



## NEWS RELEASE

### **PRIME US REIT 1Q2021 KEY BUSINESS AND OPERATIONAL UPDATES; DISTRIBUTABLE INCOME REMAINS STABLE AT US\$17.6 MILLION**

- Resilient portfolio with high portfolio occupancy of 91.7%, long WALE of 4.3 years and minimal near-term lease expiries
- Strong rent collections continuing at 99% throughout FY2020 and into 1Q2021
- Robust leasing activity of over 80,000 sq ft, including 57,647 sq ft of long-term leases executed at a positive rental reversion of 9.5%
- Healthy room for growth with strong balance sheet and low gearing of 33.8%, interest coverage of 5.8 times and debt headroom of US\$290 million (at 45% gearing)

**Singapore, 18 May 2021** – KBS US Prime Property Management Pte. Ltd., the manager (the “**Manager**”) of Prime US REIT (“**PRIME**”), a real estate investment trust with a high-quality office portfolio in the United States (the “**U.S.**”), today published its key business and operational updates for the quarter ended 31 March 2021 (“**1Q2021**”).

PRIME’s gross revenue and net property income (“**NPI**”) for 1Q2021 remained stable at US\$35.9 million and US\$23.0 million, respectively.

Distributable income of US\$17.6 million was in line with the stable NPI and benefitted from lower interest costs.

#### **Resilient Asset Portfolio**

The resiliency of PRIME’s asset portfolio continued in 1Q2021 with strong tenancies and a high portfolio occupancy of 91.7%, which remains well above U.S. Class A office average of 84.3%. The portfolio is supported by a long weighted average lease expiry (“**WALE**”) of 4.3 years and strong rent collections that continue to average at 99% with minimal deferrals. Upcoming lease expiries are well-spread across the portfolio, reducing single asset exposure.

Employing proactive lease management strategies, leasing momentum remained robust with 57,647 sq ft of long-term leases executed in 1Q2021 at positive rental reversion of 9.5%. Below-market portfolio in place rents also provide a buffer and rental reversion potential.

DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering of Prime US REIT.

Despite current low physical occupancy due to COVID, interest in PRIME's quality assets continue to pick up as the U.S. economy recovers and more tenants make longer-term leasing decisions. New tenants are largely from diverse established and technology sectors which further adds to the strong tenant base of PRIME's portfolio. PRIME's markets and assets remain well-diversified with the largest business sector contributing to 15.4% of total CRI.

### **Prudent Capital Structure – Positioned for Growth**

PRIME maintains a prudent capital structure with low gearing of 33.8%, ample debt headroom of US\$290 million (at 45% gearing), US\$91.9 million of undrawn facilities. PRIME's fixed interest rates on 90.0% of its debt and a fully extended weighted average debt maturity of 4.4 years mitigates against any near-term interest rate and refinancing risks. Interest coverage was 5.8 times for the period ended 31 March 2021 and effective interest cost was a low 2.8%, following the restructuring of its interest rate swaps in April 2020.

### **The Future of Work**

Market optimism is growing with the U.S. government's fiscal stimulus contributing to economic recovery and the ongoing vaccination rollout that has administered over 270 million doses. According to Cushman and Wakefield, 70% of the U.S. adult population will be vaccinated by July 2021<sup>1</sup>. The U.S. is estimating the creation of 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>2</sup>.

Organisations are relooking at the potential of remote and agile work arrangements. The hybrid work model could be the "next normal" in the near term as major companies, especially in the financial and technology sectors, announce their return-to-office plans. Quality office spaces remain relevant as offices are deemed as a better place for casual interactions, collaboration, and innovation<sup>3</sup>. The 2021 KPMG CEO Outlook Pulse Survey found only 17% of respondents are planning to downsize their company's footprint. According to CBRE, tech companies leased more office space than any other industry last year<sup>4</sup>. This bodes well for PRIME with its favourable tenant mix and focus on attracting tenants from technology and growth industry sectors.

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<sup>1</sup> Cushman & Wakefield U.S. Office Sector FAQs 7 May 2021

<sup>2</sup> Cushman & Wakefield U.S. National Office Q1 2021

<sup>3</sup> Cushman & Wakefield Workplace Ecosystems: The Office's Changing Place in an Agile World April 2021

<sup>4</sup> CBRE TechInsights March 2021



With a strong balance sheet, healthy debt headroom and undrawn bank lines, PRIME remains well-positioned to continue pursuing accretive acquisitions in non-gateway and key U.S. office markets that have healthy economic and employment growth, diverse talent pools, highly educated workforces, reliable transportation infrastructure, and favourable demand and supply outlooks. The U.S. office transaction market has been showing signs of activity in recent weeks, and PRIME is actively exploring acquisition opportunities in its target markets.

**Ms Barbara Cambon, Chief Executive Officer and Chief Investment Officer of the Manager of PRIME**, said, “We are pleased to announce continuing strong performance for 1Q2021. PRIME’s diversity and income resiliency in these uncertain times is underpinned by our well-diversified portfolio in favourable U.S. office markets and our focus in the technology and established industry sectors such as health, financial and legal services, and communications & information.

“By leveraging technology, implementing protective measures and having close communications with tenants, we work closely with our experienced asset management team to provide a safe and healthy environment as tenants gradually return to the office. Coupled with prudent and proactive capital management, PRIME is nimble and well-positioned to pursue accretive acquisitions and attract prospective tenants in growth industries. Our commitment to deliver long-term sustainable growth for PRIME remains as we strive to provide the offices of the future.”

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**About Prime US REIT**

Listed on 19 July 2019 on the Main Board of the Singapore Exchange, Prime US REIT (“**PRIME**”) is a well-diversified real estate investment trust (“**REIT**”) focused on stabilised income-producing office assets in the United States (“**U.S.**”). With the objectives to achieve long-term growth in distributions per unit and net asset value per unit while maintaining a robust capital structure, PRIME offers investors unique exposure to a high-quality portfolio of 12 Class A freehold office properties which are strategically located in 11 key U.S. office markets. PRIME's portfolio has a total carrying value of US\$1.405 billion as at 31 December 2020.

**About the Sponsor**

KBS Asia Partners Pte. Ltd. (“**KAP**”) is the Sponsor of PRIME. The shareholders of KAP include founding members of KBS, one of the largest owners of premier commercial real estate in the U.S. As a private equity real estate company and an SEC-registered investment adviser, KBS and its affiliated companies have completed more than US\$42 billion of transactional volume on behalf of private and institutional investors globally since inception in 1992.

**About the Manager**

PRIME is managed by KBS US Prime Property Management Pte. Ltd. which is jointly owned by KBS Asia Partners Pte. Ltd., Keppel Capital Two Pte. Ltd., a wholly-owned subsidiary of Keppel Capital Management Pte Ltd, Times Properties Private Limited, a wholly-owned subsidiary of SPH and Experion Holdings Pte. Ltd., a wholly-owned subsidiary of AT Holdings Pte. Ltd.

The Manager has general powers of management over the assets of PRIME. The Manager's main responsibility is to manage PRIME's assets and liabilities for the benefit of Unitholders.



The Manager will set the strategic direction and provide, investment, asset management, capital management, internal audit, human resource, information technology, accounting, compliance and investor relations services to PRIME.

For more information, please visit [www.primeusreit.com](http://www.primeusreit.com).



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