



## Key Business & Operational Update

1Q2021

18 May 2021



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The information presented in this document as at and for the quarter ended 31 March 2021 is not audited or reviewed by the external auditors.

[DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering \("IPO"\) of Prime US REIT.](#)



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# 1Q2021 Key Highlights

## 1 Underlying Portfolio Remains Stable

- 1Q2021 Gross Revenue of \$35.9M compared to 4Q2020 of \$35.6M and 1Q2020 of \$35.1M
- 1Q2021 NPI holding steady relative to 4Q2020 and 1Q2020

## 2 Resilient Portfolio

- Portfolio occupancy of 91.7%, marginally lower than 4Q2020 but well above Class A office average of 84.3%<sup>1</sup>
- Healthy WALE of 4.3 years
- Strong rent collections at 99%

## 3 Strong Balance Sheet Supports Growth Strategy

- Low gearing ratio of 33.8%
- Interest coverage ratio 5.8x
- Debt headroom of US\$290M at 45% gearing covenant limit

## 4 Strong Leasing Activity Continues in 1Q

- 80,084 sq ft leased at 8.5% positive rental reversion
- Includes 57,647 sq ft of long-term leases at a positive rental reversion of 9.5%

# 1Q2021 Operational Update

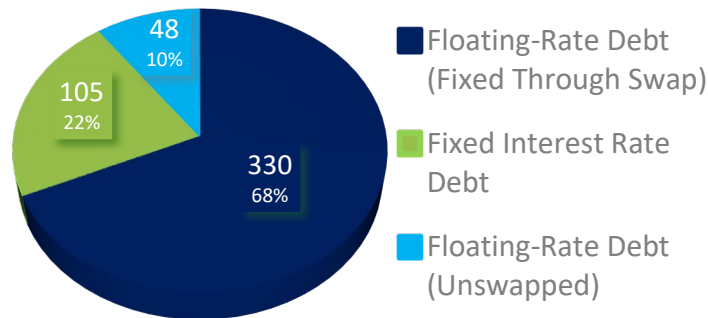
	<b>1Q2021</b> 1 January to 31 March 2021	<b>1Q2020</b> 1 January to 31 March 2020	<b>% Change</b>
	Actual <sup>1</sup> (US\$'000)	Actual <sup>1</sup> (US\$'000)	
Gross Revenue	35,940	35,060	2.5
Net Property Income	23,045	23,512	-2.0
Distributable Income	17,568	17,782	-1.2

[1] Not audited or reviewed by external auditors.

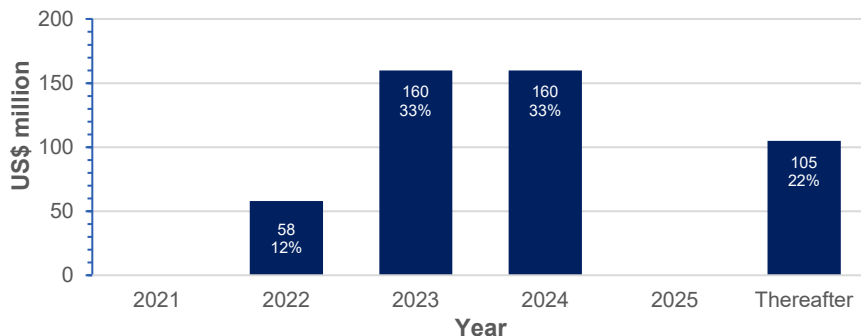
- Solid rent collection rate of 99% maintained
- Minimal rent concessions
- 99.9% of Cash Rental Income (CRI) has built in rental escalations averaging over 2%
- Focus on leasing and property expense management to drive property performance

# Debt Summary

Interest Rate Exposure(US\$ million)



Debt Maturity Profile<sup>2</sup>



	As at 31 Mar 2021	As at 31 Dec 2020
Aggregate Leverage (%)	33.8%	33.5%
Interest Coverage <sup>1</sup>	5.8	5.8
% Fixed Rate	90.0%	89.8%
Weighted Average Maturity (Years)	3.8 / 4.4 <sup>2</sup>	4.1 / 4.6 <sup>2</sup>
Available Facilities (undrawn) (US\$ mil)	91.9	90.4
Effective Interest Rate <sup>3</sup>	2.8%	2.7%

[1] Calculated as net income plus tax expense, net finance expense, change in fair value of derivatives and amortisation of lease commissions, change in fair value of investment properties divided by finance expenses, including amortisation of upfront debt-related costs and commitment fees, for trailing 12-month periods ended 31 Dec'20 and 31 Mar'21.

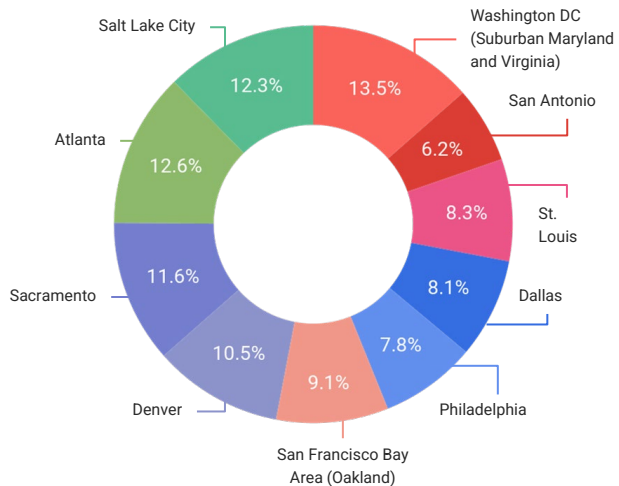
[2] Fully extended debt maturity. Extension options are available to the borrower to extend the 4-year term loan and Revolver maturities to 2024.

[3] Based on interest expense (*excluding* amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings outstanding as of 31 Dec'20 and 31 Mar'21.

# Capture Growth & Minimize Risks

## Geographic Diversification

CRI<sup>1</sup> by Primary Market



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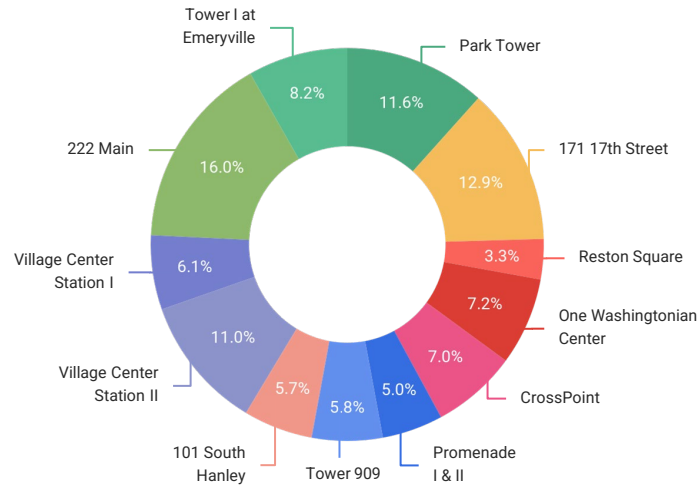
Primary Markets

No single market contributing more than

13.5% Total CRI

## Asset Diversification

Asset by Valuation



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Assets

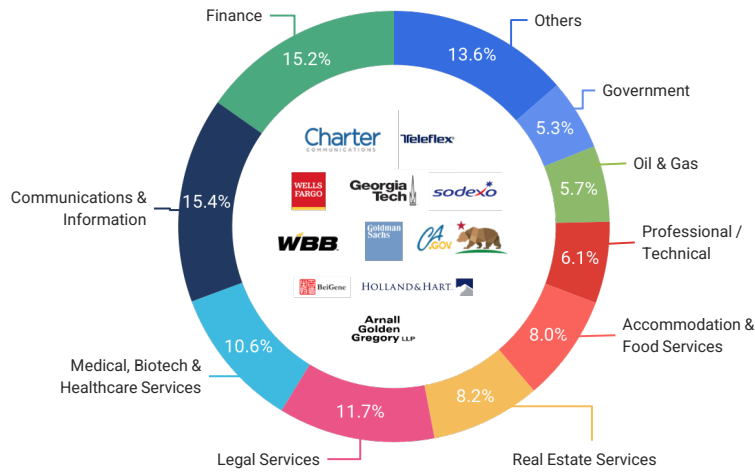
No single asset contributing more than

16.0% Total Portfolio Valuation

[1] Data as per March 2021 Cash Rental Income.



# Balanced Industry Sector Diversification



**> 70%** In Established + Growth (STEM/TAMI)<sup>2</sup> Sectors

[1] Data as per March 31 2021

[2] Established: Finance, Real Estate, Legal, Government STEM/TAMI: Communications and Information; Medical, Biotech & Healthcare: Professional/Technical Services

## Top 10 Tenants

Tenant	Industry	Credit Rating	Property	Leased sq ft	% of Portfolio CRI <sup>1</sup>
Charter Communications	Communications & Information	Moody's: Ba1	Village Center Station I & II	419,881	9.0%
Goldman Sachs Group Inc.	Finance	Moody's: A2 S&P: BBB+ Fitch: A	222 Main	177,206	5.5%
Sodexo Operations LLC	Accommodation & Food Services	S&P: BBB+	One Washingtonian Center	190,698	5.5%
Arnall Golden Gregory LLP	Legal Services	Private Firm	171 17th Street	122,240	3.4%
Holland & Hart	Legal Services	Private Firm	222 Main	89,960	3.4%
State of California	Government	Fitch: AA Moody's: Aa2	Park Tower	141,372	3.3%
Wells Fargo Bank, NA	Finance	Moody's: Aa2 S&P: A+	171 17th Street	106,030	3.2%
Whitney, Bradley & Brown	Professional / Technical	Private Firm	Reston Square	73,511	2.9%
WeWork	Real Estate Services	Fitch: CCC	Tower I at Emeryville	56,977	2.5%
Teleflex	Medical, Biotech & Healthcare	S&P: BB+	CrossPoint	84,008	2.3%
<b>Total</b>				<b>1,461,883</b>	<b>41.0%</b>
<b>WALE Top 10</b>					<b>4.9 Years</b>



# Solid Markets with Rental Reversion Potential

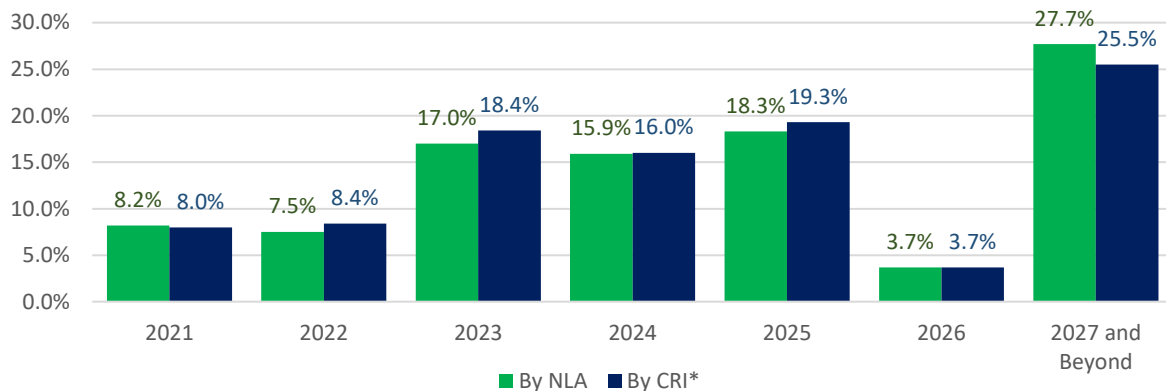
Name of Property	Annual In Place Rent (US\$)	Annual Asking Rent (US\$)	Potential Rental Reversion	WALE	Occupancy	Lease expiry through 2021 by CRI <sup>[1]</sup>
<b>Tower I at Emeryville</b>	\$53.71	\$54.02	0.6%	5.6	93.7%	0.1%
<b>222 Main</b>	\$37.70	\$37.63	-0.2%	4.8	90.9%	0.9%
<b>Village Center Station I</b>	\$23.47	\$24.00	2.2%	2.5	64.9%	0.0%
<b>Village Center Station II</b>	\$24.21	\$23.50	-2.9%	7.3	100.0%	0.0%
<b>101 South Hanley</b>	\$27.94	\$31.00	11.0%	4.1	96.6%	1.0%
<b>Tower 909</b>	\$29.14	\$33.06	13.5%	3.8	88.8%	0.8%
<b>Promenade I &amp; II</b>	\$27.15	\$28.00	3.1%	3.4	93.9%	1.1%
<b>CrossPoint</b>	\$33.53	\$39.00	16.3%	3.3	100.0%	0.4%
<b>One Washingtonian Center</b>	\$33.92	\$36.00	6.1%	3.1	95.5%	1.4%
<b>Reston Square</b>	\$42.58	\$37.00	-13.1%	2.9	100.0%	0.0%
<b>171 17th Street</b>	\$27.51	\$27.00	-1.9%	4.5	87.1%	0.9%
<b>Park Tower</b>	\$31.83	\$40.50	27.2%	4.3	92.6%	1.4%
<b>Total / Weighted Average</b>	<b>\$32.00</b>	<b>\$34.08</b>	<b>6.5%</b>	<b>4.3</b>	<b>91.7%</b>	<b>8.0%</b>

[1] Lease expiry excludes month to month leases accounting for 0.7% of CRI.

- Portfolio in place rents below asking rents by 6.5%
- Upcoming lease expiries well spread across portfolio reducing single asset exposure
- VCS II and Reston Square fully occupied and no maturities through 2021

# Strong Leasing Activity

## Stable Tenancy Profile with Well Staggered Expirations<sup>1</sup>



\*Cash rental income for the month of March 2021.

**2.0%**

by CRI of portfolio leased in 1Q2021

**4.3 years**

WALE

**9.5%**

Positive rental reversion<sup>2</sup>

[1] Excludes month to month leases accounting for 1.7% of NLA or 0.7% of CRI.

[2] Excludes leases less than one year. Including all leases, reversion was 8.5%.

Leasing activity of 57,647 sq ft of long-term leases in 1Q2021 with positive rental reversion of 9.5%.

- Over 80% of long-term leases from renewal/ relocation of existing tenants
- Leases signed include Extend Health, CBRE and FLS Transportation

In addition, executed 22,437 of short-term extensions

# Office in the Future and The Future of Work



## Office in the Future

- Government fiscal stimulus contributing to economic recovery.
- Vaccination rollout well underway, with over 270 million doses administered to date.
- Since the low point in April of 2020, the U.S. has added back 1.9 million office-using jobs through March of 2021.
- Job losses during the pandemic have resulted in increases in vacancy rates and sublease space.
- The U.S. is forecast to create 2.3 million office-using jobs over the next two years. Office employment is expected to match the pre-pandemic peak by mid-2022.<sup>1</sup>
- Tech retains office space leasing crown, according to CBRE as tech companies leased more office space than any other industry last year.<sup>2</sup>



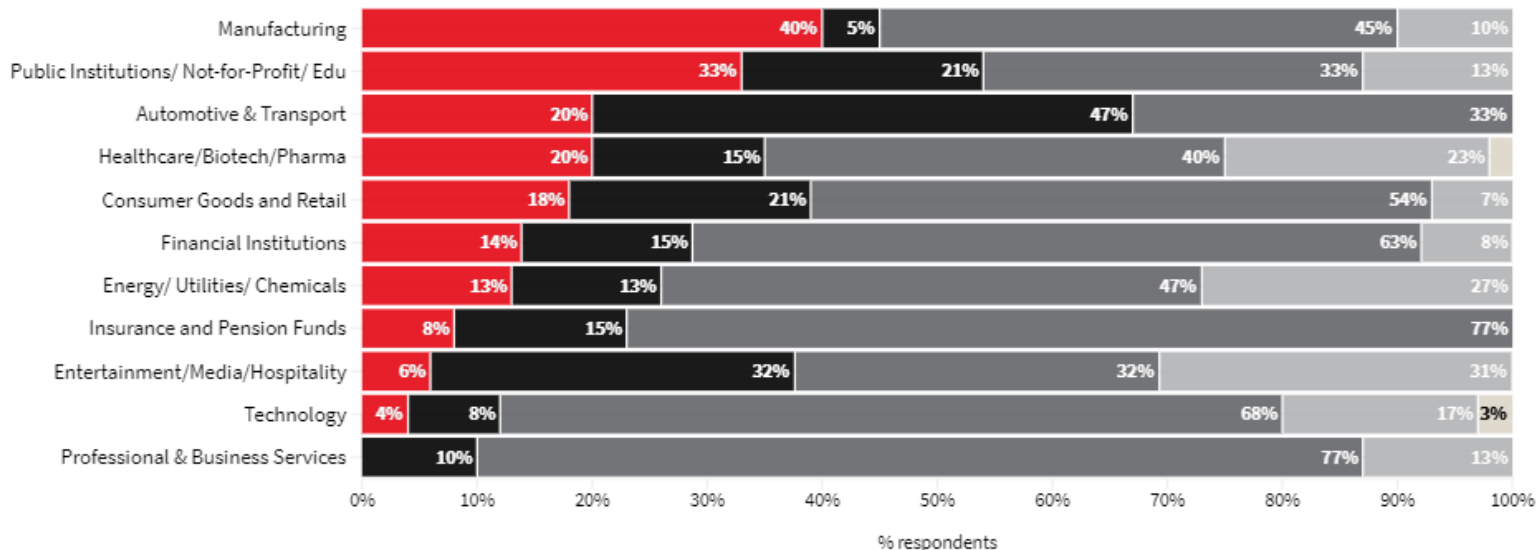
## The Future of Work

- Major companies announcing Return-to-Office timing and strategies
- Cushman and Wakefield estimates the percentage of workers who will work permanently from home post-pandemic will double, from 5% to 11%, and those who will work in the office part-time will also increase from about one-third of workers pre-pandemic to about half post-pandemic.
- The hybrid work model is the “next normal” for near term Return-to-Office plans, with employees in the office from two to four days per week.
- Activity based models where employees are on-site for certain meetings or projects and at home for independent work.
- 2021 KPMG CEO Outlook Pulse Survey found only 17% of respondents said that they will downsize their company’s footprint

# Return to Work Expectations Positive Across Industry Sectors

When do companies expect to have at least 50% of their workforce back in the office?

■ Offices are already +50% occupied 
 ■ First half of 2021 
 ■ Second half of 2021 or beyond 
 ■ Client is undecided 
 ■ Never



Source: JLL, 2021  
Based on 352 responses in February 2021

Source: JLL Global Real Estate Perspective, May 2021

- A significant majority of businesses across sectors are expected to progressively return to office in the coming months.
- Those expecting to permanently stop using office space is a very small percentage.

## What our tenants are saying about Return -to-Office



### ***Goldman Sachs Tells Employees To Return To The Office By July 14, As Wall Street Pushes Back On The Work-From-Home Trend***

Goldman Sachs, the New York City-based, high-end investment bank, previously attempted to bring back employees to the office. Goldman CEO David Solomon called remote work an “aberration” and not conducive to productivity. Solomon said, “I do think for a business like ours, which is an innovative, collaborative apprenticeship culture, this is not ideal for us. And it’s not a new normal.”



### ***Wells Fargo Plans for Return to Office ‘Soon After Labor Day’***

Wells Fargo & Co., the U.S. bank with the largest workforce, is making plans to bring its employees back into offices in September. The company, which has about 200,000 employees working from home, is extending that arrangement through Sept. 6, and aims to return to a “more normal operating model” that month, according to a memo Tuesday from Chief Executive Officer Charlie Scharf and Chief Operating Officer Scott Powell.



### ***State of California***

Governor Newsom just announced a \$100 billion California Comeback Plan, the biggest economic recovery package in California history that outlines comprehensive strategies and major investments in key areas so that California can come roaring back from the pandemic, including a statewide policy for the rehiring of workers laid-off by the pandemic.

# Using Technology to Improve Tenant Health and Safety



## Clean Building Tech

- Frequent and deep cleaning
- Bipolar Ionization
- RLM Extreme UV Light Air Quality Treatments
- Electrostatic disinfecting equipment
- NanoSeptic self cleaning elevator buttons



## Physical Distancing

- Maptician software to manage social distancing, staggered work schedules and proximity contact tracing
- Contactless building access
- Control traffic flow within building and upgraded building rules and regulations for contractors and vendors



## Protective measures

- High efficiency Merv 13 air filters
- Sanitation stations in common areas
- Germ Shields used by Management
- Security desk stocked with PPE



## Communicate for Confidence

- On-premise signage clearly displayed
- Ongoing Communication
- Proactive tenant engagement during RTO planning
- UL Verified Healthy Building for Indoor Air certification for properties



# Proven Resilience Positioned For Growth



[1] Based on the number of units in issue and closing unit price of US\$0.86 as at 31 March 2021.

[2] Carrying value represents valuations of investment properties as at 31 December 2020 plus capital expenditures incurred in 1Q2021.

US\$912m

Market Cap<sup>1</sup>

US\$17.6m

1Q2021 Distributable Income

33.8%

Gearing Ratio

US\$1.41b

Valuation<sup>2</sup>

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Prime U.S. Office Properties

A

All Class A Office Properties

91.7%

Portfolio Occupancy

100%

Freehold Land Title

3.9m sq ft

NLA

99.9%

CRI with built-in rental escalation

4.3 years

WALE





## Get in Touch

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