfront debt financing costs.
- (4) Ratio of EBITDA over interest expense paid or payable.
- (5) Based on the 19.6% non-current debt which are unhedged, and the total number of Units in issue as at 31 December 2018.

# Healthy Leasing Momentum

**~741,000sf**

100 total leases  
signed since IPO

**22.8%**

of IPO portfolio  
leased

**2-3%**

Built-in average  
annual rental  
escalations

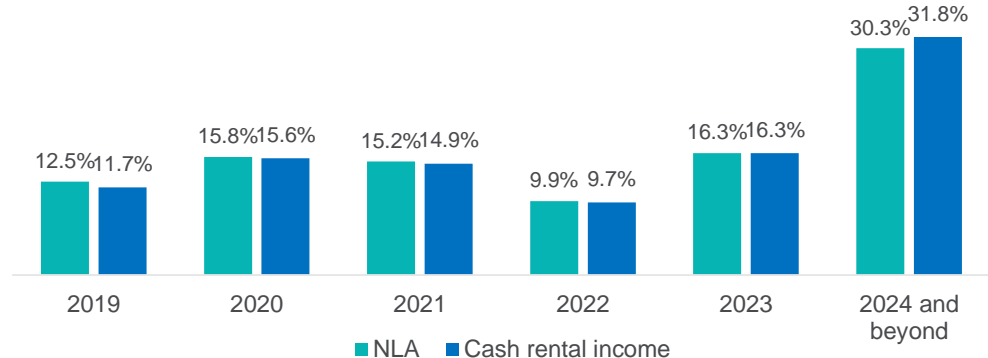
**91.6%<sup>(1)</sup>**

Healthy portfolio  
committed occupancy

## Continued Organic Growth

- Strong leasing demand for KORE's assets in first choice submarkets
- Committed ~741,000 sf (100 leases) since listing
- Leasing demand mainly from the fast-growing technology, finance and professional services sectors
- Continued organic growth driven by positive rental reversion from expiring leases
- 4.0 years portfolio WALE by cash rental income<sup>(2)</sup>

### Well-spread Lease Expiry Profile<sup>(1)</sup> Positioned for Positive Rental Reversion



(1) As at 31 December 2018.

(2) As at 31 December 2018. Based on NLA, portfolio WALE was 3.9 years.

# Well-Diversified Tenant Base

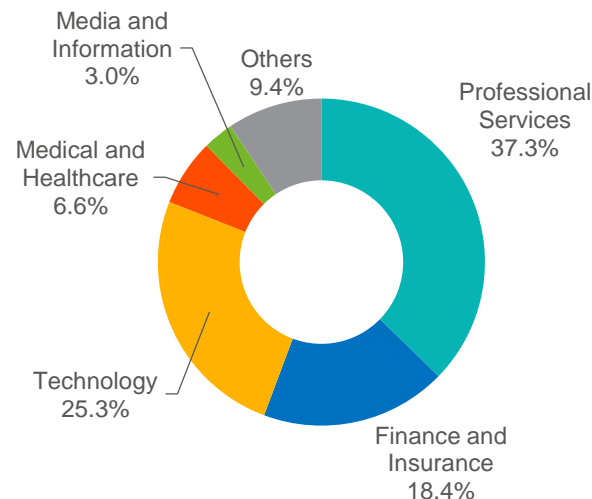
## Resilient portfolio with low tenant concentration risk

- Well-diversified tenant base across key growth sectors
- Top 10 tenants comprise 17.5% of portfolio NLA and contribute 20.8% of cash rental income

### Top 10 tenants by cash rental income as at 31 December 2018

Tenant	Sector	Asset	% CRI
Ball Aerospace	Professional Services	Westmoor Ctr	3.2%
Zimmer Biomet Spine	Technology	Westmoor Ctr	2.5%
Oculus VR, LLC	Technology	Westpark	2.4%
Unigard Insurance <sup>(1)</sup>	Finance & Insurance	Bellevue Technology Ctr	2.1%
US Bank	Finance & Insurance	The Plaza Buildings	2.1%
Blucora	Technology	The Plaza Buildings	1.9%
Health Care Service	Finance & Insurance	1800 West Loop South	1.9%
Reed Group	Finance & Insurance	Westmoor Ctr	1.7%
Regus	Professional Services	Bellevue Technology Ctr	1.5%
Futurewei	Technology	The Plaza Buildings	1.5%
<b>Total</b>			<b>20.8%</b>
<b>WALE (by NLA)</b>			<b>5.6 years</b>
<b>WALE (by CRI)</b>			<b>5.4 years</b>

### Portfolio tenant base composition (by NLA)





# Key Highlights for 1Q 2019

Distributable Income  
**US\$12.4m**

30.7% above 1Q 2018  
and 22.9% above  
IPO Forecast



**Keppel KBS US REIT**



DPU  
**1.50 US cts**

30.4% and 23.0% above  
adjusted DPUs<sup>(1)</sup> of  
1.15 US cts for 1Q 2018  
and 1.22 US cts for IPO  
Forecast respectively

(1) Adjusted for the rights issue.

Annualised Distribution  
Yield  
**8.7%**

Based on the market  
closing price of  
US\$0.70 per Unit  
as at the last trading  
day of 1Q 2019



Stable Occupancy  
**92.1%**

Portfolio committed  
occupancy as at  
31 March 2019

## Improved 1Q 2019 Performance

- Driven by
- higher gross revenue from two acquisitions,
  - positive rental reversions, and
  - healthy leasing momentum





# Market Outlook

Downtown Seattle,  
*Washington*



# US Economy at a glance

**2.9%** 

Real GDP growth<sup>1</sup>

**+3.2%** 

Average hourly  
earnings y-o-y

**3.8%** 

Unemployment

**+1.9%** 

Consumer  
Price Index y-o-y

## Sound economic conditions

- Despite concerns over slowing growth, economic fundamentals in the US remain strong
- Labour market continues to show strength with filings for US unemployment benefits falling to the lowest in 49 years<sup>2</sup>
- US Federal Reserve indicated no more rate hikes in 2019, holding interest rates steady
- Favourable leasing environment, supported by low unemployment, rising wages, low inflation and a more dovish fed policy

(1) Refers to FY2018.

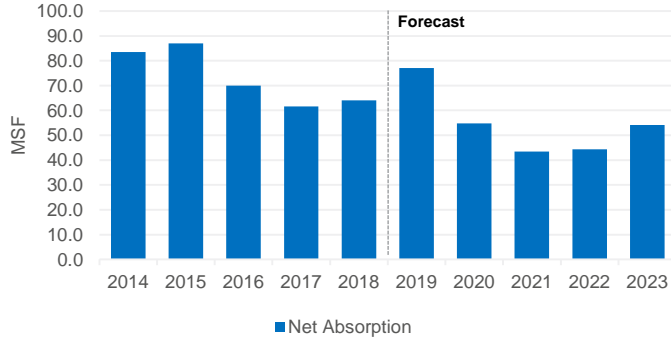
(2) U.S Department of Labor, week ending 30 March 2019.



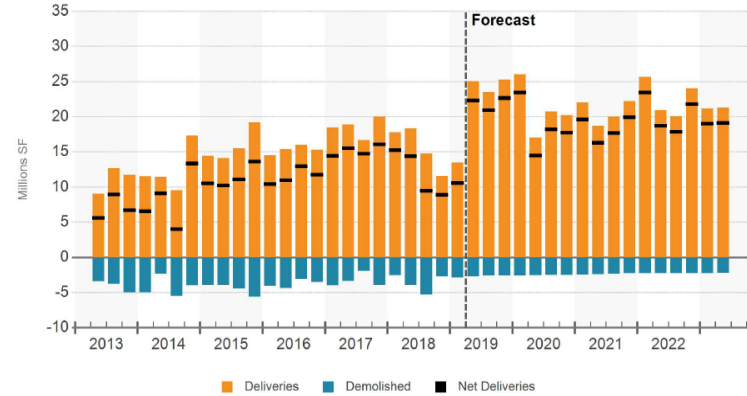
# US Market Outlook

## Attractive US Office Real Estate Fundamentals

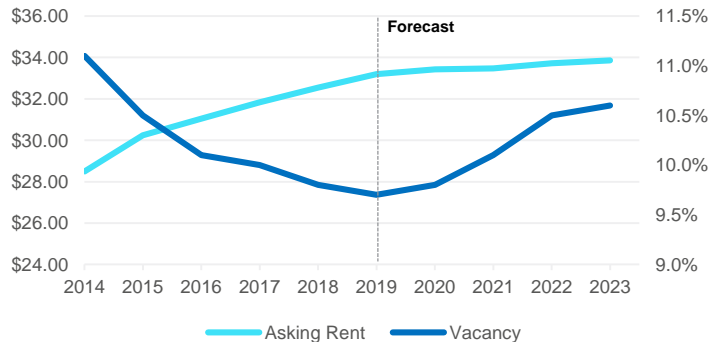
### Overall Net Absorption<sup>(1)</sup>



### Deliveries & Demolitions<sup>(1)</sup>



### Overall Asking Rents & Vacancy<sup>(1)</sup>



51.9m  
Last 12M Absorption

1.9%  
Last 12M Rent Growth

57.5m  
Last 12M Deliveries

9.8%  
Vacancy Rate

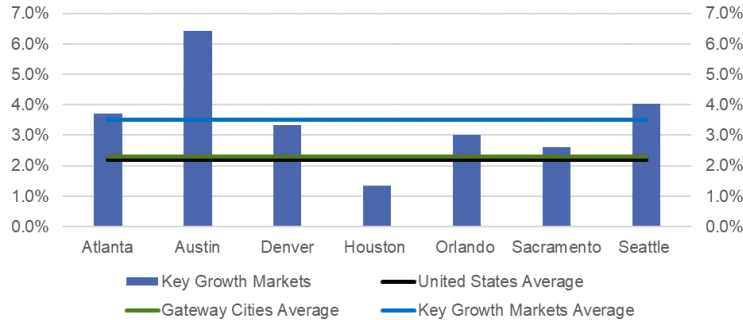
(1) CoStar United States Office Report Dated 3<sup>rd</sup> April 2019.



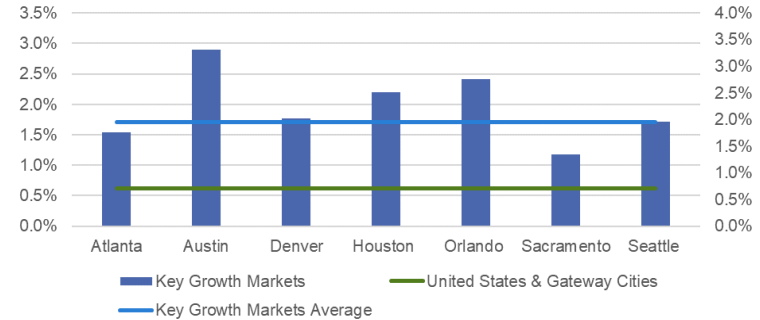
# Key Growth Markets Outlook

Our Markets have Outperformed the National Average Over the Last 5 Years

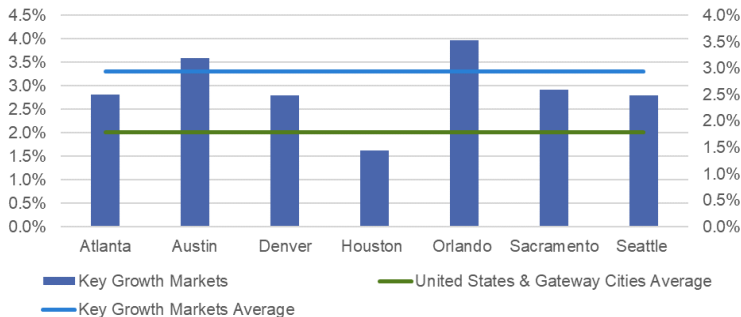
Real GDP Growth Average <sup>(1)</sup>  
2013-2017



Population Growth Average <sup>(2)</sup>  
2013-2017



Employment Growth Average <sup>(3)</sup>  
2014-2018



- With the exception of Houston, our key growth markets have exceeded United States and gateway cities in terms of real GDP, employment and population growth
- Houston was significantly affected by one of the worst recessions in the energy sector during the great oil bust of 2015 – 2016

Note: Gateway cities average is based on New York, Washington DC, San Francisco, Los Angeles, Chicago, Boston.

(1) U.S Bureau of Economic Analysis (2) U.S Census Bureau, Population Division (3) U.S Bureau of Labor Statistics.

# First Choice Submarkets Outlook

Submarket Property	Submarket Vacancy Rate (%)	Last 12M Deliveries (sf'000)	Last 12M absorption (sf'000)	Average Submarket Rent (US\$ p.a.)	Last 12M Rental Growth (%)	Projected Rental Growth (%)
<b>Seattle, Bellevue CBD</b> <i>The Plaza Buildings</i>	5.1%	-	210.0	50.1	8.7%	7.4%
<b>Seattle, Eastside</b> <i>Bellevue Technology Center</i>	4.0%	-	88.3	34.1	5.2%	4.6%
<b>Seattle, Redmond</b> <i>Westpark Portfolio</i>	4.8%	10.0	(121.0)	32.5	6.3%	6.3%
<b>Sacramento, Folsom</b> <i>Iron Point</i>	6.3%	-	1.7	25.6	5.1%	4.6%
<b>Denver, Northwest</b> <i>Westmoor Center</i>	9.6%	125.0	64.1	21.3	2.7%	2.5%
<b>Austin, Northwest</b> <i>Great Hills &amp; Westech 360</i>	9.8%	17.6	(303.0)	35.3	4.6%	3.9%
<b>Houston, Galleria/Uptown</b> <i>1800 West Loop</i>	15.4%	-	248.0	31.9	0.0%	1.3%
<b>Houston, Galleria/Bellaire</b> <i>West Loop I &amp; II</i>	15.2%	-	(41.3)	25.1	1.4%	1.9%
<b>Atlanta, Cumberland/I-75</b> <i>Powers Ferry</i>	15.2%	215.0	202.0	24.5	3.5%	3.4%
<b>Atlanta, Central Perimeter</b> <i>Northridge I &amp; II</i>	13.9%	218.0	192.0	28.4	3.6%	4.7%
<b>Orlando, Maitland</b> <i>Maitland Promenade I &amp; II</i>	10.0%	-	(155.0)	22.5	3.1%	3.1%



# Looking Ahead

Northridge Center II,  
*Atlanta, Georgia*



# Focused on Stable Distributions and Delivering Long Term Value

## Portfolio Optimisation



- Focused leasing strategy targeting high growth sectors
- Proactive and effective asset management
- Maximise rental rates and capture positive rental reversions

## Value Accretive Acquisitions



- Pursue growth opportunities that create long term value
- Target key growth markets with strong office fundamentals
- Focus on first choice submarkets with strong macroeconomic growth indicators that outpace national average

## Prudent Capital Management



- Effective hedging to mitigate against impact of unfavourable interest rate movements
- Acquire funding at optimal costs
- Fortify balance sheet and maintain an optimal capital structure





# Thank You

For more information, please visit

[www.kepkbsusreit.com](http://www.kepkbsusreit.com)

Westech 360  
*Austin, Texas*

