

WELLS FARGO



**DRIVING**  
**SUSTAINABLE**  
**GROWTH**

ANNUAL REPORT / 2021





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## **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 prime office assets in the United States (“U.S.”). With the objectives of achieving 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 14 Class A freehold office properties which are strategically-located in 13 key U.S. office markets. PRIME’s portfolio has a total carrying value of US\$1.65 billion as at 31 December 2021.

### **The Sponsor**

KBS Asia Partners Pte. Ltd. (“KAP”) is the Sponsor of PRIME. The shareholders of KAP include founding members of KBS, a large operator 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 affiliates have generated US\$48.7 billion of transactional volume on behalf of private and institutional investors since its inception in 1992.

### **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 Singapore Press Holdings Limited 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 sets the strategic direction, and provides investment, asset management, capital management, human resource, information technology, accounting, internal audit, compliance and investor relations services to PRIME.

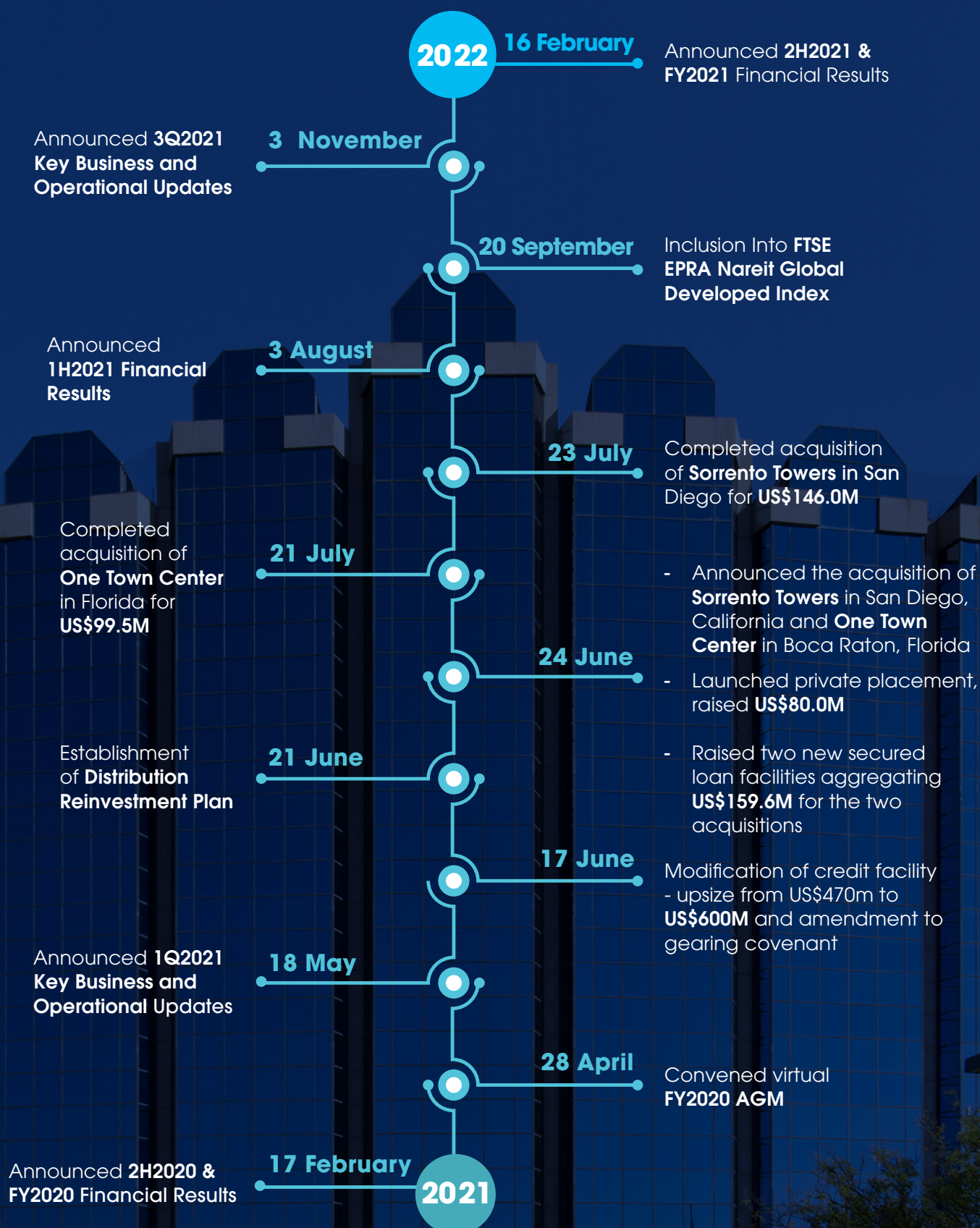
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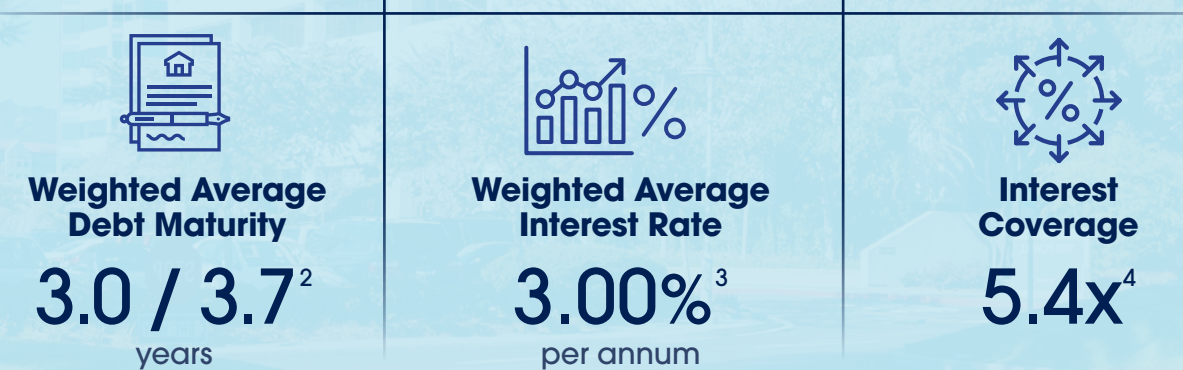
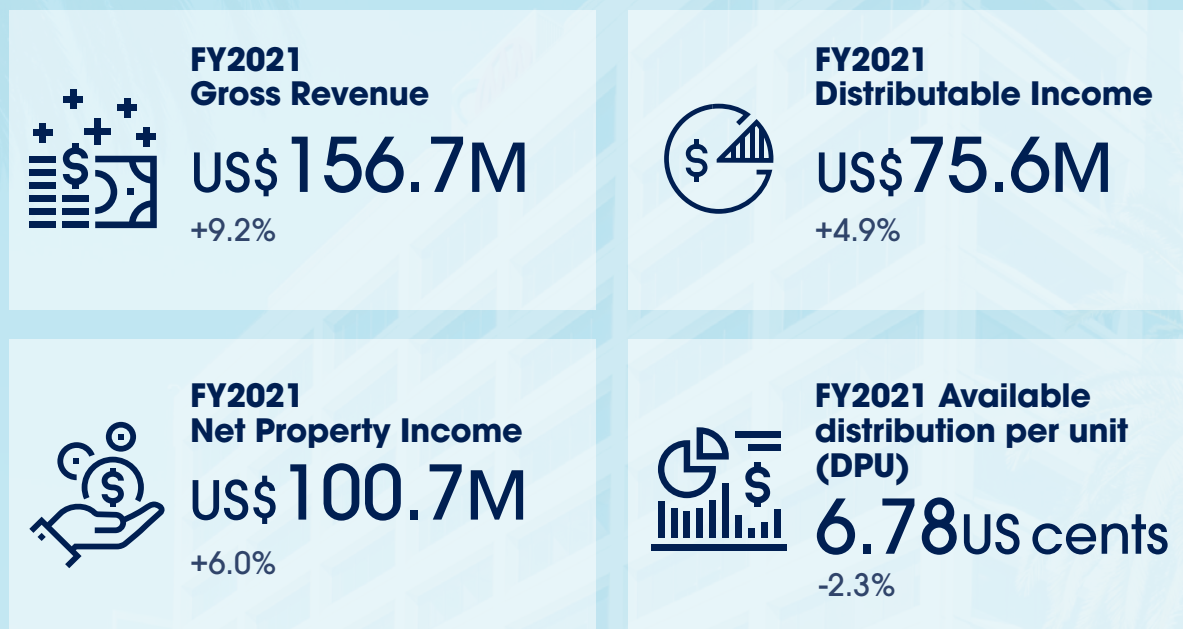
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# SIGNIFICANT EVENTS



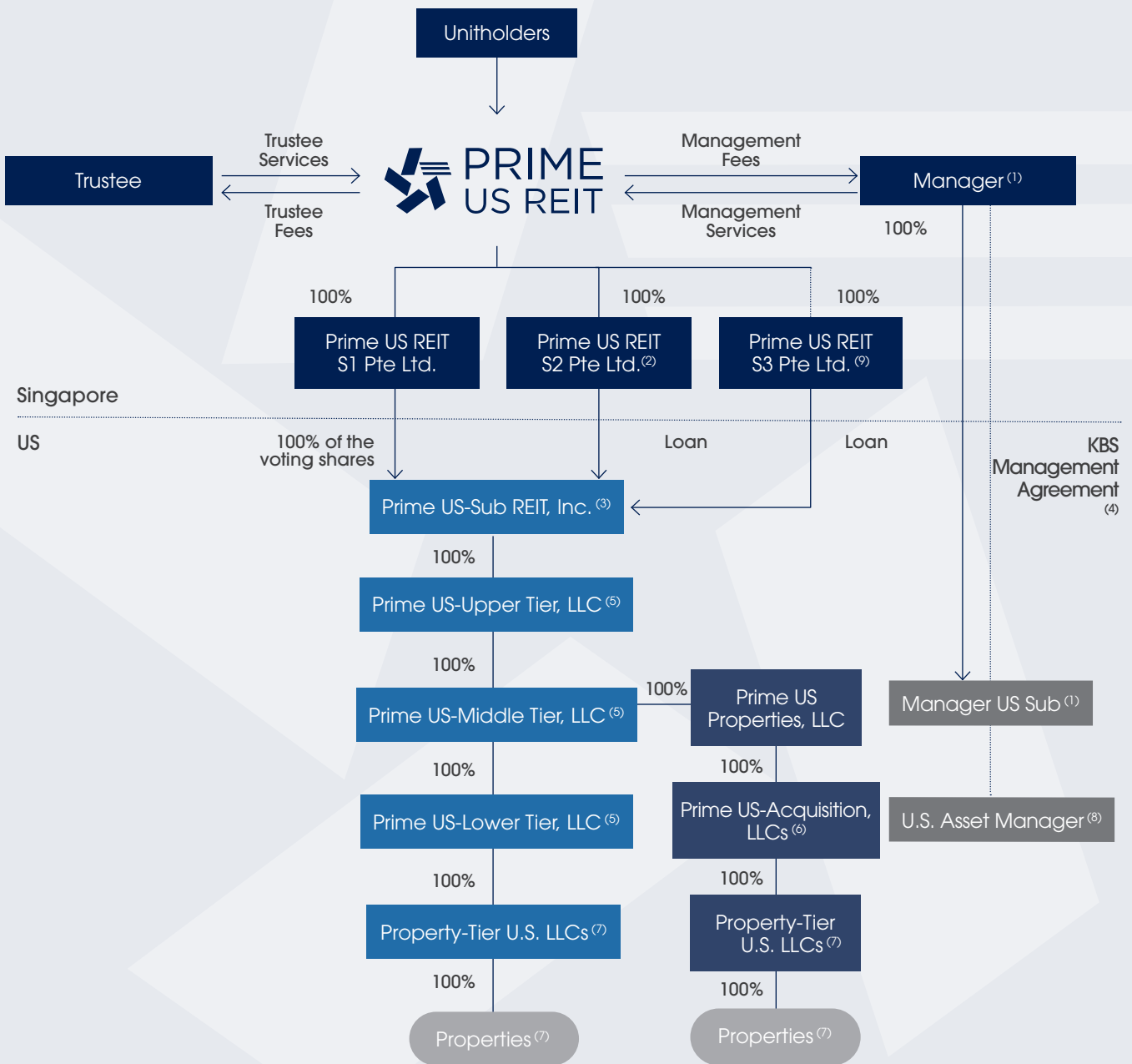
# FINANCIAL HIGHLIGHTS

AS AT 31 DECEMBER 2021



1 Net of unamortised upfront borrowings costs of US\$4.6M.  
 2 Fully extended debt maturity. Extension options are available to the borrower to extend the 4-year term loan and revolver maturities to 2024 and maturities of the two new 3-year facilities obtained in 2021 from 2024 to 2026.  
 3 Based on interest expense (including amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings for the year ended 31 December 2021.  
 4 Calculated as net income before tax expense, net finance expense, change in fair value of derivatives, amortisation of lease commissions and 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 December 2021.

# TRUST STRUCTURE



- (1) The Manager wholly-owns the Manager US Sub. The Manager has organised the Manager US Sub so that to the extent activities of the Manager, including under the KBS Management Agreement, would be required to be performed within the U.S., those activities will be delegated to the Manager US Sub.
- (2) PRIME US REIT S2 Pte. Ltd. wholly-owns two Barbados entities which are currently dormant.
- (3) 125 preferred shares have been issued by Parent U.S. REIT to parties who are not related to the Sponsor with a coupon of 12.5%. The preferred shares are non-voting, non-participating and redeemable at the option of Parent U.S. REIT. The terms of the preferred shares are in accordance with customary terms offered to other accommodation shareholders (which are third party holders required to meet the 100 shareholder test) for U.S. REITs in the United States. The Certificate of Incorporation for Parent U.S. REIT contains provisions that ensure that this 100 shareholder requirement is continuously met at all times required under US tax rules applicable to U.S. REITs.
- (4) An agreement entered into between the Manager, the Manager US Sub, the U.S. Asset Manager, the Parent U.S. REIT and the Property Holding LLCs.
- (5) For the avoidance of doubt, there will only be one Upper-Tier U.S. LLC, one Mid-Tier U.S. LLC and one Lower-Tier U.S. LLC.
- (6) Each Acquisition LLC holds one Property-Tier U.S. LLC.
- (7) Each Property will be held by an individual Property-Tier U.S. LLC.
- (8) For the avoidance of doubt, KBS RA is not a subsidiary of the Manager, and KBS RA does not hold any shares in the Manager (whether directly or indirectly) and vice versa.
- (9) PRIME US REIT S3 Pte. Ltd. ("Sing Sub 3") was incorporated in February 2020 in relation to the acquisition of Park Tower. Utilising proceeds from the private placement completed on 21 February 2020, Sing Sub 3 provided a loan to Prime US-Sub REIT, Inc. to partially finance the acquisition of Park Tower.

# CHAIRPERSON & CEO LETTER



## Dear Unitholders,

On behalf of the Board of KBS US Prime Property Management Pte. Ltd., the manager (the “**Manager**”) of PRIME, we are pleased to present PRIME’s annual report for 1 January 2021 to 31 December 2021 (“**FY2021**”).

During FY2021, the portfolio displayed operational resilience in the face of global economic uncertainty and continued disruptions of return to office plans due to the COVID variants. This resilience reflects the quality of our assets and tenants, as well as the strength of our diversified portfolio. Underpinned by our deep expertise in the U.S. office market and our strong balance sheet, PRIME continued its growth trajectory by acquiring two high-quality assets in key growth markets in July 2021.

This year also marked a significant milestone for PRIME as we were pleased to be included in the FTSE EPRA Nareit Global Real Estate Index (Global Developed Index) with effect from 20 September 2021. This milestone is testament to our effective long-term growth strategy and value creation for our Unitholders. Inclusion in the FTSE ERPA Nareit Global Real Estate Index will further enhance our trading liquidity and visibility with global institutional investors as we continuously seek to diversify and deepen our Unitholder base.

## DEMONSTRATING STRONG FUNDAMENTALS, MAXIMISING VALUE

We are pleased to deliver a strong performance for FY2021. Gross revenue and net property income (“**NPI**”) for

FY2021 were US\$156.7 million and US\$100.7 million respectively, exceeding the preceding year by 9.2% and 6.0%. Distribution per unit (“**DPU**”) for FY2021 was US 6.78 cents, representing a DPU yield of 8.1%.<sup>1</sup>

Our prudent capital management strategies reinforce our financial flexibility and enables us to acquire yield-accretive Class A office assets in growth-oriented urban centres. The upside of our credit facility in June 2021 to US\$600 million provides additional credit lines to pursue strategic growth initiatives and reflects our strong relationships with our established lending banks, as well as their confidence in PRIME’s long-term prospects. The strength of our balance sheet is supported by our low gearing of 37.9% as at 31 December 2021, access to ample liquidity with over US\$230 million of available credit facilities and debt headroom of US\$405.8 million (based on 50% leverage). In addition, 87% of our debt is fixed with a fully extended weighted average debt maturity of 3.7 years, mitigating our exposure against near-term interest rate rises and refinancing risks. Our interest coverage stands at 5.4 times as at 31 December 2021, with effective interest cost further reduced during the year, to 2.5%.

The establishment of a distribution reinvestment plan (“**DRP**”) this year also provides Unitholders with an opportunity to increase their unitholdings in PRIME without incurring brokerage fees and other related costs. The issuance of new Units in lieu of cash distributions also strengthens PRIME’s balance sheet, enhances its working capital reserves and improves the liquidity of the Units.

Going forward, we remain committed to optimising the efficiency of our capital structure to maximise value to our Unitholders over the long-term.

## WELL-POSITIONED TO CAPTURE THE RECOVERY

PRIME has a diversified exposure to 13 U.S. office markets with a portfolio of 14 prime properties, and over 240 high-quality tenants across a broad range of industry sectors, the majority of which, are in growth and established STEM and TAMI<sup>2</sup> sectors. No single property in our portfolio contributes more than 11.4% of our Cash Rental Income (CRI), enhancing our portfolio’s stability and income resiliency. Our portfolio valuation remained stable amidst the uncertainty in the broader market, which is testament to the quality and strength of our diversification strategy.

In June 2021, PRIME raised US\$80 million in an oversubscribed private placement from both existing Unitholders and new institutional investors. The proceeds were used to partially fund our two new acquisitions of One Town Center in Boca Raton and Sorrento Tower in San Diego in July 2021.

One Town Center is a well-amenitised Class A office building located in the heart of Boca Raton, Florida, one of the country’s wealthiest and most desirable submarkets featuring a diverse range of blue-chip and investment grade tenants. Sorrento Towers is strategically located in the Sorrento Mesa office market of San Diego, California, a technology and life sciences hub. It is presently leased to a diverse mix of high-quality and credit worthy tenants with biotechnology company DexCom serving as its anchor tenant.

<sup>1</sup> Based on annualised DPU against closing unit price of US\$0.835 as at 31 December 2021

<sup>2</sup> Established: Finance, Real Estate, Legal, Government; STEM: Science, Technology, Engineering, and Mathematics; TAMI: Technology, Advertising, Media, and Information.

# CHAIRPERSON & CEO LETTER

These acquisitions further amplify PRIME's exposure to key STEM/TAMI and finance growth sectors. They also improve portfolio resilience through the extension of our weighted average lease expiry ("WALE") and diversification into new markets with high-quality tenants, providing greater earnings visibility. PRIME's WALE stands at 4.2 years with approximately 99% of leases having annual rental escalations averaging 2%, which generates organic NPI growth.

Throughout the pandemic and FY2021, rent collections remained above 99% and we recorded six consecutive quarters of positive rental reversions, continuing our robust leasing momentum in a Covid-impacted environment. A total of 414,632 sq ft of leases were completed in FY2021 with an average rental reversion of 14.1%. This attests to the quality of PRIME's assets and tenants.

We value the strong relationships that we have forged with our tenants which allow us to better service their long-term workspace needs. Through proactive lease management and expansion of technology and hybrid working solutions, we are committed to providing prospective and existing tenants a safe and healthy environment to facilitate their return to office. This bodes well for tenant retention and satisfaction, with portfolio occupancy remaining resilient at 90.3% as of 31 December 2021, well-above the average U.S. Class A Office occupancy rate of 83.5%.

As tenants begin to return to the office, we stand ready with our experienced asset managers to meet their needs.

## PRIMED FOR CONTINUED GROWTH

While the global environment continues to be dominated by uncertainties around Covid-19, the Russia-Ukraine crisis and rising interest rates, the U.S. economy has shown signs of resilience and declining unemployment rates. Given increasing vaccination rates and the steady recovery of business and leisure travel trending toward pre-Covid levels, job growth is expected to continue in 2022. We anticipate an increase in leasing activity as employers cautiously plan for their return to office.

Flight to quality remains an important criterion for tenants in the market for new

space. Companies are also increasingly attentive to hybrid workplace designs which meet flexible working needs and help to foster collaboration as well as enhance employee productivity and wellbeing.

PRIME is cognisant of the changing realities of the workplace. As job growth and recent leasing activity indicate a nascent recovery and tenants' confidence in the return to office, we will continue to identify market and asset attributes which employers seek, to best support their long-term workspace needs.

Assisted by our strong balance sheet and access to capital, we remain in the market for high-quality, yield-accretive investment opportunities that will enable us to scale our portfolio and further diversify into strategic markets and sectors. Through asset enhancement initiatives, we seek to improve our existing assets to meet evolving tenant needs.

Amid market uncertainties, we continue to adopt a prudent and proactive approach to asset and capital management to maximise returns to Unitholders. The experience and insights provided by the Manager also underpins our capital deployment strategy in markets with favourable growth characteristics.

We recognise that regular engagement and ongoing communication with our stakeholders is key in helping the market understand our strategies and enabling PRIME to deliver long-term sustainable growth to our Unitholders. We continue our efforts to deepen our relationships with the broader research and investor community through timely updates and frequent engagements. This has borne fruit and to date we have six sell-side analysts covering PRIME.

Delivering sustainable value to stakeholders remains a key focus of PRIME and we are committed to the responsible management of PRIME's environmental and social impacts. We integrate sustainable practices into all aspects of our business operations, and work closely with our property managers to implement, execute, and monitor sustainable practices and policies across all our properties. These include enhancing energy and water efficiency and reducing overall greenhouse gas emissions.

As a result, 12 out of the 14 properties in PRIME's portfolio are U.S. Green Building Council Leadership in Energy and Environmental Design ("LEED") or Energy Star certified, which demonstrates our commitment to investing in properties that integrate sustainability into their design and operations and support PRIME's improved sustainability performance, year on year.

With PRIME's strong fundamentals and close-knit relationships with key stakeholders, we believe we are well-positioned to support employers' long-term needs and enhance our Unitholders' value.

## APPRECIATION

In line with PRIME's increased focus on independence of board leadership, Professor Annie Koh has been appointed Chair of its board, taking over from Mr Charles J. Schreiber who ceased to be Chair and Director as at 23 February 2022. We would like to thank Mr Schreiber for his contributions during his tenure and we wish him all the best in his future endeavours.

Following Professor Koh's appointment as Chair, Ms Cheng Ai Phing has taken over as the Chairperson of the Audit and Risk Committee ("ARC"), with effect from 10 March 2022.

We would like to express our heartfelt appreciation and gratitude to our management, Board of Directors, valued partners at KBS Asia Partners, Keppel Capital, Singapore Press Holdings and AT Capital, and staff, for another year of invaluable contributions.

Finally, we would also like to thank our Unitholders for your continued support and trust, and we remain committed to growing our portfolio of prime properties to continue delivering value to Unitholders.

**Professor Annie Koh**  
Chairperson, Independent  
Non-Executive Director

**Ms Barbara Cambon**  
Chief Executive Officer & Chief  
Investment Officer



# BOARD OF DIRECTORS



≡ PROFESSOR ANNIE KOH

≡ MS CHENG AI PHING

≡ MS SOH ONN CHENG MARGARET JANE



≡ MR KEVIN J.E. ADOLPHE

≡ MR JOHN R. FRENCH

≡ MR CHUA HSIEN YANG



≡ MR LOH YEW SENG

≡ MR PANKAJ AGARWAL

# BOARD OF DIRECTORS

## PROFESSOR ANNIE KOH

Chairperson, Independent  
Non-Executive Director

Member of Audit and Risk  
Committee

Member of Nominating and  
Remuneration Committee

Date of Appointment: 28 June 2019

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Professor Annie Koh is Professor Emeritus of Finance (Practice) at Lee Kong Chian School of Business, Singapore Management University (SMU). She is a renowned conference speaker, panel moderator and commentator. In addition to being a member of the World Economic Forum Global Future Council on New Agenda for Work, Wages and Job Creation, Professor Koh also chairs the Asian Bond Fund 2 supervisory committee of the Monetary Authority of Singapore and a committee member of Singapore's Customs Advisory Council and HR Transformation Advisory Panel. She is currently an independent director of AMTD International Inc., PBA Group, Prime US REIT, Prudential Assurance Company Singapore Pte Ltd and Yoma Strategic Holdings Ltd. She previously served on GovTech, Singapore's CPF, HMI and K1 Ventures boards.

Professor Koh also advises privately owned enterprises such as Flexxon Pte Ltd, Hendricks Corp. Pte Ltd, TOP International, and startups such as AvePoint EduTech, Dedoco, Elevate Tech, RootAnt Global, StashAway, StaffOnDemand, SWAT Mobility, and non-profits such as Cyber Youth Singapore and WWF Singapore. She has been an investment committee member of iGlobe Partners since July 2010 and advisor to CUBE3 Ventures since October 2021. Previously held leadership positions at SMU include Vice President for Business Development; V3 Group Professor of Family Entrepreneurship; Academic

Director of Business Families Institute and International Trading Institute; Associate Dean, Lee Kong Chian School of Business; and Dean, Office of Executive and Professional Education.

Professor Koh received her Ph.D. degree in International Finance as a Fulbright scholar from Stern School of Business, New York University in 1988. Her research interests are in Family Office and Family Business, Investor Behaviour, Alternative Investments and Enterprise Risk Management. She co-authored Financial Management: Theory and Practice, 2nd edition (2021), and Financing Internationalisation – Growth Strategies for Successful Companies (2004), co-editor of Asian Family Business: Succession, Governance and Innovation (2020), and author of a number of Asian family business cases and survey reports. In recognition of her contribution to education and the public sector, she was awarded the bronze and silver Singapore Public Administration medal in 2010 and 2016 respectively, and the Adult Education Prism Award in 2017.

## MS CHENG AI PHING

Independent Non-Executive Director

Chairperson, Audit and Risk  
Committee

Member of Nominating and  
Remuneration Committee

Date of Appointment: 28 June 2019

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Ms Cheng is an Independent Director of Citibank Singapore Limited and Chairman of its Audit Committee, as well as an External Member of The Asian Infrastructure Investment Bank Audit & Risk Committee. She is also an Independent Director of Fortune REIT and Chairman of its Audit Committee.

Ms Cheng was previously a Senior Partner in Assurance at one of the Big Four International Accounting Firms for 36 years, where she served large listed and non-listed domestic and international clients in industries ranging from Real Estate to Banking and Commodities. She was also the Chairman of the Firm's Governance Committee for several years before her retirement in August 2015.

Currently, Ms Cheng sits on various governmental bodies and professional associations in Singapore. She is a member of The Accounting and Corporate Regulatory Authority-Financial Reporting Technical Advisory Panel, a member of the SGX Disciplinary Committee and a member of SGX Appeal Committee.

Ms Cheng is a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants, a Fellow of CPA Australia. Since 2012, Ms Cheng has been appointed as a member of the Financial Reporting Committee of the Institute of Singapore Chartered Accountants.

She holds a Bachelor of Accountancy degree from the University of Singapore.

**MS SOH ONN CHENG MARGARET JANE**

Independent Non-Executive Director

Chairperson, Nominating and Remuneration Committee

Member of Audit and Risk Committee

Date of Appointment: 10 February 2021

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Ms Soh was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1981 and was a Partner of Allen & Gledhill from July 1989 to June 2017, specialising in corporate real estate. She frequently advised corporates, real estate investment trusts and funds on various real estate transactional matters including the acquisition and divestment of properties, and the restructuring of real estate portfolios.

Ms Soh is also a Director of Frasers Logistics & Commercial Asset Management Pte. Ltd. (as Manager of Frasers Logistics & Commercial Trust) and was appointed to the Board of Frasers Logistics & Commercial Asset Management Pte. Ltd. on 29 April 2020. Prior to the appointment, Ms Soh was a Director of Frasers Commercial Asset Management Ltd (as Manager of Frasers Commercial Trust).

Ms Soh holds a Bachelor of Laws (Honours) degree from the National University of Singapore.

**MR KEVIN J.E. ADOLPHE**

Independent Non-Executive Director

Member of Audit and Risk Committee

Date of Appointment: 4 August 2020

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Mr Adolphe has over 35 years of global experience in real estate, asset management and financial services. As a Partner with CEO Coaching International, Mr. Adolphe works with, advises and mentors CEOs and their leadership teams from around the world to achieve extraordinary results. Mr Adolphe was with Manulife for 13 years. As the President and CEO of Manulife Asset Management Private Markets and Manulife Real Estate, Mr Adolphe commercialized Manulife's Private Asset Management capabilities to clients and investors worldwide. He profitably grew Manulife's Real Estate platform threefold, expanding the business internationally including launching the first US Office REIT on the Singapore Exchange. Prior to Manulife, Mr Adolphe was with CIBC for 16 years and held a variety of senior roles, including Chief Administrative Officer and Chief Financial Officer of CIBC World Markets.

Mr Adolphe is a Fellow of the Chartered Professional Accountants (Ontario), a member of the Institute of Corporate Directors and serves on the Boards of PRIME, Rogers Bank, Nieuport Aviation, and the Ontario Provincial Judges Pension Plan.

**MR JOHN R. FRENCH**

Independent and Non-Executive Director

Date of Appointment: 8 November 2019

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Founding Principal, French Asset Management, Inc., which manages real estate investments and provides advisory and other services to the real estate industry.

After 37 years serving public and private real estate clients, Mr French retired from Ernst & Young LLP (EY) in June 2019 as a Senior Assurance Partner. His specialties include: real estate investment funds/advisors/sponsors, REITs, land developers, homebuilders and hospitality companies. Prior to being a partner at EY, Mr French was an Assurance Partner at Kenneth Leventhal & Company, a real estate accounting firm acquired by EY in 1995. As a Senior Assurance Partner at EY, Mr French served some of the largest real estate investment sponsors, REIT, homebuilder, and other real estate and hospitality companies in the United States.

For many years Mr French was actively involved with the National Association of Real Estate Investment Trusts (NAREIT) and the Urban Land Institute (ULI). Mr French also served on the Executive Board of University of California at Irvine (UCI) Paul Merage School of Business Center for Real Estate and the Policy Advisory Board of the Fisher Center for Real Estate and Urban Economics University of California at Berkeley. Mr French received the 2018 UCI Paul Merage School of Business Center for Real Estate Lifetime Achievement Award recognising his long-term commitment to serving the real estate industry.

Mr French graduated from California State University, Long Beach with a Bachelor of Science in Accountancy (1981) and a Master of Business Administration (1990). He is a Certified Public Accountant in California and Nevada and a member of the AICPA and the California Society of CPAs.

# BOARD OF DIRECTORS

## MR CHUA HSIEN YANG

Non-Executive Director

Date of Appointment: 26 July 2018

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Mr Chua assumed the role of Director of Group Mergers & Acquisitions (M&A) at Keppel Corporation Limited on 15 February 2021. Prior to his appointment, he served as CEO of Keppel DC REIT Management since the listing of the REIT in 2014 until 14 February 2021.

Mr Chua has extensive experience in the real estate fund management and hospitality industries, including M&A, real estate investments, business development and asset management globally. Prior to joining the Keppel DC REIT Management, Mr Chua was Senior Vice President of Keppel REIT Management Limited (the manager of Keppel REIT) where he headed the investment team.

From 2006 to 2008, Mr. Chua was Director of Business Development and Asset Management at Ascott Residence Trust Management Limited (the manager of Ascott Residence Trust) and before that, he was with Hotel Plaza Limited (now known as Pan Pacific Hotels Group Limited) as Assistant Vice President of Asset Management, where he was responsible for the business development and asset management activities of the group-owned properties. Mr Chua previously held various directorships at subsidiaries and associated companies of Keppel DC REIT from 2016 to 14 February 2021.

Mr Chua holds a Bachelor of Engineering (Civil) from the University of Canterbury and a Master of Business Administration from the University of Western Australia.

## MR LOH YEW SENG

Non-Executive Director

Date of Appointment: 8 November 2019

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Mr Loh is the Chief Financial Officer of Constellar Group Pte. Ltd. overseeing the finance and legal functions at Constellar Group.

Prior to joining Constellar, Mr Loh was the Head, Capital Markets of Singapore Press Holdings Limited in Mar 2019, responsible for fund raising activities of the Group. He joined SPH in July 2001 and was Vice President of Finance, Chief Financial Officer for the magazines business group and Chief Executive Officer of SPH Magazines Pte Ltd before his current appointment.

Mr Loh began his career in 1994 with Arthur Andersen and held notable corporate finance and financial analyst positions in Banque Internationale À Luxembourg, Van der Horst Limited and Visa International. He holds a Bachelor of Accountancy (Honours) from Nanyang Technological University and has been a CFA charterholder since 1999.

## MR PANKAJ AGARWAL

Non-Executive Director

Date of Appointment: 4 August 2020

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Mr Agarwal is the Director and Investment Manager of Auctus Investments Management Pte. Ltd. and is responsible for managing public market investments at AT Group. Mr Agarwal oversees the entire investment management process including investment strategy, asset allocation, exploring and evaluating investment opportunities, portfolio monitoring and risk management.

Mr Agarwal has over 20 years of global experience in investments, wealth management, global markets and corporate banking. Prior to joining AT Group in 2018, he has worked as a senior private banker and investment advisor with DBS Bank, Credit Suisse and Standard Chartered Bank, based in Singapore. Previously, Mr Agarwal was with ICICI Bank Group for over 10 years, serving in various senior roles including as Head of Global Markets for Europe based in London; Head of Products, Private Wealth Management of ICICI Securities based in Mumbai; Product Manager for Structured Products based in Singapore; and as a corporate banker based in New Delhi.

Mr Agarwal received a Master of Business Administration from the Indian Institute of Management, Lucknow (India) and a Bachelor of Engineering from the Indian Institute of Technology, Roorkee (India).

# MANAGEMENT TEAM

## MS BARBARA CAMBON

Chief Executive Officer & Chief Investment Officer

Ms Barbara Cambon is the Chief Executive Officer (“CEO”) and Chief Investment Officer (“CIO”) of the Manager.

Ms Cambon works closely with the Board and management team to define the overall corporate strategy for PRIME, while overseeing its strategic development, day-to-day management and operations. Ms Cambon is also in charge of executing PRIME’s investment programme, which includes the identification, research and evaluation of potential acquisitions and other related investments to enhance PRIME’S portfolio value.

With over 40 years of experience in the U.S. real estate industry, Ms Cambon has held various positions including a Principal and Chief Operating Officer at Colony Capital LLC, and President and Founder of Institutional Property Consultants;

Ms Cambon holds a Master of Business Administration from Southern Methodist University and a Bachelor of Science Degree in Education from the University of Delaware.

## MR HARMEET SINGH BEDI

Deputy CEO and Chief Financial Officer

Mr Harmeet Singh Bedi is the Deputy CEO and Chief Financial Officer (“CFO”) of the Manager.

Based in Singapore, Mr Bedi supports the CEO in the execution of PRIME’S overall growth strategies while specifically helping the finance and investor relations functions. His responsibilities cover the formulation and execution of PRIME’S financial strategies, capital raising and capital management, financial risk management, treasury, tax, financial reporting and investor engagement.

Mr Bedi brings with him 29 years of investment and commercial banking experience in Singapore, Hong Kong and India. He most recently held the positions of CEO of Maybank Kim Eng Singapore, the securities and investment banking subsidiary of the Maybank Group in Singapore, and board member of its Singapore asset management and Indian securities businesses. Prior to this, he spent over 20 years at UBS, Merrill Lynch, Deutsche Bank and JPMorgan across a variety of senior investment banking roles involving capital raising and advisory work for corporates across the region.

Mr Bedi received his Post Graduate Diploma in Management from the Indian Institute of Management - Ahmedabad (IIM-A), India and Bachelor of Arts in Economics from St. Xaviers College, University of Bombay.

## MR GOO LIANG YIN

Financial Controller

Mr Goo Liang Yin is the Financial Controller of the Manager.

Mr Goo brings with him over 20 years of experience in financial accounting. Prior to joining the Manager, he was the Vice President Finance of NSL Ltd (formerly known as Natsteel Ltd) where he was responsible for overseeing the group-wide reporting process. Mr Goo was also the Vice President (Finance) at First Sponsor Management Pte. Ltd. (“FSMPL”), where he was overall-in-charge of the group’s financial planning and analysis function and treasury matters. Prior to his appointment at FSMPL, Mr Goo was Chief Financial Officer of China Great Land Holdings Ltd where he assumed supervision over the accounts team and took charge of taxation matters, management reporting and the preparation of financial statements.

Mr Goo started his career with KPMG Singapore, and graduated with a Bachelor of Accountancy from Nanyang Technological University.

# FINANCIAL REVIEW

This review is for the financial year 1 January 2021 to 31 December 2021 ("FY2021").

In FY2021, Prime US REIT ("PRIME") delivered results that exceeded FY2020 driven by contributions from Sorrento Towers and One Town Center, which were acquired in July 2021, partially offset by higher property operating expenses.

Sorrento Towers was acquired from Sorrento Towers North LLC, at a valuation of US\$146.0 million as of 9 June 2021. The valuer, Cushman & Wakefield Western, Inc., valued Sorrento Towers primarily based on the income capitalisation approach and supported by the sales

comparison approach. The income capitalisation approach consisted of a discounted cash flow analysis and a direct capitalisation methodology.

One Town Center was acquired from CP OTC LLC, at a consideration of US\$99.5 million. The valuer, Joseph J. Blake and Associates, Inc., valued One Town Center at US\$102 million as at 8 June 2021 primarily based on the income capitalisation approach and supported by the sales comparison approach. The income capitalisation approach consisted of a discounted cash flow analysis and a direct capitalisation methodology.

## Overview (US\$'000)

	2021 Actual	2020 Actual	+/(-)%
Gross Revenue	156,741	143,557	9.2
Property Operating Expenses	(56,043)	(48,568)	15.4
<b>Net Property Income</b>	<b>100,698</b>	<b>94,989</b>	<b>6.0</b>
Manager's base fee	(7,714)	(7,355)	4.9
Manager's performance fee	-	(622)	(100.0)
Trustee's fee	(193)	(188)	2.7
Other trust expenses	(1,860)	(1,426)	30.4
Net change in fair value of derivatives	16,147	(16,356)	n.m.
Finance expenses	(16,986)	(14,871)	14.2
Finance income	4	3	33.3
<b>Net Income before tax and fair value change in investment properties</b>	<b>90,096</b>	<b>54,174</b>	<b>66.3</b>
Net change in fair value of investment properties	(17,199)	(28,935)	(40.6)
<b>Net income before tax</b>	<b>72,897</b>	<b>25,239</b>	<b>188.8</b>
Tax expense	(4,709)	(2,030)	132.0
<b>Net income attributable to Unitholders</b>	<b>68,188</b>	<b>23,209</b>	<b>193.8</b>
Distribution adjustments	7,413	48,869	(84.8)
<b>Income available for distribution to Unitholders</b>	<b>75,601</b>	<b>72,078</b>	<b>4.9</b>

n.m.: not meaningful

## INCOME AVAILABLE FOR DISTRIBUTION

Distributable income for FY2021 was US\$75.6 million, 4.9% higher than FY2020, contributed by Sorrento Towers and One Town Center, partially offset by higher property operating expenses and finance expenses.

Distribution per Unit (DPU) for FY2021 was 6.78 US cents, translating to a distribution yield of 8.1% based on the market closing price of US\$0.835 per Unit as at the last trading day of 2021.

## GROSS REVENUE

Gross revenue for FY2021 was US\$156.7 million, US\$13.2 million or 9.2% higher than FY 2020, largely due to contributions from Sorrento Towers and One Town Center and higher recoveries income related to higher property expenses. Recoveries income refer to reimbursements from tenants for certain property expenses.

## Gross Revenue<sup>1</sup> by Asset (US\$m)

for financial year ended 31 December

	2021 Actual	2020 Actual
Tower I at Emeryville	14.01	12.81
222 Main	18.52	18.95
Village Center Station I	6.38	7.17
Village Center Station II	12.01	10.43
101 South Hanley	11.31	11.46
Tower 909	10.41	10.85
Promenade I & II	8.49	8.83
CrossPoint	10.58	10.35
One Washingtonian Center	12.93	12.85
Reston Square	6.42	6.27
171 17 <sup>th</sup> Street	18.22	18.85
Park Tower <sup>2</sup>	17.07	14.74
Sorrento Towers <sup>3</sup>	6.20	-
One Town Center <sup>3</sup>	4.19	-

1. Gross revenue includes rental income, recoveries income and other operating income.

2. Park Tower was acquired in February 2020.

3. Sorrento Towers and One Town Center were acquired in July 2021

## NET PROPERTY INCOME (NPI)

NPI for FY2021 was US\$100.7 million, US\$5.7 million or 6.0% higher than FY2020, primarily due to higher gross revenue, partially offset by higher property operating expenses.

Net Property Income by Asset (US\$m) for financial year ended 31 December		
	2021 Actual	2020 Actual
Tower I at Emeryville <sup>1</sup>	9.80	8.80
222 Main	13.59	14.03
Village Center Station I	3.03	3.83
Village Center Station II <sup>2</sup>	9.17	9.17
101 South Hanley	6.41	6.62
Tower 909	5.98	6.02
Promenade I & II	5.39	5.70
CrossPoint	7.00	7.17
One Washingtonian Center	8.28	8.40
Reston Square	4.18	4.21
171 17 <sup>th</sup> Street	11.21	11.80
Park Tower <sup>3</sup>	10.25	9.25
Sorrento Towers <sup>4</sup>	4.02	-
One Town Center <sup>4</sup>	2.69	-

1. Increase in the NPI of Tower I at Emeryville is primarily due to termination income received from WeWork.
2. NPI of Village Center Station II remained flat as higher recoveries income was offset by higher property tax.
3. Park Tower was acquired in February 2020.
4. Sorrento Towers and One Town Center were acquired in July 2021

## NET INCOME

Net income for FY2021 was US\$68.2 million, US\$45 million or 193.8% higher than FY2020, attributed primarily to the lower fair value loss in investment properties, and the gain in fair value of derivative instruments and higher NPI.

The properties were revalued as of 31 December 2021, resulting in a net fair value loss in investment properties of US\$17.2 million, which was US\$11.7 million lower than FY2020. The fair value loss in investment properties consists of straight-line rent adjustments of US\$4.6 million offset by amortisation of lease commissions of US\$0.7 million. This is a non-cash item and therefore does not affect income available for distribution to Unitholders.

Net change in fair value of derivatives resulted in a gain of US\$16.1 million (compared to a loss of US\$16.4 million in the prior period). This is primarily due to increase in projected interest rates as at 31 December 2021, resulting in a gain from the mark-to-market of these swaps. This is a non-cash item and therefore does not affect income available for distribution to Unitholders.

Finance expenses of US\$17.0 million was higher by US\$2.1 million or 14.2% in FY2021, primarily due additional borrowings to fund the acquisitions of Sorrento Towers and One Town Center.

Tax expenses of US\$4.7 million was US\$2.6 million or 132% higher in FY2021. This was primarily due to a widening of taxable temporary difference between the book value and the tax base of investment properties.

## INVESTMENT PROPERTIES

As at 31 December 2021, assets under management (AUM) was approximately US\$1.7 billion.

Combining Sorrento Tower and One Town Center's acquisition costs in July 2021, including transaction costs, net of credits received at closing for capital expenditure and leasing costs under seller's responsibility and last year's valuations, PRIME's total portfolio valuation increased by 17.6% from 31 December 2020. Excluding the two new acquisitions made in 2021, PRIME's portfolio valuation was relatively steady year on year, underpinning the strength of PRIME's diversified portfolio.

Investment Properties (US\$m)	31 December 2021	31 December 2020
	Valuation	Valuation
Tower I at Emeryville	115.0	115.7
222 Main	228.0	224.0
Village Center Station I	81.0	86.4
Village Center Station II	156.0	155.1
101 South Hanley	79.3	80.0
Tower 909	81.6	80.9
Promenade I & II	74.9	71.0
CrossPoint	102.0	99.0
One Washingtonian Center	92.5	102.0
Reston Square	35.1	46.9
171 17 <sup>th</sup> Street	200.0	180.7
<b>Total valuation for IPO portfolio</b>	<b>1,245.4</b>	<b>1,241.7</b>
Park Tower	157.6	163.5
One Town Center	101.0	-
Sorrento Towers	149.0	-
<b>Grand Total</b>	<b>1,653.0</b>	<b>1,405.2</b>

# FINANCIAL REVIEW

## NET ASSET VALUE (NAV) PER UNIT

As at 31 December 2021, NAV per Unit was US\$0.85. Excluding the DPU declared for the second half of financial year ended 31 December 2021, the adjusted NAV per Unit was US\$0.81. As at 31 December 2020, NAV per Unit was US\$0.86.

## FUNDING AND BORROWINGS

As at 31 December 2021, PRIME's gross borrowings were US\$633.6 million.

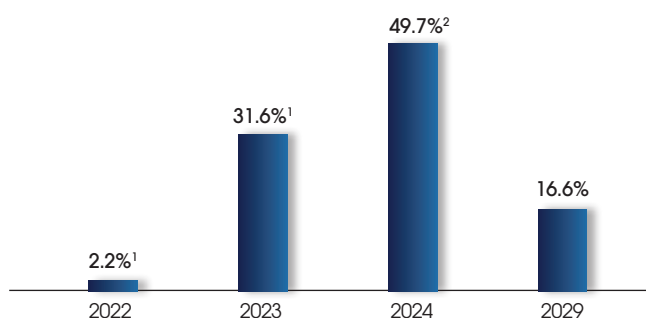
Of this, PRIME's long-term loans amounted to US\$619.6 million, including US\$ 114.6 million of secured loans raised to partly finance the acquisitions of Sorrento Towers and One Town Center in July 2021. As at 31 December 2021, PRIME had drawn down US\$14.0 million from its revolving credit facility to partly finance the acquisition of the properties, capital expenditures and tenant improvements.

The Manager continues to adopt a prudent approach towards capital management. All of PRIME's borrowings are US dollar-denominated, providing a natural currency hedge for its income and investments.

PRIME's gearing stood at 37.9% as at 31 December 2021, which along with US\$231.0 million of undrawn bank lines, demonstrated PRIME's access to additional sources of capital, and debt headroom of US\$405.8 million (based on 50% leverage) provides considerable financial flexibility to execute its growth strategies.

With a fully extended debt maturity of 3.7 years (assuming an exercise of options to extend debt tranches maturing in 2022, 2023 and 2024), PRIME has no near-term refinancing requirements until 2024. As at 31 December 2021, the effective interest rate on borrowings was a low 2.5%, with an interest coverage ratio of 5.4 times for FY2021.

## Debt Maturity Profile (%)



1 Extension options are available to the borrower to extend the maturities of the Revolver and 4-year term loan to 2024 from 2022 and 2023 respectively.

2 Extension options are available to the borrower to extend the maturities of the two new 3-year facilities aggregating US\$114.6 million obtained in 2021 from 2024 to 2026.

## CASH FLOWS AND LIQUIDITY

As at 31 December 2021, PRIME's cash and cash equivalents were US\$13.9 million.

Net cash generated from operating activities for FY2021 was US\$95.7 million, mainly from cash received from NPI. Net cash used in investing activities for FY2021 amounted to US\$260.4 million. This included mainly net cash of US\$244.3 million deployed for the acquisition of Sorrento Towers and One Town Center, as well as payments for capital expenditure for investment properties of US\$16.1 million.

Net cash generated from financing activities amounted to US\$141.1 million. This comprised mainly of US\$80.0 million from equity proceeds, and US\$147.1 million of debt financing obtained from external banks, net of transaction costs and repayments, partially offset by distributions paid to unitholders of US\$69.4 million during the year.

## USE OF PRIVATE PLACEMENT PROCEEDS AND LOAN FACILITIES DRAWN IN RELATION TO ACQUISITIONS OF SORRENTO TOWERS AND ONE TOWN CENTER

An aggregate of 98,766,000 Units were issued at US\$0.81 per unit raising gross proceeds of US\$80.0 million pursuant to a private placement completed on 6 July 2021. The gross proceeds from the private placement have been fully utilised and the use of proceeds is in accordance with the stated use and allocation of the proceeds from the announcement made on 24 June 2021. The proceeds from the issue of Units and loan facilities drawn on were used for the following:

	Actual US\$'000
Acquisitions of the properties <sup>1</sup>	246,020
Transaction costs <sup>2</sup>	2,867
<b>Total</b>	<b>248,887</b>

1 Actual cash consideration was net of seller's portion of capital and leasing costs and includes acquisition costs.

2 Transaction costs include expenses incurred in relation to the issuance of Units and bank borrowings.



## **CAPITAL MANAGEMENT**

The Manager regularly reviews PRIME's financial policy, as well as its debt and capital management structures to optimise PRIME's funding sources.

The Manager seeks to maintain an optimal combination of debt and equity in order to balance the cost of capital and maximise returns to Unitholders. The Manager also monitors externally imposed capital requirements and ensures PRIME's adopted capital structure complies with these requirements.

Under the Property Funds Appendix of the Code on Collective Investment Schemes (CIS Code) issued by the Monetary Authority of Singapore (MAS), there are aggregate leverage limits on real estate investment trusts listed on the Singapore Stock Exchange (SG REITs). On 16 April 2020, the Monetary Authority of Singapore announced new measures to provide SG REITs with greater flexibility to manage their cash flows and raise funds amid a challenging operating environment due to COVID-19. As a result, the aggregate leverage limit was raised to 50.0% from 45% with immediate effect, subject to maintaining a minimum adjusted interest coverage ratio of 2.5x.

PRIME has complied with the applicable leverage limits during the financial year ended 31 December 2021.

## **FINANCIAL RISK MANAGEMENT**

PRIME's activities expose it to tax risk, market risk, interest rate risk, credit risk and liquidity risk in the normal course of its business. Its overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the financial performance of PRIME and its subsidiaries.

PRIME's financial risk management is discussed in more detail in the notes to the financial statements.

The Manager continues to adopt appropriate hedging strategies to manage interest rate exposure for PRIME. Interest rate swaps have been entered into to hedge interest rate exposure of the long-term loans. As at 31 December 2021, 84.1% of the variable rate interest borrowings had been hedged using floating-to-fixed interest rate swaps. Including 10-year term loan, PRIME has fixed or swapped into fixed, the interest rates on 86.7% of total gross borrowings mitigate against near-term interest rate risks.

## **ACCOUNTING POLICY**

The financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, the applicable requirements of the CIS Code issued by the MAS and the provisions of the Trust Deed.

PRIME's significant policies are discussed in more detail in the notes to the financial statements.

# PORTFOLIO REVIEW

PRIME has a portfolio comprising 14 high-quality Class A office buildings located in 13 key U.S. markets with an aggregate net leasable area (“NLA”) of 4.4 million sq ft as at 31 December 2021. The assets are strategically located in high growth cities with access to educated workforce and lifestyle amenities.

The portfolio has a weighted average lease expiry (“WALE”) of 4.2<sup>(a)</sup> years by NLA and a committed occupancy of 90.3% as at 31 December 2021, well above U.S. Class A 4/5 Star office average of 83.5% reported by CoStar<sup>1</sup>.

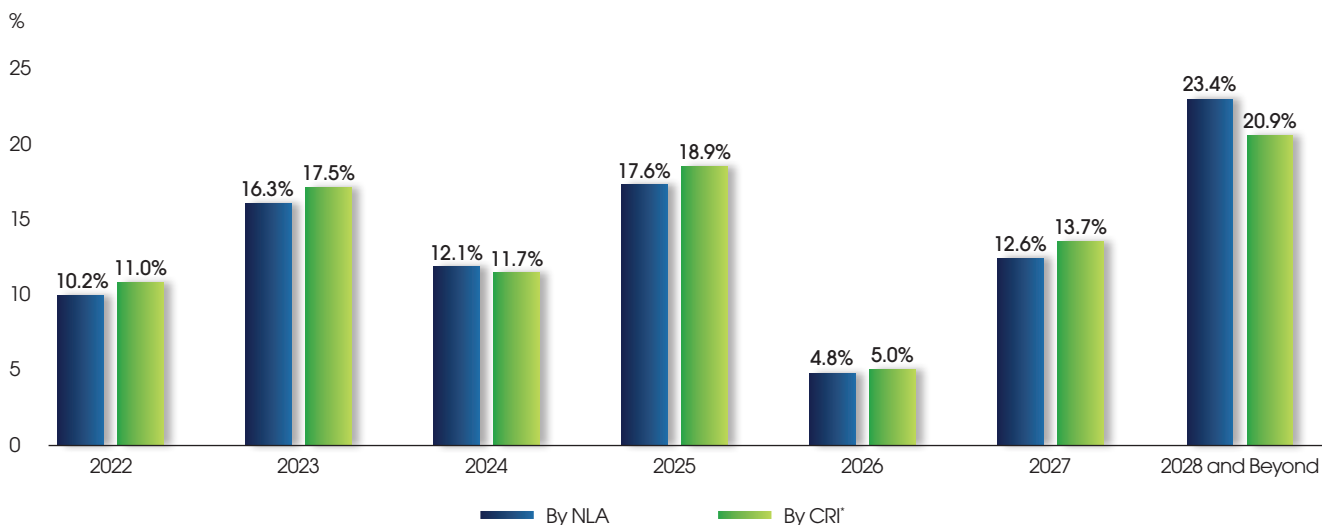
## STABLE LEASE PROFILE WITH WELL-STAGGERED EXPIRATIONS AND POSITIVE RENTAL REVERSION

Lease expiries are well-spread across the portfolio with only 11% by cash rental income (“CRI”) expiring in 2022 and 17.5% in 2023. The expiries are well spread across the portfolio, with the largest single asset expiry accounting for

2.7% of portfolio CRI. The acquisitions of Sorrento Towers and One Town Center further reduced PRIME’s single asset exposure, with no single property contributing more than 11.4% of CRI.

Despite another challenging year impacted by the global Covid pandemic, PRIME generated 414,632 sq ft of leasing in 2021, a demonstration of tenants continuing to commit to leasing of office space and to PRIME’s properties. Leasing momentum gained strength as the year progresses, with second half 2021 leasing volumes more than double that of the first half of the year. New leases and renewals both increased by over 100% in the second half of 2021 as compared to the first half. Rental reversions were positive in each quarter, with the average for the year at 14.1% as compared to 7.2% in 2020. Approximately 62% of the leases executed in 2021 consisted of three years or term or more.

## Stable Tenancy Profile with Well Staggered Expirations <sup>(b)</sup>



\* Annualized cash rental income based on the month of December 2021.

(a) WALE of new leases entered into and commenced in FY2021 is 3.2 years. Including leases commencing in future years, WALE of all new leases signed in FY2021 is 5.3 years.

(b) Excludes month-to-month leases accounting for 1.3% of annualized CRI or 3.0% of NLA.

<sup>1</sup> CoStar as of 4 January 2022, 4/5 star properties.

PRIME's asking rents in a significant majority of its assets is above the in place rents, reflecting potential for positive rental reversion on a portfolio basis.

### Positive Reversion Potential Still in Place

Name of Property	Annual In Place Rent (US\$/sq ft)	Annual Asking Rent (US\$/sq ft)	Potential Rental Reversion	WALE	Occupancy	Lease expiry through 2022 by CRI <sup>(1)</sup>
Tower I at Emeryville	\$48.75	\$54.02	10.8%	2.0	70.4%	0.4%
222 Main	\$39.08	\$37.65	-3.7%	4.4	92.1%	0.1%
Village Center Station I	\$23.67	\$24.08	1.7%	1.8	64.9%	0.0%
Village Center Station II	\$24.70	\$24.21	-2.0%	6.5	100.0%	0.0%
101 South Hanley	\$28.72	\$31.50	9.7%	3.5	96.8%	1.2%
Tower 909	\$29.54	\$33.06	11.9%	3.5	88.2%	1.6%
Promenade I & II	\$27.94	\$28.00	0.2%	2.9	98.8%	0.8%
CrossPoint	\$33.88	\$39.00	15.1%	3.0	94.6%	1.7%
One Washingtonian Center	\$36.22	\$36.50	0.8%	2.9	80.6%	0.3%
Reston Square	\$43.57	\$37.00	-15.1%	2.1	100.0%	2.7%
171 17 <sup>th</sup> Street	\$28.42	\$27.00	-5.0%	6.1	92.9%	0.7%
Park Tower	\$32.65	\$40.50	24.1%	4.1	88.3%	0.9%
One Town Center	\$31.94	\$38.00	19.0%	5.5	94.7%	0.0%
Sorrento Towers	\$38.40	\$47.40	23.4%	5.8	99.9%	0.6%
<b>Total / Weighted Average</b>	<b>\$32.68</b>	<b>\$35.06</b>	<b>7.3%</b>	<b>4.2</b>	<b>90.3%</b>	<b>11.0%</b>

(1) Lease expiry excludes month to month leases accounting for 1.3% of CRI.

PRIME's historical rental reversion potential has been proven over the course of 2021, with positive reversion in each quarter and for the year. Excluding short-term leases of less than one year, rental reversion was 15.8%.

### 2021 Rental Reversion

Period	Wtd Ave Rent Reversion (all)	Wtd Ave Rent Reversion (Excluding short term)
Q1 2021	8.5%	9.5%
Q2 2021	10.5%	13.3%
Q3 2021	19.1%	19.2%
Q4 2021	7.8%	9.8%
<b>Total 2021</b>	<b>14.1%</b>	<b>15.8%</b>

Furthermore, over 99% of PRIME's CRI has built-in rental escalations providing for organic growth potential.

# PORTFOLIO REVIEW

## DIVERSIFIED PORTFOLIO WITH ESTABLISHED TENANTS CONTINUE TO PROVIDE SUSTAINABLE GROWTH

PRIME's resilient portfolio is underpinned by a well-diversified, established tenant mix of over 260 tenants, balanced across 22 industry sectors. As at 31 December 2021, more than 70% of PRIME's tenants by CRI are in established and growing STEM/TAMI<sup>2</sup> sectors such as communications and information, medical and health care, real estate, finance and legal services.

The accretive acquisition of Sorrento Towers in San Diego and One Town Center in Boca Raton completed in July 2021 aligned with PRIME's growth objectives. The expansion into San Diego, a life science and technology marketplace, and entry into South Florida, a growth market led by in-migration of wealth and businesses, the acquisition

further enlarged PRIME's portfolio exposure to a growing technology and established sectors and improved income resilience. The overall value of PRIME's portfolio increased 17.6% from US\$1.40 billion in the preceding year to US\$1.65 billion as at 31 December 2021. Recent leasing activity and acquisitions have increased the portfolio's exposure to industries with strong fundamentals. During 2021, the portfolio's medical, biotech and health sector grew by 21.5% primarily due to the acquisition of Sorrento Towers with Dexcom as the anchor tenant, and the portfolio exposure to the finance sector grew by 15.6%, primarily due to the acquisition of One Town Center with Bank of America as the anchor tenant.

The strength of the tenancy profile is reflected in a high rental collection rate of over 99% with minimal rental deferrals throughout FY2021.

### CRI<sup>1</sup> by Trade Sector

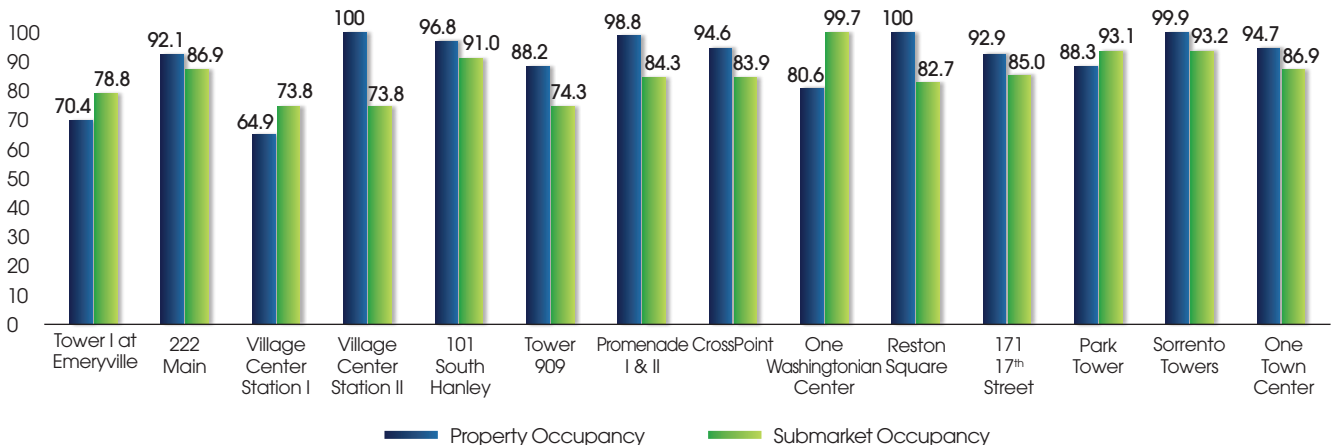
**70%**  
In Established  
+ Growth  
(STEM/TAMI)<sup>2</sup> Sectors



	%
Legal Services	11.0
Accommodation and Food Services Finance	6.9
Professional/Technical Services	5.7
Oil and Gas	5.4
Government	4.3
Medical, Biotech and Health Care	12.8
Others	14.3
Real Estate Services	7.6
Communications and Information	13.7
Finance	18.2

### High Portfolio Occupancy above U.S. Class A Office Average

As at 31 December 2021, PRIME's portfolio occupancy of 90.3% remains well above U.S. Class A 4/5 Star office average of 83.5% reported by CoStar<sup>3</sup>.



1 Data for Cash Rental Income as at 31 December 2021.  
 2 Established: Finance, Real Estate, Legal, Government; STEM: Science, Technology, Engineering, and Mathematics; TAMI: Technology, Advertising, Media, and Information.  
 3 CoStar as of 4 January 2022, 4/5 star properties.

## TOP 10 TENANTS

With the enlarged portfolio following the acquisition of Sorrento Towers and One Town Center, PRIME's top 10 tenants contribute 38.8% of its portfolio's CRI with a WALE of 5.0 years as at 31 December 2021, as compared to 41.6% of CRI and a 5.2 year WALE as of 31 December 2020, reflecting greater diversification with a relatively stable WALE.

With the acquisition of Sorrento Towers, Dexcom, a medical device company primarily focused on the design, development and commercialization of continuous glucose monitoring (CGM) systems, has become a top 10 tenant, with 148,383 sq ft of space accounting for 4.1% of CRI.

With the acquisition of One Town Center, Bank of America, one of the world's largest financial institutions, serving individuals, small and middle-market businesses and large corporations, also entered the top 10 tenant list with 61,430 sq ft of space contributing 2.2% of PRIME's CRI. As compared to December 2020, PRIME's top 10 tenant industry exposure to medical / biotech and finance increased. Top 10 tenant exposure to real estate decreased with the exit of WeWork from the tenant roll, PRIME's top ten tenants currently comprise of:

### Charter Communications (Village Center Station I and II)

Charter Communications, a leading telecommunications and mass media company with a Ba1 Moody's Investors Service credit rating, is the anchor tenant at Village Center Station I & II. As PRIME's largest tenant leasing 419,881 sq ft of space, contributing 8.2% of PRIME's portfolio by CRI. This office serves as their regional (west coast) HQ, as well as for their research and development and main patent office.

### Goldman Sachs (222 Main)

A multinational investment bank and financial services company with an A2 Moody's Investors Service credit rating, took up 177,206 sq ft space at 222 Main, contributing to 5.0% of PRIME's portfolio by CRI. Opened in 2000, the Goldman Sachs' office in Salt Lake City is now one of the largest offices in the organization. Initially a hub for a handful of functions, the Salt Lake City office now has operations across 14 of Goldman Sachs' 16 divisions: Compliance, Finance, GS Bank, Global Investment Research, Human Capital Management, Investment Banking, Investment Management, Legal, Internal Audit, Merchant Banking, Operations, Securities, Services and Technology.

### Sodexo (One Washingtonian Center)

Sodexo Operations, a worldwide leader in integrated food and facilities management services, with a BBB+ / A2 credit rating, continues to operate their U.S. headquarters at One Washingtonian Center with a leased space of 190,698 sq ft, accounting for 4.9% of PRIME's portfolio by CRI. This office serves as their North American HQ. As such, there are multiple functions held within the office.

### Dexcom (Sorrento Towers)

Dexcom, Inc. is a medical device company primarily focused on the design, development and commercialization

of continuous glucose monitoring (CGM) systems for use by people with diabetes and by healthcare providers. Dexcom currently has 6,300 employees across 6 locations (the majority of which are in the San Diego region) and \$2.45B in annual revenue in FY2021. With Dexcom's recent expansion into the full 5375 Building of Sorrento Towers, Dexcom has relocated all corporate executives and the majority of corporate (non-manufacturing, non- R&D, etc.) operations into Sorrento Towers and has establish this location as their main "Guest & Visitor Center".

### AGG (171 17<sup>th</sup> Street)

Arnall Golden Gregory (AGG), an Am Law 200 law firm, serves clients in healthcare, real estate, retail, fintech/ payment systems, global commerce/global mobility, government investigations, life sciences, and logistics and transportation. The offices at 171 17<sup>th</sup> Street serve as their headquarters facility and house the majority of the firm's senior leadership. In 2021, AGG signed a lease extension for 4 floors at 171 17<sup>th</sup> Street through to 2035.

### Holland & Hart (222 Main)

Founded in 1947, the Colorado based Holland & Hart is one of the largest law firms in the Mountain West Region with 470 attorneys operating in 13 offices across eight states with a diverse practice. Salt Lake City is the firm's 2<sup>nd</sup> largest office. Occupying over 89, 960 sq ft, they contribute 3.0% of PRIME's CRI.

### Wells Fargo (171 17<sup>th</sup> Street)

Wells Fargo is a diversified financial services firm providing banking, investment and mortgage products and services, as well as consumer and commercial finance, with a Aa2 / AA- credit rating. Wells Fargo occupies 106,030 sq ft, contributing 2.9% to PRIME's CRI. Their offices at 171 17<sup>th</sup> Street serve as the bank's Atlanta regional headquarters.

### State of California (Park Tower)

The State of California, with a credit rating of AA / Aa2 is the largest tenant at Park Tower, occupying 124,722 sq ft, accounting for 2.7% of portfolio CRI. They operate a number of state departments including the Commission of State Mandates, Department of Managed Healthcare and the Water Resources board.

### Whitley Bradley Brown (Reston Square)

Whitley Bradley & Brown are private, professional services and consulting firm occupying 73,511 sq ft of space contributing 2.6% of PRIME's CRI. They were acquired in 2021.

### Bank of America (One Town Center)

Bank of America, a multinational investment bank and financial services holding company with a Aa2 Moody's Investors Service credit rating, leases 61,430 SF at One Town Center, contributing to 2.2% of PRIME's CRI. The company's location at One Town Center primarily focuses on institutional wealth management, ranking among the firm's top locations in the world.

# PORTFOLIO REVIEW

## Top 10 Tenants

Tenant	Industry	Credit Rating	Property	Leased sq ft	% of Portfolio CRI <sup>(1)</sup>
Charter Communications	Communications	Moody's: Ba1	Village Center Station I & II	419,881	8.2%
Goldman Sachs Group Inc.	Finance	Moody's: A2 S&P: BBB+ Fitch: A	222 Main	177,206	5.0%
Sodexo Operations LLC	Accommodation and Food Services	S&P: BBB+	One Washingtonian Center	190,698	4.9%
Dexcom	Medical, Biotech & Health Care	Independent Firm Credit Analysis: Strong	Sorrento Towers	148,383	4.1%
Arnall Golden Gregory LLP	Legal Services	Private Firm	171 17 <sup>th</sup> Street	122,240	3.1%
Holland & Hart	Legal Services	Private Firm	222 Main	89,960	3.0%
Wells Fargo Bank NA	Finance	Moody's: Aa2 S&P: AA-	171 17 <sup>th</sup> Street	106,030	2.9%
State of California	Government	Fitch: AA Moody's: Aa2	Park Tower	124,722	2.7%
Whitney, Bradley & Brown	Professional / Technical Services	Private Firm	Reston Square	73,511	2.6%
Bank of America, NA	Finance	Fitch: AAA Moody's: Aa2	One Town Center	61,430	2.2%
<b>Total</b>				<b>1,514,061</b>	<b>38.8%</b>
<b>WALE Top 10</b>					<b>5.0 Years</b>

## BUILDING IMPROVEMENTS AND CAPITAL SPEND

As companies increase efforts to retain employees and attract top talent, the post-pandemic U.S. office market continues to focus on flight to quality. Throughout 2021, well-designed suite buildouts have been a desirable factor

for prospective tenants. In late 2021, PRIME completed 12,875 of spec suites at Park Tower, a 12,190 sq ft spec suite at Village Center Station I and a full floor spec suite at Tower 909, all of which should decrease lease-up timing.



In addition, amenities such as gyms, lounges and lobbies have attracted prospective tenants as it amplifies the tenant's experience. Although a majority of the properties in PRIME's portfolio currently have updated and desirable amenities, throughout 2021, PRIME continued to enhance its buildings with a patio renovation at 101 South Hanley and a newly developed exterior lake front deck along with a variety of seating, music, café lights and wireless internet at Tower 909. In addition, an amenity lounge is planned for construction at Reston Square, which is projected to be completed in late 2022.

At One Washingtonian, restroom upgrades were completed on two additional floors to increase the quality of the building. These upgrades have helped increase tenant activity on space recently vacated by Covance. Patio renovations were also completed at 101 South Hanley to increase the quality of the building. These upgrades have helped maintain the building's high occupancy of 96.76% as of 31 December 2021. Other AEI projects were put on hold during the pandemic and reassessed to better accommodate tenant needs as they return to office and in an effort to appropriately manage capital expenditure during the year.



Gym at Sorrento Towers

# PROPERTIES PROFILE

AS AT 31 DECEMBER 2021



**14** Prime U.S. Office Properties



**100%** Class A



**100%** Freehold



**90.3%** Portfolio Occupancy<sup>(1)</sup>



**4.4M sq ft**  
NLA



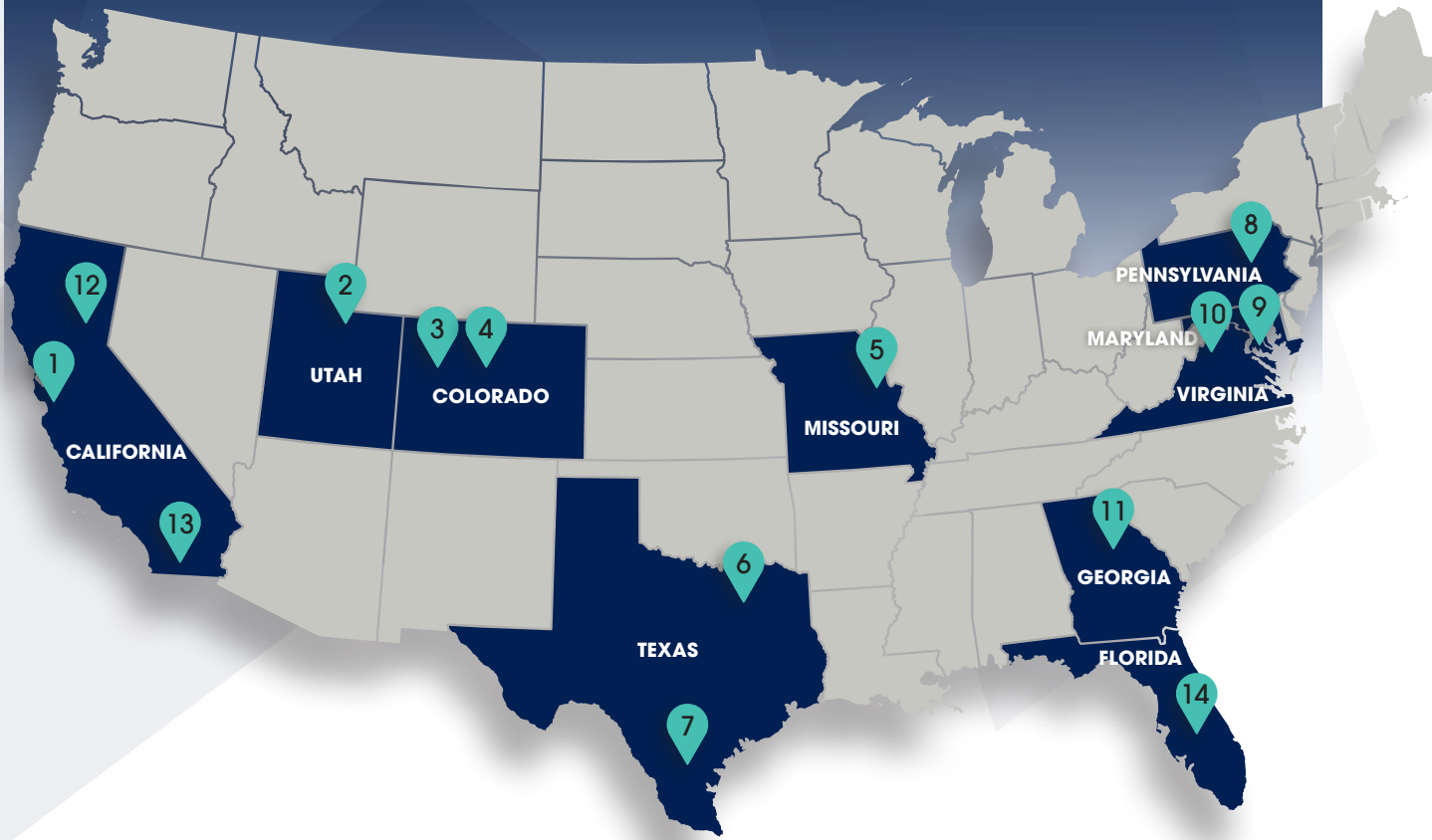
**US\$ 1.65B**  
Carrying Value<sup>(2)</sup>



**99%** CRI with Built-In Rental Escalation<sup>(1)</sup>



**4.2 years**  
WALE<sup>(1)</sup> (By NLA)



(1) As at 31 December 2021.

(2) Carrying value represents valuations of investment properties as at 31 December 2021 carried out by JLL Valuation & Advisory Services, LLC.





1 TOWER I AT EMERYVILLE



2 222 MAIN



3 VILLAGE CENTER STATION I



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11 171 17TH STREET



12 PARK TOWER



13 SORRENTO TOWERS



14 ONE TOWN CENTER

# PROPERTIES PROFILE

AS AT 31 DECEMBER 2021

## TOWER I AT EMERYVILLE

1900 Powell Street,  
Emeryville,  
California 94608



- Tower I at Emeryville is a 12-storey Class A multi-tenanted office building located in the Oakland (North Alameda) submarket within the San Francisco Bay Area (Oakland) primary market.
- Situated in close to the San Francisco Bay, Tower I at Emeryville lies in close proximity to the Oakland International Airport and enjoys views of the San Francisco Bay, the San Francisco skyline, Golden Gate Bridge and the Treasure Island.
- Public transportation is easily accessible through Amtrak, AC Transit, and free shuttles connecting Emeryville's employers and shopping centres with the MacArthur BART station.
- Quick access to Interstate-580, which passes from San Rafael in the Bay Area to Tracy in the Central Valley.

70.4% Occupancy	12 Number of Storeys	US\$115.0M Carrying Value	222,606 Net Lettable Area (sq ft)	501 Parking Stalls	Energy Star Certified
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## 222 MAIN

222 South Main Street  
Salt Lake City,  
Utah 84101



- 222 Main is a 21-storey Class A multi-tenanted office building located in the CBD submarket within the Salt Lake City primary market with a nine-storey parking structure.
- Close proximity to a light rail (TRAX) stop that allows access to locations throughout Salt Lake Valley and the Salt Lake International Airport.
- Easy access to other public transportation and Interstates 15, 80, and 215 are a close distance away.
- Located within seven miles (11km) of Salt Lake City International Airport which is undergoing a \$4 billion expansion.

92.1% Occupancy	21 Number of Storeys	US\$228M Carrying Value	433,346 Net Lettable Area (sq ft)	860 Parking Stalls	LEED Gold Certified
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## VILLAGE CENTER STATION I

6380 S. Fiddler's Green Circle,  
Greenwood Village,  
Colorado 80111



- Village Center Station I is a 9-storey Class A multi-tenanted office building located in the Southeast Suburban submarket of the Denver primary market with an adjacent parking structure.
- Amenities include a state-of-the-art fitness center with private lockers and shower facilities, conference center, collaboration areas, outdoor courtyard/patio, and on-site restaurants.
- Primary access into the local market is provided by Interstate 25, the major north-south highway through the Denver CBSA and the State of Colorado.
- Easily accessible to Centennial Airport - one of U.S.'s busiest executive airports.
- Adjacent to Arapahoe at Village Centre Station light rail passenger station where riders can take three lines, E, F and R, into the heart of Denver and other residential and financial areas.

64.9% Occupancy	9 Number of Storeys	US\$81M Carrying Value	241,846 Net Lettable Area (sq ft)	786 Parking Stalls	LEED Gold Certified
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## VILLAGE CENTER STATION II

6360 S. Fiddler's Green Circle,  
Greenwood Village,  
Colorado 80111



- Village Center Station II is a 12-storey Class A single tenanted office tower with attached parking and an additional 2-storey building located in the Southeast Suburban submarket of the Denver primary market.
- Excellent access characteristics to and through the local market area, with three major highways and various major arteries servicing the area.
- Primary access into the local market is provided by Interstate 25, the major north-south highway through the Denver CBSA and the State of Colorado.
- Easily accessible to Centennial Airport - one of U.S.'s busiest executive airports.
- Adjacent to Arapahoe at Village Centre Station light rail passenger station where riders can take three lines, E, F and R, into the heart of Denver and other residential and financial areas.

100.0% Occupancy	12 Number of Storeys	US\$156M Carrying Value	325,576 Net Lettable Area (sq ft)	1,221 Parking Stalls	LEED Certified
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# PROPERTIES PROFILE

AS AT 31 DECEMBER 2021

## 101 SOUTH HANLEY

101 S. Hanley Road, Clayton,  
St. Louis,  
Missouri 63105



96.8% Occupancy	19 Number of Storeys	US\$79.3M Carrying Value	360,505 Net Lettable Area (sq ft)	916 Parking Stalls	LEED Gold Certified
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- 101 South Hanley is a 19-storey Class A multi-tenanted office tower located in the Clayton submarket within the St. Louis primary market with a four-storey parking structure.
- Close proximity to Interstate 170 and Interstate 64 which serve as primary traffic arteries for St. Louis County and the St. Louis metropolitan area.
- Easy access to Clayton Business District, the interstate highway system and other important local destinations and a MetroLink light rail station is two blocks away.
- Features a full array of amenities such as a conference centre, a tenant lounge, fitness centre with full locker rooms, car wash, and a full-service restaurant.

## TOWER 909

909 Lake Carolyn Parkway,  
Irving,  
Texas 75039



88.2% Occupancy	19 Number of Storeys	US\$81.6M Carrying Value	374,251 Net Lettable Area (sq ft)	1,107 Parking Stalls	LEED, Energy Star & WiredScore Silver Certified
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- 19-storey Class A multi-tenanted office tower located in the Las Colinas Urban Center submarket within the Dallas Fort-Worth primary market with a seven-storey parking structure.
- The Urban Center is a highly established business address, and a live-work-play atmosphere with tremendous amenities, including a convention center, hotels, variety of residential, restaurants, retail and entertainment amenities, and green space.
- Direct access to State Highways 114, 12, and 183, as well as Interstate 1-35, providing access to the Dallas Metroplex and Dallas Fort-Worth Airport.
- Excellent access to public transportation, including an on-site stop for the Las Colinas Area Personal Transit System, and direct access to the DART light rail system that provides access throughout Dallas, including Dallas Fort-Worth Airport.
- Full array of amenities, including a conference centre, a tenant lounge, fitness centre with full locker rooms, private shuttle to the adjacent Water Street mixed-use retail project and the Toyota Music Factory venue, on-site lake front café, dry cleaning, concierge, and covered parking.

## PROMENADE I & II

17802 & 17806 IH-10 W,  
San Antonio,  
Texas 78257



98.8% Occupancy	4+1 Lower Level Number of Storeys	US\$74.9M Carrying Value	205,773 Net Lettable Area (sq ft)	823 Parking Stalls	Energy Star Certified
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- Promenade I and II are two 4-storey multi-tenanted Class A office buildings located in the West submarket within the San Antonio primary market.
- Located within the Eilan mixed-use development which includes a boutique hotel, restaurants, retail, apartment complex and office space surrounding a piazza with Tuscanstyle stucco exteriors, stone facades and clay-tiled roofs.
- Within the northwest quadrant of Interstate 10 and Loop 1604, near the region's top employers and proximate to many affluent executive housing and multi-family residential developments.
- Interstate 10 connects San Antonio with Houston and beyond to the east and El Paso and beyond to the west. Loop 1604 encircles the city of San Antonio and provides access to the outer and suburban areas of the city of San Antonio.
- Feature workout facilities, spa services, conference rooms, convenience store, dry cleaning services, tennis courts, indoor and outdoor pools, and drinking and dining options.

## CROSSPOINT

550 East Swedesford Road,  
Wayne Pennsylvania 19087



94.6% Occupancy	4 Number of Storeys	US\$102M Carrying Value	272,360 Net Lettable Area (sq ft)	958 Parking Stalls	LEED Gold Certified
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- CrossPoint is a 4-storey Class A multi-tenanted office building well located along Swedesford Road, in the King of Prussia submarket within the Philadelphia primary market.
- Good proximity to malls and local highways including Route 202 and Interstate 76.
- Proximity to the King of Prussia Mall, the second largest mall in the U.S., a Walmart Supercenter, and the Village at Valley Forge, a live-work-play development which includes Wegman's, Nordstrom Rack, REI and LA Fitness.
- Served by commuter bus service, and the property provides free shuttle service to a nearby commuter rail station.
- High-quality finishes throughout with extensive window lines, and provides tenants with a full-service dining facility, conference centre and fitness centre.

# PROPERTIES PROFILE

AS AT 31 DECEMBER 2021

## ONE WASHINGTONIAN CENTER

9801 Washingtonian Boulevard,  
Gaithersburg,  
Maryland 20878



80.6% Occupancy	13 Number of Storeys	US\$92.5M Carrying Value	314,284 Net Lettable Area (sq ft)	1,219 Parking Stalls	LEED Platinum Certified
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- One Washingtonian Center is a 13-storey Class A multi-tenanted office tower located in the submarket of Suburban Maryland (Gaithersburg) within the Washington D.C. Area (Suburban Maryland) primary market; and within the I-270 Corridor, which is a leading bio-tech and medical research market.
- Part of the exclusive Washingtonian Center mixed-use project, Gaithersburg's premier lakefront shopping, dining, and entertainment destination.
- Offers direct on and off access to Interstate 270 as well as the newly constructed InterCounty Connector which connects the Interstate 270/370 corridor and the Interstate 95/US Route 1 corridor.
- Onsite amenities include a café, virtual concierge, conference center, tenant lounge, outdoor courtyard/patio, on-site security, dry cleaning service, covered parking, and food catering.

## RESTON SQUARE

11790 Sunrise Valley Drive,  
Reston,  
Virginia 20191



100.0% Occupancy	6 Number of Storeys	US\$35.1M Carrying Value	139,018 Net Lettable Area (sq ft)	477 Parking Stalls	LEED, Silver New Construction Certified
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- Reston Square is a 6-storey Class A multi-tenanted office building located in the Reston-Herndon submarket of Suburban Virginia (Reston) within the Washington D.C. Area (Suburban Virginia) primary market.
- Part of the Reston Heights mixed-use development and enjoys proximity to local neighbourhood amenities such as Reston Town Center and the future Reston Town Center Metrorail station.
- Within ten miles of Washington Dulles International Airport.
- Features onsite amenities including a virtual concierge, EV car charging stations, outdoor courtyard/patio, on-site security, coffee bar and conference and fitness centre with private lockers

## 171 17<sup>TH</sup> STREET

171 17<sup>th</sup> Street NW,  
Atlanta,  
Georgia 30363



- 171 17<sup>th</sup> Street is a 22-storey Class A multi-tenanted office building located in the Midtown/Pershing/Brookwood submarket within the Atlanta primary market and the master planned mixed use development of Atlantic Station.
- Benefits from easy access to Interstate 20, 75, 85, 285, 575 and 675; and Georgia Highway 400.
- Close proximity to Hartsfield Jackson International Airport.
- Onsite amenities include café, conference centre, coffee bar, outdoor patio lounge and shuttle service.

92.9% Occupancy	22 Number of Storeys	US\$200M Carrying Value	510,268 Net Lettable Area (sq ft)	1,200 Parking Stalls	LEED Platinum Certified
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## PARK TOWER

980 9<sup>th</sup> Street,  
Sacramento,  
California 95814



- Park Tower is located in Sacramento, California and is part of the CBD submarket within the Sacramento primary market.
- It is a prominent 24-storey Class A office tower with an adjacent 5-storey mixed-use space.
- Amenities include a three-storey atrium lobby, fitness centre, locker rooms, conference centre and tenant lounge.
- The property is three blocks away from the State Capitol building and two blocks from the newly developed Downtown Commons and Golden 1 Center, a mixed-use hotel, entertainment and shopping complex that serves as the home of the Sacramento Kings.

88.3% Occupancy	24 Number of Storeys	US\$157.6M Carrying Value	489,171 Net Lettable Area (sq ft)	1,153 Parking Stalls	LEED Gold Certified
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# PROPERTIES PROFILE

AS AT 31 DECEMBER 2021

## SORRENTO TOWERS

5355 & 5375 Mira Sorrento Place,  
San Diego,  
California 92121



- Sorrento Towers is located in San Diego, California and is part of the Sorrento Mesa submarket, a technology and life science hub. It comprises two, 7-storey Class A office towers above a three-storey podium garage with an NLA of 296,327 sq ft. Sorrento Towers was last refurbished in 2020 and offers amenities such as state-of-the-art fitness centre, conferencing spaces, a training centre, and multiple outdoor, collaborative meeting areas. It has good visibility and excellent access to local and regional transportation arteries, including Inland Freeway ("I-805"), and to Sorrento Court shopping centre that offers two dozen eateries, banking, and lifestyle amenities.

99.9% Occupancy	7 Number of Storeys	US\$149.0M Carrying Value	296,327 Net Lettable Area (sq ft)	949 Parking Stalls	LEED, GOLD and Energy Star Certified
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## ONE TOWN CENTER

One Town Center Road,  
Boca Raton,  
Florida 33486



- One Town Center is located in Boca Raton submarket, one of the wealthiest growing enclaves in the U.S. It is a 10-storey Class A office tower and a five-storey attached parking garage with an NLA of 191,294 sq ft. One Town Center was last refurbished in 2020 and offers amenities such as a coffee shop, covered parking, full-time concierge and security, fitness center, and soon to open farm to table restaurant offering lunch and dinner. The property is one of the newest and tallest buildings in Boca Raton, and is situated in the heart of the most desirable office location in Boca Raton within walking distance to key landmarks such as the Town Center Mall, Boca Center, and Glades Plaza as well as restaurants, national and boutique retail, and hotels. It has good access to local and regional transportation arteries and is in close proximity to public bus transportation services, a regional light commuter rail service and the interstate 95.

94.7% Occupancy	10 Number of Storeys	US\$101.0M Carrying Value	191,294 Net Lettable Area (sq ft)	709 Parking Stalls
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# INDEPENDENT MARKET REPORT



Despite uncertainties, continued job growth and government infrastructure investment are expected to keep the office market on an upward trajectory in 2022.

## UNITED STATES (US) ECONOMY

The recession that began in March 2020, triggered by the COVID-19 pandemic, was short and steep. In 2021 the economy continued to recover. However, midway through the year, fears of inflation and the Delta variant resulted in continued economic uncertainty. In the aftermath of the dramatic shifts in 2020 and 2021, Moody's expects the economy to moderate in 2022. That said, lingering doubts surrounding Omicron, and possible future variants, will cast a shadow on any perceived or predicted economic moderation.

The pandemic continues to disrupt global supply chains, business travel, and labor markets. The Omicron variant is playing a central role in this disruption and, in response, Moody's has revised its first quarter forecast down from 5% to 2.1%. Economists, however, anticipate a quick and sharp rebound in the second quarter (Q2) if the Omicron wave passes, as expected. As we move through the year, the pandemic is expected to slowly recede, and become endemic. While there will likely be future waves of the virus, each subsequent wave should be less disruptive to both the healthcare system and the greater economy as vaccinations and booster shots continue to be administered and the population becomes closer to, or achieves, herd immunity.

That being said, it is important to take in mind that data lags, and industry participants are still trying to accurately determine the pandemic's current effects on the commercial real estate market. Certain property types have been more heavily impacted than others, with some asset classes benefiting from the COVID environment.

Broadly speaking, cap rates compressed, and price growth improved significantly in 2021, however, this is not true for every property or asset class.

## Economic Conditions

After experiencing its worst year of economic growth since 1946, the U.S. economy came back strong in 2021, despite severe obstacles such as the Delta and Omicron variants and high inflation. In addition to a healthy gross domestic product (GDP) of 5.7% for 2021, there was a monthly average growth of 550,000 jobs, which pushed the unemployment rate down to 3.9% at year end. The stock market also hit record highs.

The Consumer Price Index (CPI) increased 7.0% through December 2021, or 5.5% after removing volatile prices such as food and fuel from the dataset. The last time the main inflation index hit 7.0% was in 1982. In response, economic policymakers have announced they will begin raising interest rates. Although the economy is not projected to grow as strongly in 2022, inflation is expected to slow to less than 3% by the end of 2022, due in large part to the Federal Reserve's plan to raise interest rates in the coming months. Exactly how well the economy will perform depends largely on the path the pandemic takes and policymakers' response to it.

The three major vaccines (Pfizer, Moderna and Johnson & Johnson) were all granted emergency use authorization in late 2020 and early 2021, and the FDA granted full approval to the first COVID-19 vaccine in August 2021. A third vaccine shot, a booster shot, was approved in fall 2021, and a fourth one may be forthcoming this year. While three quarters of the American population have received at least one vaccination shot, the recent Omicron wave has resulted in the highest number of hospitalizations and deaths in the pandemic thus far.

Economic Indicators	US	Denver, Colorado	Atlanta, Georgia	Sacramento, California	Salt Lake City, Utah	Dallas, Texas	St Louis, Missouri	Suburban Maryland	Philadelphia, Pennsylvania	San Francisco-Oakland, MSA	San Antonio, Texas	Suburban Virginia	Miami-Ft Lauderdale, Florida	San Diego, California
<b>Nonfarm Employment</b>														
Q4 2020	142.6m	1,456k	2,742k	975k	653k	3,788k	1,373k	1,362k	2,853k	2,267k	1,142k	779k	2,796k	1,407k
Q4 2021	149.0m	1,548k	2,883k	1,013k	683k	3,952k	1,394k	1,396k	2,891k	2,372k	1,187k	791k	3,025k	1,469k
12-Month Forecast	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
<b>Unemployment Rate</b>														
Q4 2020	6.7%	7.1%	5.8%	7.6%	3.4%	6.0%	5.1%	6.5%	7.7%	7.5%	6.3%	6.9%	6.1%	8.7%
Q4 2021	3.9%	4.2%	2.3%	4.4%	1.8%	3.6%	3.5%	4.8%	5.3%	4.5%	4.4%	3.8%	3.3%	5.3%
12-Month Forecast	▼	▼	—	▼	▼	▼	▼	▼	▼	▼	▼	▼	▼	▼

# INDEPENDENT MARKET REPORT

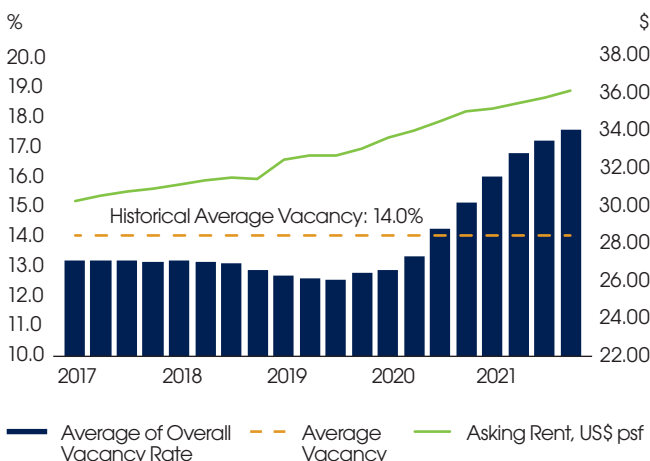
While seemingly persistent waves of COVID may be sounding a few alarms, they are not making their way into the commercial real estate investment market. Transaction volume totaled US\$808.7 billion in 2021, an 80% change year-over-year (YoY) increase, with prices up 22.9% compared to 2020. Commercial real estate investors appear to be unconcerned with inflation and the forthcoming interest rate hikes. They are instead focused on the income growth potential from commercial property, which continues to push cap rates lower. Investment activity has now reached pre-pandemic levels. We anticipate this growth to continue throughout 2022.

On a global scale, growth in the economy appears to have peaked at 5.5% with Moody's Analytics projecting it to slow to 4.2% in 2022, and 3.6% in 2023. Similar to the U.S., after a robust economic rebound in 2021, the global economy will begin the tenuous process of dialing back many of its support measures, such as fiscal stimuli and ultra-accommodative monetary policies. Emerging markets, excluding China, are expected to remain vulnerable to capital outflows amid weaker relative growth and external monetary tightening. Supply chain bottlenecks and semi-conductor chip shortages are expected to persist but not worsen.

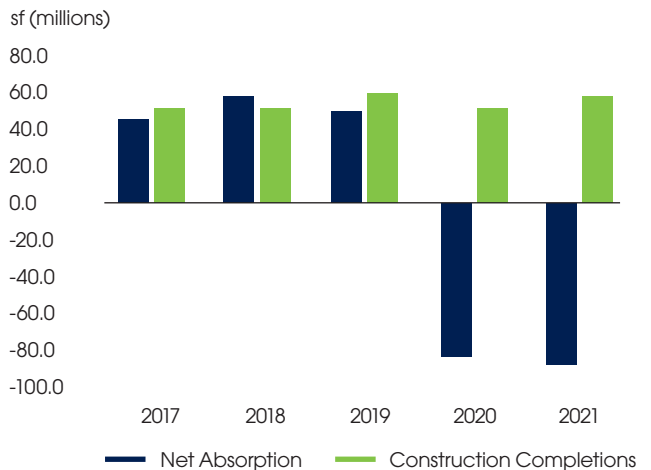
Despite the many obstacles that arose, it has taken about 20 months for the economy to recover from the pandemic's first blow. Although inflation concerns are high, the Federal Reserve is responding by indicating their intention to raise interest rates in the coming year. Lingering supply chain headaches and concerns about Omicron and any subsequent variants persist, but we are in a much better position to handle these crises than we were twenty-four months ago.

## U.S. OFFICE MARKET OVERVIEW

### Overall Vacancy and Asking Rents



### Office Space Demand and Deliveries



### Investment Sales



Source: Real Capital Analytics

Although the U.S. office market has been negatively impacted by the pandemic, the worst appears to be behind us as signs of improvement continue to emerge. Most notably, office tour activity has returned to near pre-pandemic levels, new leasing activity continues to trend higher, and net absorption improved in Q4 2021.

Demand for office space was strongest in the South and West, with positive Q4 2021 net absorption in both regions for the first time since the pandemic began. The South was led by Dallas with +999,000 square feet (sf), Charlotte (+697,000 sf), Austin (+460,000 sf) and Nashville (+382,000 sf). The strongest markets in the West region were all in California: San Jose with +2.7 msf, San Mateo County (+363,000 sf) and San Diego (+348,000 sf). While net absorption was negative overall in the Northeast and Midwest regions, there were bright spots in several secondary markets.

National vacancy ended the year at 17.6%—500 basis points (bps) higher than its most recent trough of 12.6% in Q3 2019. After nine straight quarters of increases, U.S. vacancy is at its highest point since Q3 2003. However, the 35-bps increase quarter-over-quarter (QoQ) was the smallest change in vacancy since the pandemic began; the five previous quarters had averaged +77 bps per quarter. At the local level, vacancy rates held steady or declined QoQ in 34 out of 90 U.S. markets tracked by Cushman & Wakefield, and vacancy held steady or declined for the second quarter in a row in 22 markets.

Vacancy continues to be partly buoyed by higher-than-normal deliveries of new office product, which is to be expected since construction volumes were at a 25-year high (nominally and relatively) coming into the pandemic. Completions during Q4 2021 (14.3 msf) brought the annual total to 58.1 msf, which is the second highest year since the Great Financial Crisis (GFC). Total office completions in 2021 were up 12% from 2020 and represented a 46% increase over the 10-year historical average (39.8 msf). New deliveries in 2021 represented 1% of current office inventory.

The construction pipeline has declined as new projects have not kicked off at the pace of deliveries during the pandemic. In Q1 2020, there were 137.4 msf (2.5% of inventory) of office product under construction (the most recent peak). As of Q4 2021, the level of new construction had slowed to 98.9 msf (1.8% of inventory). Although it has come down, the current level of construction is still 29% above the 10-year historical average prior to the pandemic (76.6 msf, 1.5%), so new office deliveries will continue to affect fundamentals even as demand continues to recover.

The new construction had the dual impact of pushing vacancy rates up while also buoying asking rents, given that new office space is typically priced higher than the rest of the market. The national average for asking rents ended 2021 up 3.2% YoY at US\$36.04 per square foot (psf). Asking rents increased QoQ in just under two-thirds of U.S. markets (52 of the 90 markets tracked by Cushman & Wakefield). Asking rents are down QoQ and YoY in 15 markets. National effective rents have declined by 13.3% since peaking in Q2 2020, but the pace of decline is moderating. Effective rents are expected to stabilize by the middle of 2022 and growth is expected to turn positive in the second half of 2022.

### US Office Market Outlook

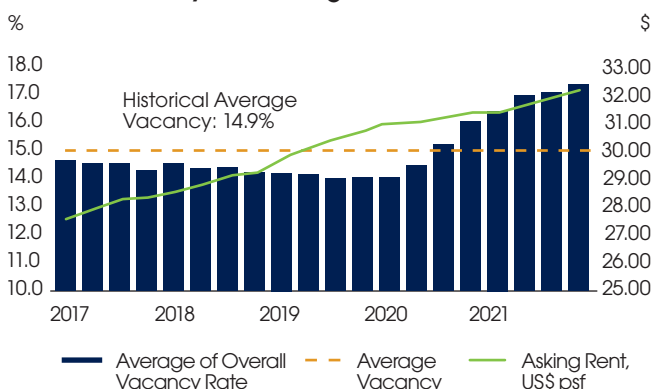
Job growth is expected to continue, and office-using employment is likely to reach pre-pandemic levels by the middle of 2022, if not sooner. Even with the ups and downs of COVID-19 case numbers, occupiers were increasingly in the market for long-term office leases throughout 2021. This is already showing up in the fundamentals; in Q4 2021 total leasing was 29% higher than the same quarter in 2020. Tenant activity is on the rise, but uncertainty will

continue until more employees return to the office on a regular basis.

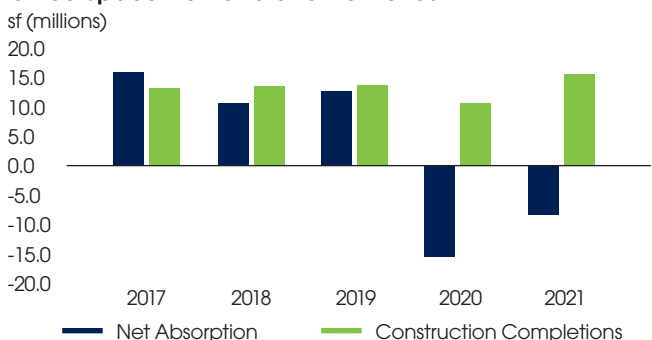
Large occupiers continue to invest in the office, and leasing activity is accordingly on the rise. Job growth and government infrastructure investment will be tailwinds for the office market. Of course, there are potential headwinds that could suppress demand, such as rising inflation and uncertainty related to the virus' path. Additionally, expect to see amplified emphasis on office sustainability, building quality, and amenities that create high-quality experiences in and around the office.

## LOCAL MARKETS

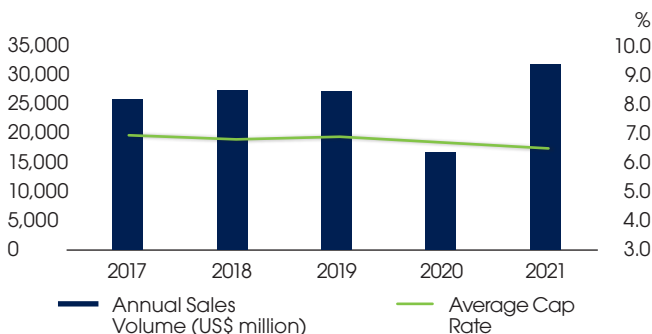
### Overall Vacancy and Asking Rents



### Office Space Demand and Deliveries



### Investment Sales



Source: Real Capital Analytics

# INDEPENDENT MARKET REPORT

Thirteen markets are reviewed within this report:

- Denver, Colorado
- Atlanta, Georgia
- Sacramento, California
- Salt Lake City, Utah
- Dallas, Texas
- St Louis, Missouri
- Suburban Maryland
- Philadelphia, Pennsylvania
- Oakland, California
- San Antonio, Texas
- Suburban Virginia
- San Diego, California
- Palm Beach County, Florida

The tables presented on this page represent combined market statistics for these thirteen markets, depicting general trends over these markets.

Consistent with national trends, the net absorption across the thirteen markets plummeted YoY from 2019 to 2020, with net absorption of -13.0 msf for 2020, primarily attributed to the Covid-19 pandemic shutdown across the world. While net absorption in 2021 increased, it was still negative at -7.9 msf. Nine of the thirteen markets experienced negative

net absorption. Of note, those markets with positive net absorption were San Diego, Boca Raton, Maryland and San Antonio. Strong net absorption is projected in most markets in 2022.

Office construction activity is high across the thirteen markets, with 14.9 msf under construction at the end of 2021, up from 10.4 msf at the end of 2020.

Negative absorption and continued construction deliveries led to significant increases in vacancy for 2021. Vacancy rates for the thirteen markets averaged 17.3% at the end of 2021, well above the five-year average of 14.9% and also up substantially from the 16.0% average recorded for the end of 2020.

Investment sales of office buildings were up significantly for these thirteen markets even more dramatically than the U.S. as a whole. Annual office investment sales fluctuated between US\$16.4 billion and US\$26.9 billion since 2017, peaking at US\$31.4 billion in 2021. Volume dropped sharply to US\$16.3 billion in 2020 due to the Covid-19 pandemic. Cap rates continued their gradual downward trend in 2021, ending the year at approximately 6.2%.

Office Market Indicators	US	Denver, Colorado	Atlanta, Georgia	Sacramento, California	Salt Lake City, Utah	Dallas, Texas	St Louis, Missouri	Suburban Maryland	Philadelphia, Pennsylvania	Oakland, California	San Antonio, Texas	Suburban Virginia	Miami-Ft Lauderdale Florida	San Diego, California
<b>Vacancy Rate</b>														
Q4 2020	15.6%	17.7%	20.5%	10.4%	15.7%	20.8%	14.1%	19.4%	15.3%	15.7%	10.2%	18.6%	14.1%	14.2%
Q4 2021	17.6%	19.9%	22.9%	14.0%	17.9%	22.1%	15.8%	19.3%	17.7%	18.1%	13.4%	19.7%	13.1%	13.6%
12-Month Forecast	▼	—	▼	▼	▲	▼	▲	▼	▲	▲	▼	▲	▼	▼
<b>YTD Net Absorption (sf)</b>														
Q4 2020	-97.6m	-3,169k	-1,682k	-506k	-693k	-5,366k	-472k	-252k	22k	-1,268k	-124k	296k	21k	-1,695k
Q4 2021	-8.6m	-2,495k	-1,591k	-922k	-179k	-2,215k	-980k	-20k	-1,200k	-232k	-104k	-83k	528k	-1,219k
12-Month Forecast	▲	▲	▲	▲	▼	▲	—	▲	▲	▲	▲	▲	▲	▲
<b>Under Construction (sf)</b>														
Q4 2020	123.8m	1,435k	5,872k	906k	2,168k	4,243k	773k	2,036k	1,454k	197k	1,647k	2,614k	170k	3,899k
Q4 2021	98.9m	789k	2,621k	13k	1,870k	4,615k	457k	1,632k	767k	344k	1,339k	1,995k	529k	4,109k
12-Month Forecast	▼	—	▼	▼	▼	▼	▲	▲	▼	▲	—	▼	▼	▼
<b>Average Asking Rent</b>														
Q4 2020 (Annual psf)	US\$34.93	US\$29.62	US\$28.39	US\$24.00	US\$24.73	US\$26.70	US\$22.27	US\$28.22	US\$27.13	US\$53.28	US\$21.40	US\$33.77	US\$38.37	US\$41.04
Q4 2021 (Annual psf)	US\$36.04	US\$31.13	US\$29.54	US\$24.60	US\$24.48	US\$27.36	US\$22.21	US\$28.94	US\$27.77	US\$54.36	US\$23.89	US\$33.88	US\$39.86	US\$42.24
12-Month Forecast	▼	—	—	—	—	▲	—	▲	—	—	▲	▲	—	▲

## DENVER, COLORADO

### Economic Indicators

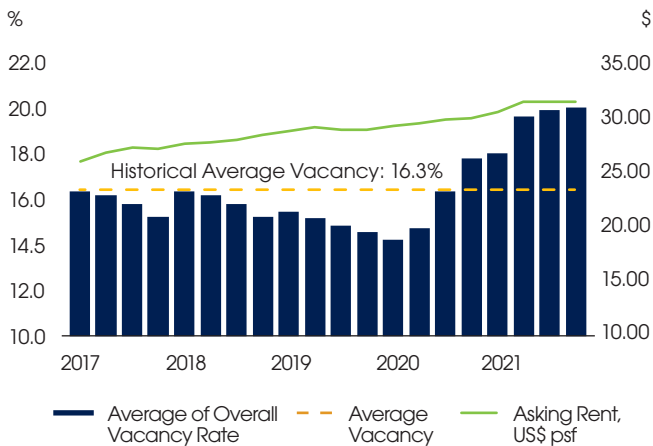
	Q4 2020	Q4 2021	12-Month Forecast
Denver MSA Employment	1,456k	1,548k	▲
Denver MSA Unemployment	7.1%	4.2%	▼
US Unemployment	6.7%	3.9%	▼

### Office Market Indicators (Overall, All Classes)

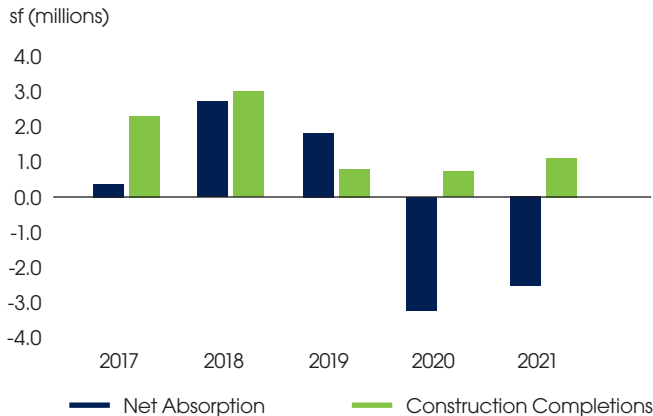
	Q4 2020	Q4 2021	12-Month Forecast
Vacancy	17.7%	19.9%	—
YTD Net Absorption (sf)	-3,169k	-2,495k	▲
Under Construction (sf)	1,435k	789k	—
Average Asking Rent*	US\$29.62	US\$31.13	—

\* Rental rates reflect gross asking US\$psf/year

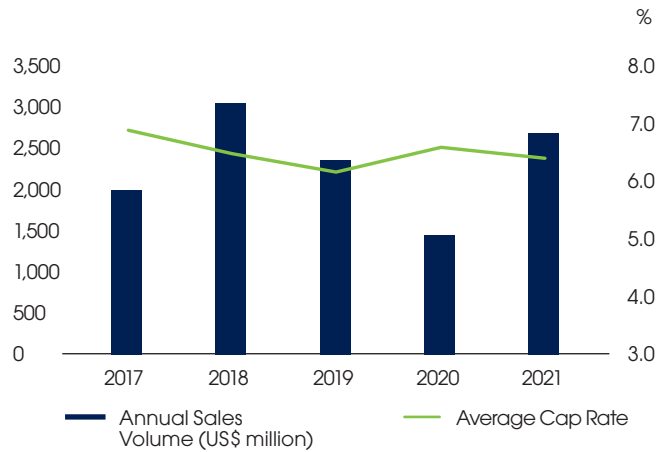
### Overall Vacancy and Asking Rents



### Office Space Demand and Deliveries



### Investment Sales



Source: Real Capital Analytics

### Local Economy

Metro Denver's unemployment rate dropped to 4.2% in the December 2021, a decline of 290 bps against the 7.1% rate reported a year ago. Nonfarm employment climbed above 1.5 million in Q4 2021, with 91,800 jobs added over the past year or an increase of 6.3%. Inflationary pressures persisted during the final months of 2021 as the Denver Metro witnessed a 6.5% increase in the cost of all items YoY.

### Office Market Trends

Vacancy rates were more stable in Q4 2021, with the metro average at 19.9%. This represents an increase of 220 bps against the 17.7% rate reported at the end of 2020. After troughing at 14.0% pre-COVID-19 in Q1 of 2020, vacancies are up an average of nearly 600 bps. Sublease vacancy, which has increased considerably during the pandemic, eased in the second half of 2021 and stood at 2.8 msf by the end of 2021. This is the lowest level since Q3 2020 and is down from a peak of 3.3 msf in Q2 2021.

The average asking rent for office space in the Denver Metro ended 2021 at US\$31.13 psf, a 5.1% increase YoY. While some landlords were able to slightly increase asking rates during 2021 despite broader conditions of elevated vacancy and abundant sublease space, the increase was in large part driven by the greater proportion of available Class A direct space compared to levels seen in 2020. New construction deliveries with premium rents were also a factor, but to a lesser degree.

Q4 2021 leasing activity totaled 1.9 msf, which followed on the heels of the highest quarterly total since the beginning of 2020. Resurgent activity in the second half of 2021 brought the annual total to 7.2 msf, a promising 23.3% increase over the total seen in 2020.

# INDEPENDENT MARKET REPORT

Net absorption for 2021 totaled negative 2.5 msf, a considerable improvement over the negative 3.2 msf witnessed in 2020. Expectations of improved leasing activity into 2022 will push net absorption levels toward positive territory, but with new COVID variants emerging and more occupiers adopting hybrid work models, the recovery could be more prolonged than anticipated.

New construction deliveries for 2021 totaled 1.1 msf. New construction underway amounts to approximately 789,000 sf split among five properties. Several projects are set to enter the pipeline in 2022 when supply will continue to expand at a moderate pace.

Office investment sales increased 80.3% YoY to approximately US\$2.7 billion in 2021. This is the second highest level of sales volume for Denver in the past ten years and reverses two years of decline in 2019 and 2020. Capitalization rates were down slightly from 2020, averaging 6.5% but were generally in line with the range over the past five years.

## Outlook

While the spike in COVID cases associated with the Omicron variant may further delay companies return-to-office plans and dampen the recent recovery in office occupancy in the near-term, net absorption of both direct and sublease space is expected to begin trending positive in 2022 as more tenants reoccupy offices, putting gradual downward pressure on the market's elevated vacancy.

## ATLANTA, GEORGIA

### Economic Indicators

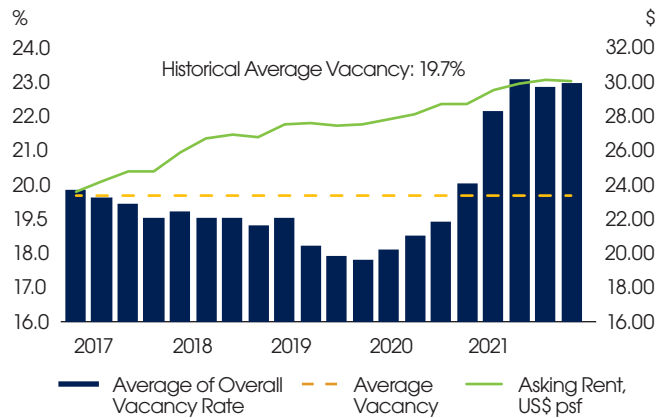
	Q4 2020	Q4 2021	12-Month Forecast
Atlanta MSA Employment	2,742k	2,833k	▲
Atlanta MSA Unemployment	5.8%	2.3%	—
US Unemployment	6.7%	3.9%	▼

### Office Market Indicators (Overall, All Classes)

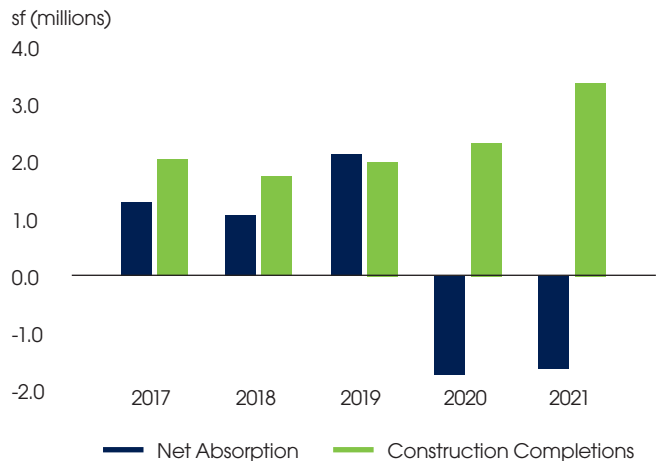
	Q4 2020	Q4 2021	12-Month Forecast
Vacancy	20.5%	22.9%	▼
YTD Net Absorption (sf)	-1,682k	-1,591k	▲
Under Construction (sf)	5,872k	2,621k	▼
Average Asking Rent*	US\$28.39	US\$29.54	—

\* Rental rates reflect gross asking US\$psf/year

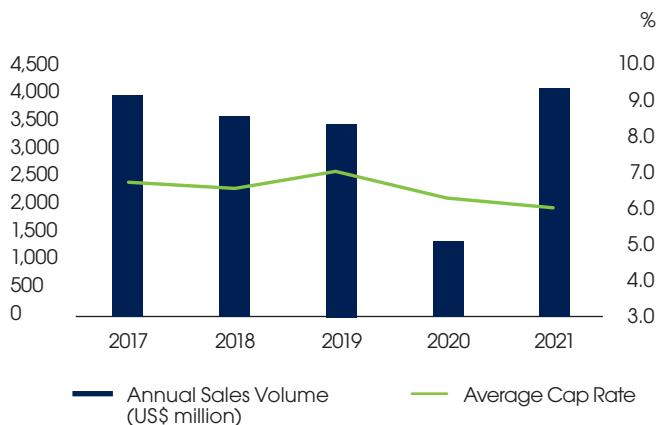
### Overall Vacancy and Asking Rents



### Office Space Demand and Deliveries



### Investment Sales



Source: Real Capital Analytics

## Local Economy

Metro Atlanta's unemployment rate remains well below the U.S. average at 2.3%, a 350-bps improvement YoY. Impressively, the unemployment rate continued to plummet even amidst an increase in the labor participation rate and is expected to hold steady over the next 12 months. With more than 930,000 people in the region currently holding office jobs, the employment total has returned to pre-pandemic levels. A plethora of recent announcements from firms selecting Atlanta for HQ and hub placements bolstered the economic jobs forecast, with office-using jobs in the region expected to grow 2.5% over the coming year.

## Office Market Trends

Demand was robust during Q4 2021 as Atlanta recorded more than 2.5 msf of new leasing activity, the highest leasing total in nine quarters, which bolstered the yearly total of new leases signed to nearly 7.4 msf. Though it falls short of the five-year leasing average, this represents a 5.1% increase over 2020's year-end total. Net absorption remained negative for a second consecutive year, ending 2021 at -1.6 msf and only slightly better than the -1.7 msf of negative absorption in 2020. However, the negative absorption for 2021 was concentrated in Q1. The region recorded nearly 48,000 sf of positive net absorption during Q4, marking the third consecutive quarter of net occupancy gains. In addition, five of Atlanta's nine major office submarkets posted yearly occupancy improvements for 2021.

Metro Atlanta's overall vacancy continued to climb, increasing 290 bps YoY to 22.9% at the end of 2021. However, vacancy growth slowed significantly in the last three quarters of the year, increasing only 80 bps over this period and only 10 bps in Q4.

Atlanta recorded its highest annual total for construction completions in market history, with nearly 3.4 msf of new supply delivering during 2021. Occupiers' preference for new, high-quality space continued, as 81% of the newly-delivered product has already been leased. Construction remains underway on nine projects totaling more than 2.6 msf, nearly all of which is concentrated in the urban core and being constructed on a speculative basis.

The direct average asking rent continued its upward climb, jumping to US\$29.90 psf, a 4.6% YoY uptick and a new historical high for Metro Atlanta. Both the CBD and suburban submarkets experienced substantial rent growth over the past two years, particularly for premium product, with Class A rents increasing 7.1% in the CBD and 5.7% in the suburbs.

Transaction volume for investment sales had trended downward over the previous six years, but reversed

course in 2021 with Real Capital Analytics estimating sales at nearly US\$4.1 billion, a 195% YoY increase from 2020 and the highest level of transaction volume since 2016. Capitalization rates were down slightly, averaging 6.1% in 2021.

## Outlook

While the emergence of COVID-19 variants caused some companies to push back their return to office efforts, a steady stream of corporate relocation and expansion announcements bode well for the Metro's future. Healthy pre-leasing levels in under-construction assets and multiple large leases signed during Q4 can be expected to push the vacancy rate downward throughout 2022 as those users take occupancy.

## SACRAMENTO, CALIFORNIA

### Economic Indicators

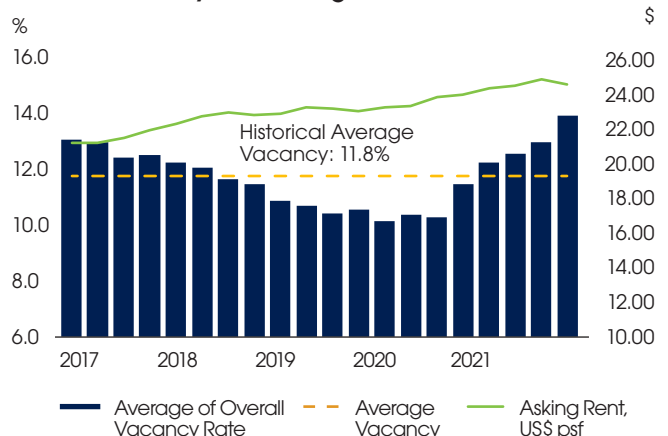
	Q4 2020	Q4 2021	12-Month Forecast
Sacramento MSA Employment	975k	1,013k	▲
Sacramento MSA Unemployment	7.6%	4.4%	▼
US Unemployment	6.7%	3.9%	▼

### Office Market Indicators (Overall, All Classes)

	Q4 2020	Q4 2021	12-Month Forecast
Vacancy	10.4%	14.0%	▼
YTD Net Absorption (sf)	-506k	-922k	▲
Under Construction (sf)	906k	13k	▼
Average Asking Rent*	US\$24.00	US\$24.60	—

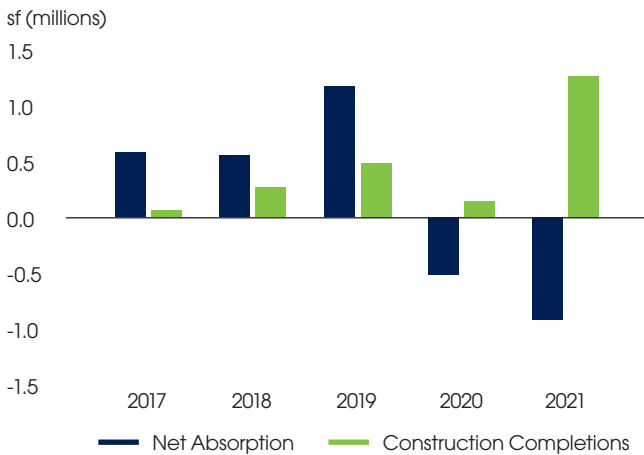
\* Rental rates reflect gross asking US\$/psf/year

### Overall Vacancy and Asking Rents



# INDEPENDENT MARKET REPORT

## Office Space Demand and Deliveries



## Investment Sales



Source: Real Capital Analytics

## Local Economy

Despite the emergence of COVID-19, Sacramento's economic recovery finished 2021 on a high note. Unemployment rate for the metro closed the year at 4.4%, down 320 bps from 7.6% one year earlier. Nonfarm employment ended the year at just over 1.1 million, with an annual increase of 37,900 jobs, or 3.9% YoY. The office sector closed the year with the addition of 32,000 jobs.

## Office Market Trends

Net absorption was negative every quarter for 2021. Q4 recorded a total negative net absorption of -531,000 sf and an annual total of -922,000 sf. This is nearly double the total net absorption for 2020, which was -506,000 sf. Negative absorption totals are not unexpected, as the changes in the COVID-19 protocols have forced

tenants to continue to evaluate their real estate needs. While absorption for the region remained in the red, many submarkets remained active, reporting strong leasing activity. Year-to-date (YTD) leasing activity nearly matched 2020 totals with 2.9 msf of deals done in 2021 with sublease deals making up only 3.2% of total leasing activity. Additionally, active tenant requirements ended 2021 with 1.7 msf, in line with the historical averages and an increase of 35% from 2020.

Lease rates for the most part remained stable during Q4, closing the year at US\$24.60 psf on an annual full-service basis. This is up US\$0.60 psf, or 2.5% YoY. As competitive as the market is, landlords continue to hold firm at the property level by offering aggressive incentives such as free rent, moving cost allowance, and increased tenant improvement allowances, all being offered in greater quantities in an effort to keep face rates higher. The vacancy rate increased by 100 bps QoQ and 360 bps YoY, ending 2021 at 14.0%. Despite the increased supply, market vacancy sits below late 2016 levels and is far below the worst point of the GFC of 20.7% recorded in Q4 of 2011. Furthermore, vacancy is well below the U.S. average of 17.6%.

The State of California, a major area employer, is in the midst of a long-term transition. This involves shuffling agencies to swing space as they move from leased space to their owned properties which many are still under construction. This will contribute to the potential for slow rising vacancy.

According to Real Capital Analytics, sale activity declined for the second consecutive year in 2020 to just over US\$771 million. This is down 16.1% from 2020 and is the lowest annual total since 2015. Activity did pick up near the end of 2021 with Cushman & Wakefield reporting sales of US\$350 million and US\$292 million for Q3 and Q4, respectively.

## Outlook

Market activity remains positive as occupiers continue to find balance between their mental and physical health versus work productivity. Tenants recognize the need to maintain physical office space. Leasing activity was up in Q4 and is expected to remain high. 2021 also saw significant renewal activity, demonstrating tenants' commitment to the region. Sacramento's fundamentals remain relatively strong despite the pandemic. Beyond the short-term, recovery will be tied to occupier and employee willingness to return to the office and new life science and bio manufacturing tenants looking to enter the market from outside the region.



## SALT LAKE CITY, UTAH

### Economic Indicators

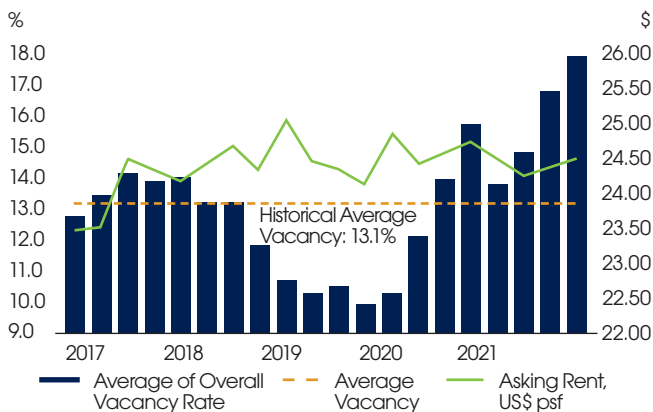
	Q4 2020	Q4 2021	12-Month Forecast
Salt Lake City MSA Employment	653k	683k	▲
Salt Lake City MSA Unemployment	3.4%	1.8%	▼
US Unemployment	6.7%	3.9%	▼

### Office Market Indicators (Overall, All Classes)

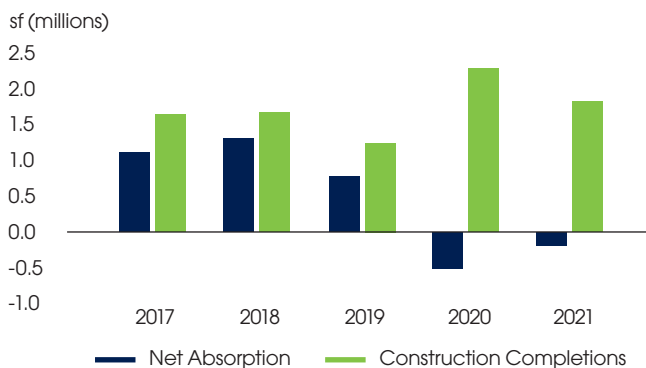
	Q4 2020	Q4 2021	12-Month Forecast
Vacancy	15.7%	17.9%	▲
YTD Net Absorption (sf)	-693k	-179k	▼
Under Construction (sf)	2,168k	1,870k	▼
Average Asking Rent*	US\$24.73	US\$24.48	—

\* Rental rates reflect gross asking US\$psf/year

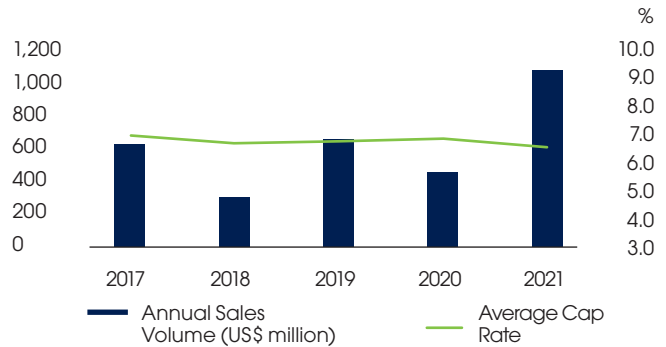
### Overall Vacancy and Asking Rents



### Office Space Demand and Deliveries



### Investment Sales



Source: Real Capital Analytics

### Local Economy

Salt Lake City's nonfarm employment grew by 37,700 or +5.0% YOY between November 2020 through November 2021. During the same time, the monthly unemployment rate decreased from 3.4% last year to 1.4% and is currently 260 bps below the 30-year monthly average. Salt Lake City's economy of \$88.6 billion as measured by 2021 gross regional product is forecasted to grow 6.4% in 2022 and 4.2% in 2023, above its 10-year average of 3.1%.

### Office Market Trends

The overall vacancy rate, including sublease, increased 120 bps QOQ and increased 510 bps YOY to 17.9% in Q4 2021. Class A vacancy increased 300 bps from 11.3% to 14.3% YOY, while Class B vacancy increased 780 bps from 15.1% to 22.9%. Vacancies have risen as tenants look to shrink their physical footprints to mitigate costs and risk as well as to keep their employees safe and healthy during the pandemic. Tenants reduced their space needs 178,661 sf in Q4 2021, driven largely by 369,891 (sf) returned to Class B inventory. This happened in all submarkets except for the North West, recording 248,287 sf of occupancy growth. As of Q4 2021, sublease vacancy stands at 3.4% or 1.9 msf compared to 2.2% (1.2 msf) a year ago. As large companies seek to decentralize from major metros, Salt Lake City is uniquely positioned to fill the void for office space with a combination of projects in the construction pipeline and available sublease space with attractive pricing.

Despite an uptick in vacancy over the last year, the overall average asking rent for all classes increased \$0.13 or 0.5% QOQ and increased \$0.17 or 0.7% YOY to \$24.48 psf on an annual full-service basis. The average rent for Class A decreased 2.0% YOY to \$28.24 as the vacancy rate has significantly increased for Class A product over the last four quarters from 11.3% in Q4 2020 to 14.3% in Q4 2021. Salt Lake City's development pipeline remains active at 1.9 msf currently under construction across 11 projects, with 26% already pre-leased. The majority, or 89%, of inventory is speculative with the remaining 11% build-to-suit.

# INDEPENDENT MARKET REPORT

According to Real Capital Analytics, sale activity declined in 2020 to just under US\$1,051 million. This is the highest level of volume seen since records kept in 2012. The next closest was in 2019 when it peaked at US\$733 million. Cap rates averaged 6.3% as of year-end 2021.

## Outlook

Salt Lake City's office market fundamentals continued to soften in 2021, as the COVID-19 pandemic limited tenant movement and paused Utah's re-opening plans. Despite significant headwinds, Salt Lake City is uniquely positioned to stabilize as the local economy continues to outperform many of its peer markets.

Salt Lake City remains a popular destination for technology companies to relocate or expand, owing to a robust tech-educated millennial population and the relative affordability of office space. Tech firms seeking to mitigate costs as they reassess their office-leasing footprint will continue to target the region, helping to offset slowing in large block leasing among other sectors of the market.

## DALLAS, TEXAS

### Economic Indicators

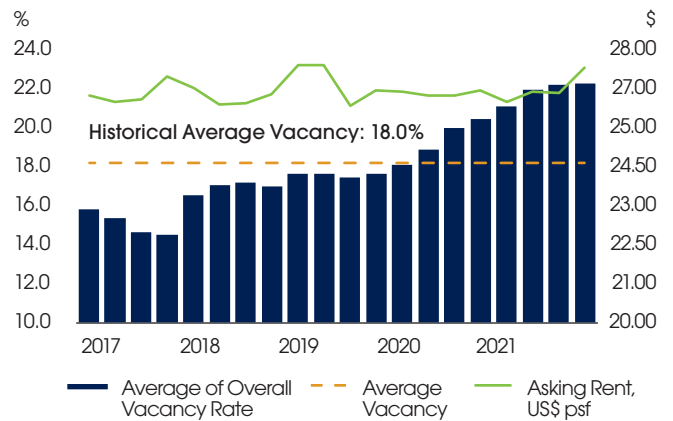
	Q4 2020	Q4 2021	12-Month Forecast
Dallas-Ft Worth MSA Employment	3,788k	3,952k	▲
Dallas-Ft Worth MSA Unemployment	6.0%	3.6%	▼
US Unemployment	6.7%	3.9%	▼

### Office Market Indicators (Overall, All Classes)

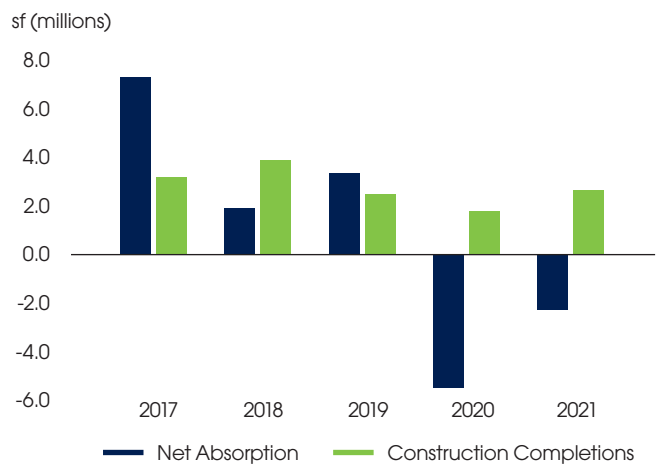
	Q4 2020	Q4 2021	12-Month Forecast
Vacancy	20.8%	22.1%	▼
YTD Net Absorption (sf)	-5,366k	-2,215k	▲
Under Construction (sf)	4,243k	4,615k	▼
Average Asking Rent*	US\$26.70	US\$27.36	▲

\* Rental rates reflect gross asking US\$psf/year

### Overall Vacancy and Asking Rents



### Office Space Demand and Deliveries



### Investment Sales



Source: Real Capital Analytics

## Local Economy

The Dallas-Fort Worth (DFW) economy continued its recovery in Q4 2021. With over 3.9 million people employed, the region has fully recovered the jobs lost at the onset of the pandemic. DFW's population increased by 105,155 people YoY, and by 28,756 in Q4 alone, continuing a long trend of population growth. As of December 2021, the population reached a new high of over 7.9 million residents.

According to Moody's Analytics, office-using jobs grew by 64,186 positions when compared to Q4 2020, an increase of 6.2%. This leading indicator of office demand is driven by business and professional services roles, which account for 63% (692,104 jobs) of office-using employment. The region's office employment totaled 1.1 million jobs as of December 2021.

## Office Market Trends

Despite supply chain delays and increased costs, construction continued mostly uninterrupted in DFW in 2021, with 2.6 msf delivered. The construction pipeline in DFW remains robust, with 4.6 msf to be completed over the next 24 months.

Available sublease space reached a new high in DFW with over 9.3 msf of sublease inventory. However, just 36.0% of this 9.3 msf is listed as currently vacant, compared to 87.0% of available direct space listed as vacant. This points to a recent trend in DFW; while employees work from home, many companies have listed parts of or all their space for sublease to weigh their real estate options without physically vacating existing space.

After seven consecutive quarters of falling occupancy, the DFW office market absorbed 888,263 sf in Q4 2021. Increased leasing activity earlier in the year drove this number, as the pace of companies moving into space finally surpassed the pace at which leases were expiring. Overall vacancy rates climbed 10 bps from the previous quarter and 30 bps YoY to 22.1% at year-end 2021.

Rising operating expenses, increased asking rates and the addition of 1.3 msf of new Class A product to the market pushed asking rents in DFW to US\$27.36 psf on an annual full-service basis, an increase of 2.5% YoY. As expected, Class A registered the highest average asking rate, rising to US\$32.35 psf, while Class B and Class C reported more economical rates of US\$20.22 and US\$17.51, respectively. Like most other markets, investment sales activity rebounded from the suppressed levels of 2020, increasing nearly 103% YoY to nearly US\$5.9 billion in office investment sales. According to Real Capital Analytics statistics, this the highest level of annual office sales in the past two decades. Average capitalization rates remained relatively stable at 6.6%.

## Outlook

Throughout the office market downturn, landlords did not lower asking rates in DFW, instead offering competitive concession packages which include free rent and additional tenant improvement dollars. Continued expansion of inventory in the office market is likely to upset this trend, especially for Class A product. However, with strong leasing demand and positive net absorption in Q4 2021, the long-term outlook for the region remains very positive, especially compared to other large, U.S. metro areas.

## ST LOUIS, MISSOURI

### Economic Indicators

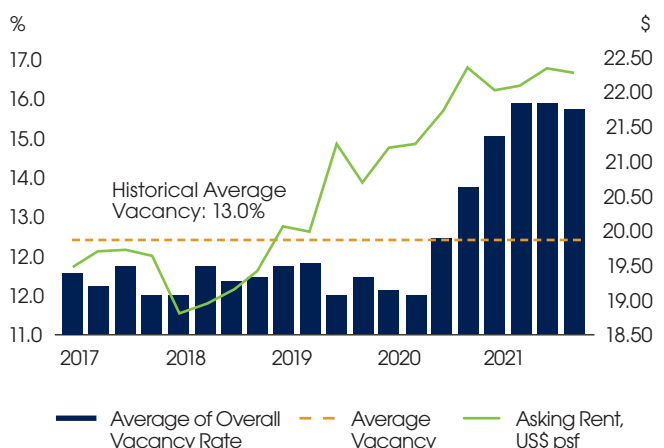
	Q4 2020	Q4 2021	12-Month Forecast
St Louis MSA Employment	1,373k	1,394k	▲
St Louis MSA Unemployment	5.1%	3.5%	▼
US Unemployment	6.7%	3.9%	▼

### Office Market Indicators (Overall, All Classes)

	Q4 2020	Q4 2021	12-Month Forecast
Vacancy	14.1%	15.8%	▲
YTD Net Absorption (sf)	-472k	-980k	—
Under Construction (sf)	773k	457k	▲
Average Asking Rent*	US\$22.27	US\$22.21	—

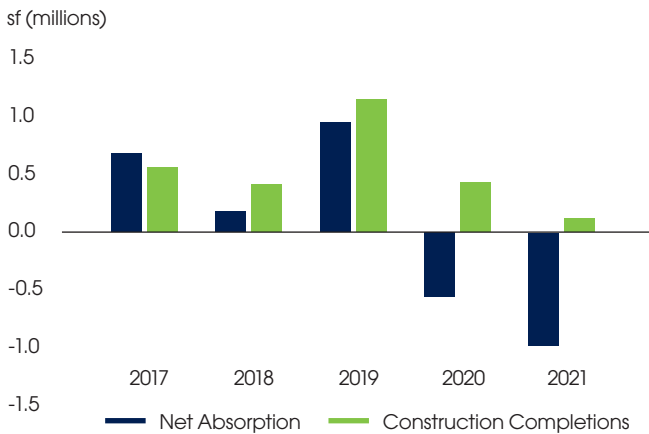
\* Rental rates reflect gross asking US\$/psf/year

### Overall Vacancy and Asking Rents

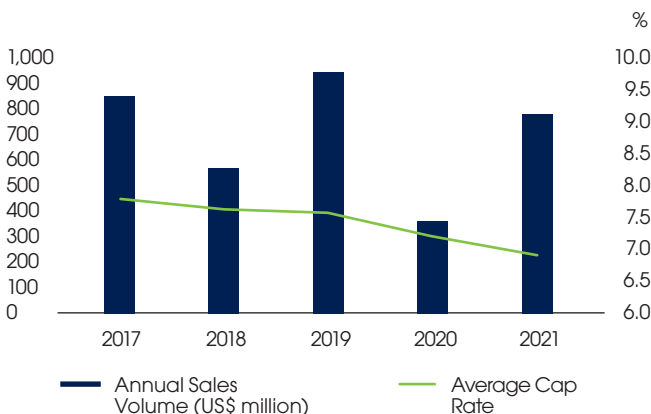


# INDEPENDENT MARKET REPORT

## Office Space Demand and Deliveries



## Investment Sales



Source: Real Capital Analytics

## Local Economy

St. Louis's unemployment rate ended the fourth quarter of 2021 at 3.9%, a 130 basis-point (bps) reduction since December 2020. While continuing to move in the right direction, the size of the St. Louis labor force is still somewhat below levels seen in January 2020. As of October 2021, the most recent observation at present, the labor force has risen to 97.3% of its pre-pandemic size. The U.S. unemployment rate ended the third quarter of 2021 at 4.2%, 30 bps above the unemployment rate in St. Louis.

## Office Market Trends

Vacancy for the fourth quarter shifted only 10 bps, landing at 15.8% and maintaining the stabilization observed in the previous quarter. Sublease activity increased by 170,000 sf, however, returning to its second-quarter levels.

This equated to a 14.5% increase in space available for sublease, the majority of which was in the City's high-growth Cortex innovation district.

Quarter-over-quarter, overall asking rates weighted on available square footage decreased slightly to \$22.21 psf, marking a 1.8% decrease for the period. This shift in trend from the previous quarter should not be relied on too heavily, however, for two reasons. First, given the volatility introduced by the pandemic, the magnitude of this change is relatively low. Second, effective rates buck this trend. In fact, effective rates show a 7.7% increase when comparing Class A office rents for 2021 against the same for 2019. This discrepancy could be explained by remembering the definition of each rate type; large vacancies with lower asking rents can skew overall asking rates regardless of whether deals are getting done in those buildings, while effective rates are a true indicator of how much tenants are willing to pay for the spaces they want in the market. The increase in effective rents demonstrates that asking rates alone fail to tell the story of what's occurring in the market.

According to Real Capital Analytics, sale activity increased in 2021 to just under US\$875 million from US\$358 million in 2020. 2021 was the highest year on record since 2015, which had volume of US\$791 million.

## Outlook

The flight to quality will continue in the St. Louis market, matching national trends. Expect continued growth in the region's innovation centers, including the 39 North Innovation District in Creve Coeur and the Cortex Innovation District in the City. Inflation is unlikely to pose a risk to property values or the commercial real estate market as a whole.

## SUBURBAN MARYLAND

### Economic Indicators

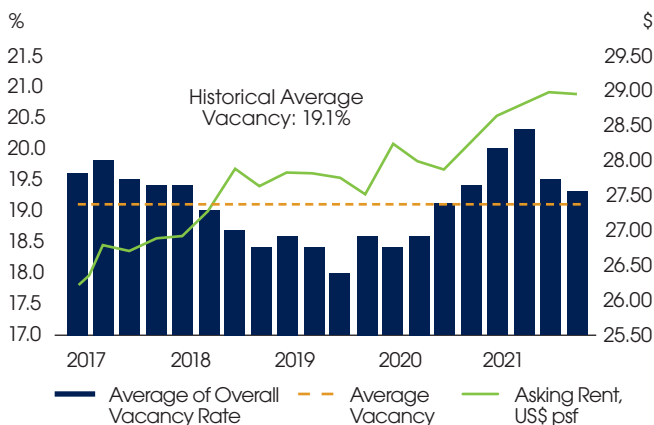
	Q4 2020	Q4 2021	12-Month Forecast
(Suburban MD) WA-Arlington-Alexandria MSA Employment	1,362k	1,396k	▲
(Suburban MD) WA-Arlington-Alexandria MSA Unemployment	6.5%	4.8%	▼
US Unemployment	6.7%	3.9%	▼

### Office Market Indicators (Overall, All Classes)

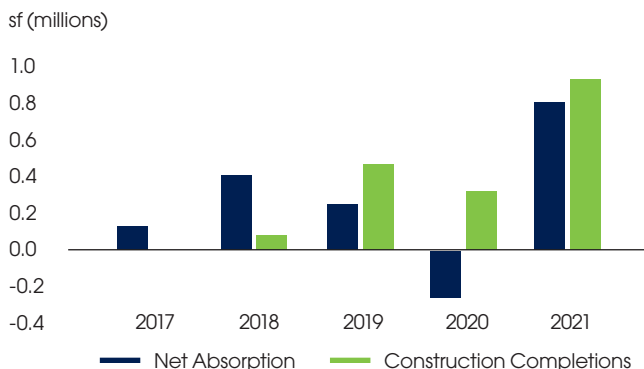
	Q4 2020	Q4 2021	12-Month Forecast
Vacancy	19.4%	19.3%	▼
YTD Net Absorption (sf)	-252k	-20k	▲
Under Construction (sf)	2,036k	1,632k	▲
Average Asking Rent*	US\$28.22	US\$28.94	▲

\* Rental rates reflect gross asking US\$psf/year

### Overall Vacancy and Asking Rents



### Office Space Demand and Deliveries



### Investment Sales



Source: Real Capital Analytics

### Local Economy

The Suburban Maryland market is buoyed by increased employment, decreasing unemployment, the education and health services sectors contributing significantly to job creation and although contracting slightly, the strength of Federal Government employment. Financial services, mining, logging and construction also experienced net losses in jobs over the past year.

### Office Market Trends

After the first quarter of 2021 saw the delivery of two new office buildings—7272 Wisconsin Avenue in Bethesda/Chevy Chase and 1 Capital Gateway Drive in Oxon Hill/Suitland- there were no new deliveries in for the remainder of the year. Still under construction in Bethesda/Chevy Chase, 7373 Wisconsin Avenue and 7750 Wisconsin Avenue are scheduled to deliver in Q1 2022 and Q2 2022, respectively. Two new buildings are under construction in the Pike Corridor submarket- 915 Meeting Street, where Choice Hotels has signed for 105,000 sf, and 1600 Rockville Pike- delivering 276,000 sf and 240,000 sf, respectively, in 2024.

After closing Q3 2021 with 624,660 sf of new leasing activity, Suburban Maryland saw 531,393 sf of new leasing activity in Q4 2021 bringing year-to-date (YTD) leasing to 2,138,195 sf. Suburban Maryland registered 189,237 sf of renewal activity in Q4, bringing YTD renewals to 728,755 sf. The largest new lease of the quarter was Choice Hotels International signing for 105,000 sf at 915 Meeting Street in the Pike Corridor submarket. Pike Corridor led all Suburban Maryland submarkets with 277,668 sf of new leasing activity, followed by Bethesda/Chevy Chase with 110,177 sf of new leasing activity. Montgomery County registered 460,293 sf of new leasing for Q4, bringing YTD new leasing to 1,707,262 sf for the county. Prince George's County registered 346,060 sf of new leasing YTD while Frederick ended 2021 with 84,873 sf of new leasing.

# INDEPENDENT MARKET REPORT

Suburban Maryland registered 19,612 sf of negative absorption in Q4 2021. Overall vacancy rates in Suburban Maryland finished Q4 at 19.3%, which is 10 bps lower YOY. Pike Corridor saw the largest move in with ESAB taking 22,983 sf at 909 Rose Avenue and also saw the largest move out with IQ Solutions vacating 33,537 sf at 11300 Rockville Pike. From a rental rate perspective, Suburban Maryland average overall asking rates rose \$0.72 psf YOY, closing Q4 2021 at \$28.94 psf on a full service basis.

Real Capital Analytics estimated investment sales volume at approximately US\$702 million for the past 12 months, down from US\$1.5 billion in 2019. While down from US\$1.9 billion in 2016, sales volumes in 2019 were up from with levels achieved in 2013 through 2015 and well above the levels of 2008 through 2012.

## Outlook

Suburban Maryland's continued economic growth can be seen throughout the office market fundamentals. The increasing willingness to invest large sums in the city's urban core, decreasing vacancy rates, high lease rates combine to create a vibrant and dynamic office landscape. Optimism continues in 2022 as the lack of new speculative construction protects the market from exposure to oversupply.

## PHILADELPHIA, PENNSYLVANIA

### Economic Indicators

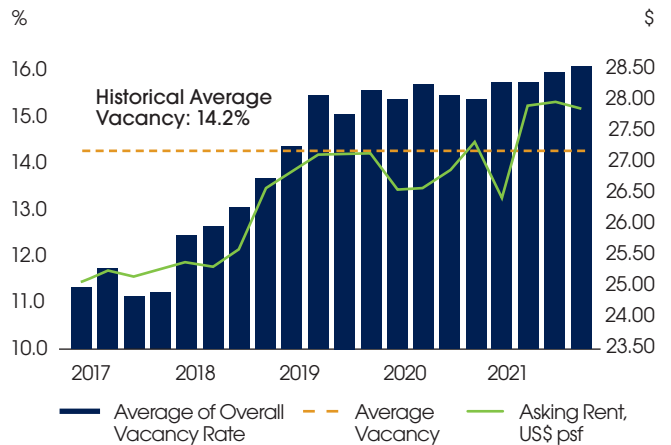
	Q4 2020	Q4 2021	12-Month Forecast
Philadelphia MSA Employment	2,853k	2,891k	▲
Philadelphia MSA Unemployment	7.7%	5.3%	▼
US Unemployment	6.7%	3.9%	▼

### Office Market Indicators (Overall, All Classes)

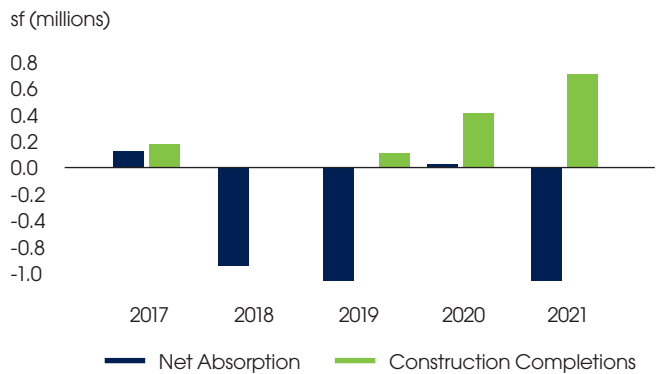
	Q4 2020	Q4 2021	12-Month Forecast
Vacancy	15.3%	17.7%	▲
YTD Net Absorption (sf)	22k	-1,200k	▲
Under Construction (sf)	1,454k	767k	▼
Average Asking Rent*	US\$27.13	US\$27.77	—

\* Rental rates reflect gross asking US\$psf/year

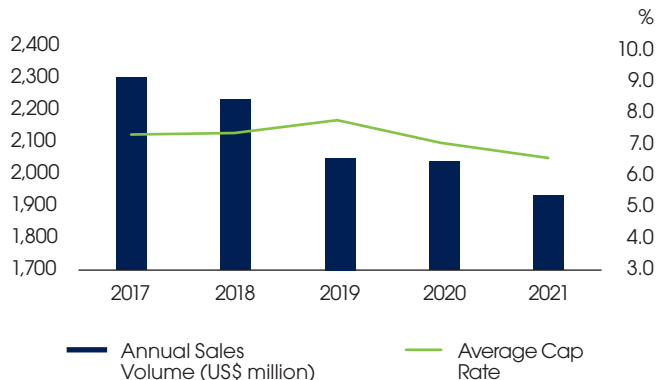
### Overall Vacancy and Asking Rents



### Office Space Demand and Deliveries



### Investment Sales



Source: Real Capital Analytics

## Local Economy

Regional connectivity throughout the Suburban market via interstates, principal arterials and commuter rail offers access to Greater Philadelphia’s large, diverse, and well-educated talent base. Unemployment across the Philadelphia region continues to decline, down from 12.9% from the onset of the pandemic to 6.4% to end 2021. Suburban unemployment specifically, is as low as 3.8% in certain areas, down from a high of 13.6% in second quarter 2020. Suburban market employment gains in traditional office sectors outpaced the CBD in 2021, and some sectors like information and financial services have surpassed pre-pandemic employment levels.

## Office Market Trends

A consistent theme in the Suburban market continues to be flight to quality. Class A drives leasing activity across the market, accounting for 73.0% of the total leasing activity in 2021. Class A asking rents continue to hold a premium over Class B, \$8.05 psf higher by year-end 2021, and growing 30.0% over the last five years.

Location continues to be a major driver in the Philadelphia suburbs. Access to talent is paramount, and historically, submarkets with immediate and direct access to the Philadelphia CBD; the Main Line, Conshohocken, and Bala Cynwyd, have held a rent premium when compared to the overall Suburban Class A market. Class A rent premiums in these submarkets averaged \$5.40 to \$8.33 psf since 2016, but as of the end of 2021 those rent premiums ranged from \$6.50 to \$10.21. In other accessible locations within the suburban market, specifically those with direct access to the region’s principal arterials, Class A rent growth has been as strong as or stronger than Bala Cynwyd, the Main Line and Conshohocken.

Accessibility to talent will continue to be a major driver as the market turns to 2022. Not surprisingly, the largest deals in the fourth quarter of 2021 happened in talent accessible locations within the Suburban market. Vanguard took 232,000 sf and Sunoco took 50,000 sf, both at Ellis Preserve, which is located along PA Route 3 a principal arterial with direct access to the Philadelphia CBD. In the talent accessible submarket of King of Prussia, information sector tenants like Infosys and IQVIA leased 87,500 sf at 1300 Morris Drive and 54,427 sf at 650 East Swedesford Road, respectively. Lastly, Nutrisystem made news by taking 53,000 sf at 1100 Virginia Drive in Fort Washington with direct access to the PA turnpike and major arterial, PA 309.

According to Real Capital Analytics, sale activity increased in 2021 to just under US\$2.1 billion. While this is down from 6.7% from 2020, it is significantly below the volume reported for 2016 and is significantly up from the annual levels recorded from 2008 through 2015.

## Outlook

The economy in the Philadelphia metro continues to support growth in the office sector. While gains in the office market slowed in 2020 and 2021, market fundamentals remain solid. The lack of space currently in the market and the long lead times it takes for new office construction means that Philadelphia will remain a landlord’s market for the foreseeable future, and tenant demand is expected to remain high for office product which will keep vacancy tight and push rental rates higher.

## OAKLAND (EAST BAY), CALIFORNIA

### Economic Indicators

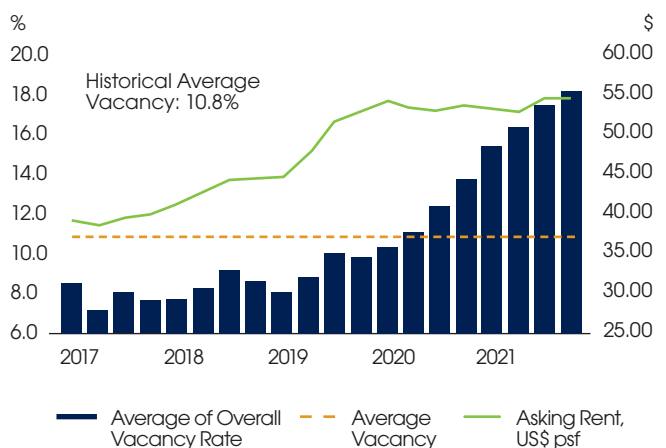
	Q4 2019	Q4 2020	12-Month Forecast
San Francisco-Oakland MSA Employment	2,267k	2,372k	▲
San Francisco-Oakland MSA Unemployment	7.5%	4.5%	▼
US Unemployment	6.7%	3.9%	▼

### Office Market Indicators (Overall, All Classes)

	Q4 2019	Q4 2020	12-Month Forecast
Vacancy	15.7%	18.1%	▲
YTD Net Absorption (sf)	-1,268k	-232k	▲
Under Construction (sf)	197k	344k	▲
Average Asking Rent*	US\$53.28	US\$54.36	—

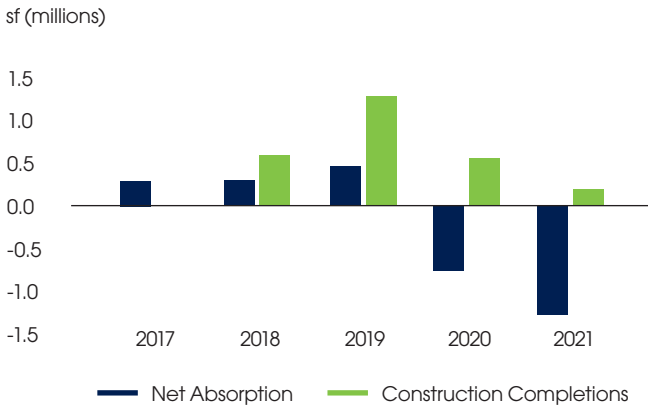
\* Rental rates reflect gross asking US\$/psf/year

### Overall Vacancy and Asking Rents

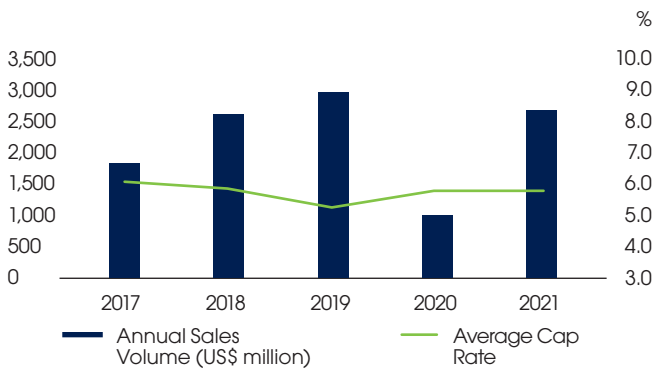


# INDEPENDENT MARKET REPORT

## Office Space Demand and Deliveries



## Investment Sales



Source: Real Capital Analytics

## Local Economy

The East Bay, consisting of Alameda and Contra Costa counties, recorded positive job growth with 31,000 jobs added YOY, bringing regional employment to nearly 1.11 million. This translated to an unemployment rate of 5.8%, a decline of 210 bps from the same period in 2020. Widespread vaccinations led to California reopening in June of 2021, with local governments easing shelter-in-place orders, mask mandates, and social distancing. However, a spike in cases late in the fourth quarter, driven by the new Omicron variant, has led to the reintroduction of mask mandates and additional safety measures across much of the country. In the East Bay, this has caused many employers to rethink their return to office plans and continued to weigh on office occupancy levels. Despite vaccination rates in the East Bay being significantly above state and national averages, the prolonged effects of COVID-19 on demand are uncertain.

## Office Market Trends

The vacancy rate in the Oakland office market was 18.1% at the close of 2021, up 80 bps from the previous quarter and 440 bps YOY. This translated to 232,000 sf of negative net absorption for the quarter and negative 1,240,499 sf YOY. Over the prior several quarters, the bulk of new vacancy came from the Oakland CBD, with that submarket responsible for 77% of the region's negative net absorption, year-to-date (YTD). However, strong leasing activity in the prior two quarters and several significant renewals slowed that rise in the fourth quarter with the submarket recording just 69,434 sf of negative net absorption. Emeryville saw the most new vacancy this quarter as several full floor availabilities, marketed in prior quarters, technically became available in October. Alameda remained a bright spot within the region, shedding 80 bps of vacancy in the fourth quarter. Additionally, the vacancy rate has yet to catch up to leasing activity in this submarket and as several large tenants occupy in 2022, vacancy is anticipated to fall more.

The Oakland office market recorded 1.8 msf of leasing activity in 2021, approximately half of the volume seen in 2019, prior to COVID-19. The two largest transactions of the fourth quarter were full floor renewals with Alameda County Transportation Commission and Gensler both inking approximately 24,000 sf at 1111 Broadway and 2101 Webster, respectively. The largest new lease was Metagenomi for 23,000 sf at 1485 Park Avenue in Emeryville. Cushman & Wakefield is currently tracking over 900,000 sf of tenants in the market, of which over half are life science, leaving approximately 410,000 sf of traditional office users.

According to Real Capital Analytics, sale activity increased in 2021 to just under US\$934 million.

## Outlook

Net absorption is expected to remain in the red into 2022. The decline is expected to be more muted as absorption in some markets catches up with strong leasing activity.

Asking rents are expected to hold relatively flat at the market level, despite increases in vacancy. At the property level, some rents may decline modestly in coming quarters.

Life science requirements make up an increasing share of total demand and will likely continue to grow in the coming quarters.



## SAN ANTONIO, TEXAS

### Economic Indicators

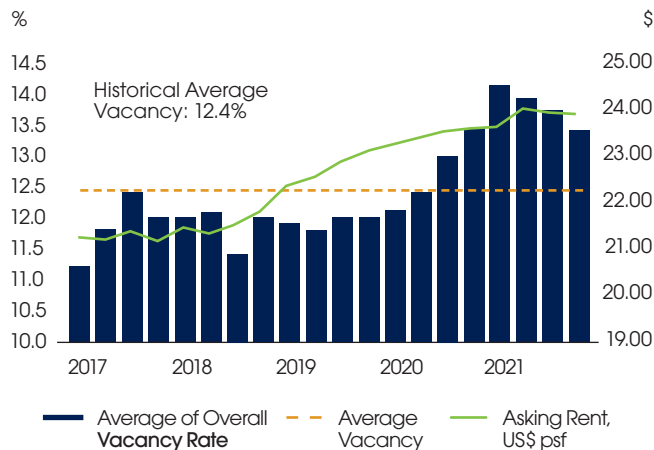
	Q4 2020	Q4 2021	12-Month Forecast
San Antonio MSA Employment	1,142k	1,187k	▲
San Antonio MSA Unemployment	6.3%	4.4%	▼
US Unemployment	6.7%	3.9%	▼

### Office Market Indicators (Overall, All Classes)

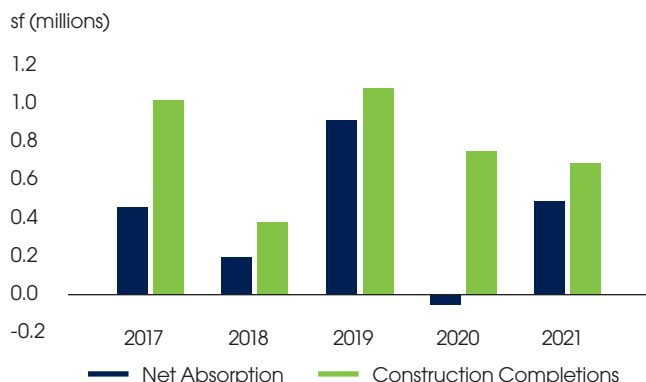
	Q4 2020	Q4 2021	12-Month Forecast
Vacancy	10.2%	13.4%	▼
YTD Net Absorption (sf)	-124k	104k	▲
Under Construction (sf)	1,647k	1,339k	—
Average Asking Rent*	US\$21.40	US\$23.89	▲

\* Rental rates reflect gross asking US\$psf/year

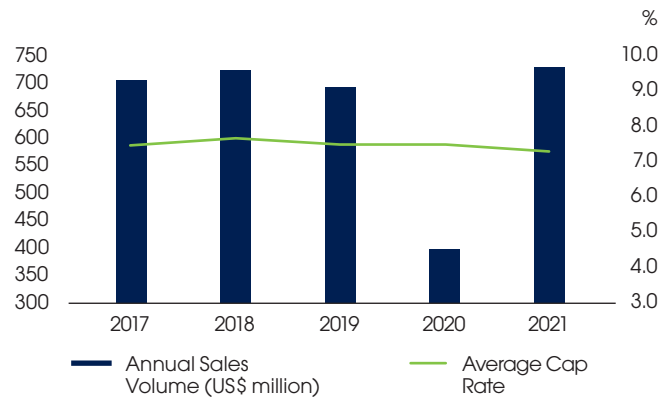
### Overall Vacancy and Asking Rents



### Office Space Demand and Deliveries



### Investment Sales



Source: Real Capital Analytics

### Local Economy

Total employment in the metro as of Q4 2021 is up by 4.4% YOY. San Antonio's third largest industry in the market, Leisure and Hospitality, the sector most directly impacted by the recession, is up by 5.3% QOQ and 13.3% YOY. With gains in employment not only in Leisure & Hospitality but other top sectors (Government, Professional & Business Services) continued economic growth is anticipated in the future. Office-using employment in San Antonio, a more reliable predictor of forthcoming office demand, is up by 3.6% on a YOY basis. It is expected that the San Antonio market will continue to see positive economic gains at a slow and steady pace.

### Office Market Trends

After seeing positive absorption for the past two quarters, the trend is maintained with a positive absorption of 103,836 sf in the fourth quarter with a total absorption of 476,316 sf for 2021. Office recovery is expected to continue after observing three contiguous quarters of positive absorption. In the CBD, absorption has continued to increase, with gains of 71,001 sf in the fourth quarter of 2021, with 2021 total absorption at -57,308 sf. Class A total vacancy saw an absorption of 85,595 sf, decreasing the QOQ vacancy rate by 90 bps to 13.9%.

As of Q4 2021, 1.3 msf remain under construction with a new building delivery of 23,886 sf. Of the 1.3 msf under construction, 267,890 sf is Class A, or 20% of the overall total. In 2021 the largest building delivery was the Credit Human Tower in the North Central submarket at 221,000 sf. Most of the new construction is occurring in the Northeast and Far Northwest submarkets, accounting for 67% of all new construction.

The pace of overall rent growth increased annually but decreased slightly QOQ. In Q4 of 2021, rental rates increased by 1.4% from \$23.55 psf in Q4 2020. The year

# INDEPENDENT MARKET REPORT

ended with a slight QOQ decrease in all class rental rates by 0.1% QOQ and 1.4% YOY. Class A rental rates closed Q4 of 2021 at \$27.83 psf, an 0.3% increase QOQ, but 1.3% lower YOY.

According to Real Capital Analytics, sale activity increased to over US\$724 million in 2021, after declining in 2020 to just under US\$370 million. While this was down 46% from 2019, it is only slightly below the volume reported for 2016 and is significantly up from the annual levels recorded from 2008 through 2012.

## Outlook

San Antonio office market fundamentals remain steady, with record rent levels, positive absorption, and strong levels of leasing activity in most submarkets. Rental rate growth is expected to decelerate after steady growth over the last five years in most submarkets. Thus, the San Antonio office market is expected to continue to trend positively over the short- and long-term.

## SUBURBAN VIRGINIA

### Economic Indicators

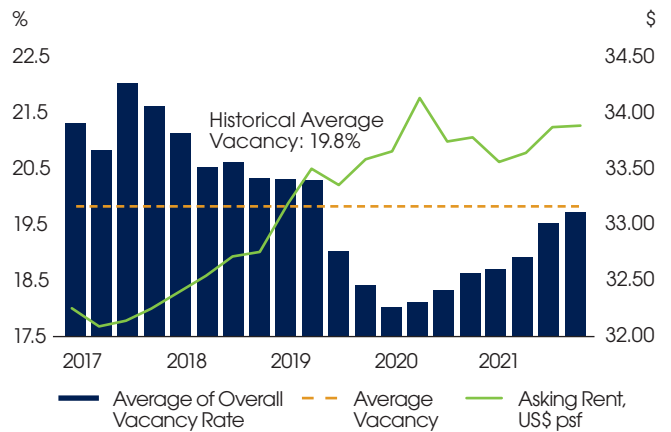
	Q4 2020	Q4 2021	12-Month Forecast
Virginia MSA Employment	779k	791k	▲
Virginia MSA Unemployment	6.9%	3.8%	▼
US Unemployment	6.7%	3.9%	▼

### Office Market Indicators (Overall, All Classes)

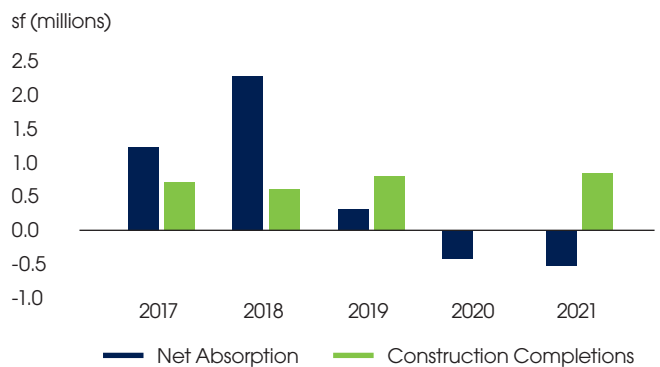
	Q4 2020	Q4 2021	12-Month Forecast
Vacancy	18.6%	19.7%	▲
YTD Net Absorption (sf)	296k	-83k	▲
Under Construction (sf)	2,614k	1,995k	▼
Average Asking Rent*	US\$33.77	US\$33.88	▲

\* Rental rates reflect gross asking US\$psf/year

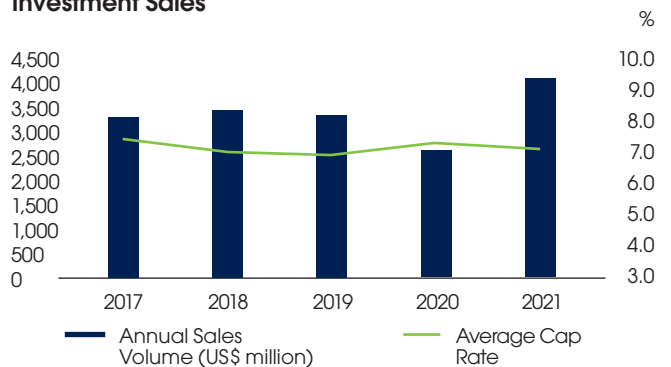
### Overall Vacancy and Asking Rents



### Office Space Demand and Deliveries



### Investment Sales



Source: Real Capital Analytics

### Local Economy

The suburban Virginia market has been strengthened by over 27,000 new jobs created in 2020, with office-using sector accounting for 67% of the new job growth. The largest gain being in the professional and business sector which had over 2.1% growth from the prior year. Unemployment increased by 260 bps and is 140 bps lower than the US Unemployment rate.

## Office Market Trends

Comstock's 1902 Reston Metro Plaza, pre-leased by ICF, delivered 207,000 sf in Q4 2021. There is an additional 1.9 msf under construction in Northern Virginia with one msf at RTC Next Towers A & B, to be occupied by Volkswagen and Fannie Mae respectively, scheduled to deliver in Q1 2022. Gainwell Technologies will be joining Volkswagen at 1950 Opportunity Way, signing on for 10,000 this quarter. Another 730,000 sf is set to deliver in Q2 2022, including Foulger-Pratt's 384,000 sf at 1750 Tysons Central, which has seen no pre-leasing. Skanska's spec development at 3901 Fairfax Dr broke ground Q3 2021 and is scheduled to deliver 201,000 sf at the end of 2023. Overall absorption in Northern Virginia registered negative 83,458 sf in Q4 2021 driven by 114,049 sf of negative absorption in Class A buildings. Reston/Herndon saw the largest move out with Accenture vacating at Two Reston Crescent. This brings year-to-date (YTD) absorption to negative 503,730 sf, with Class A registering 140,964 sf in and Class B registering 347,755 sf of negative absorption, respectively.

Real Capital Analytics estimated investment sales volume at approximately US\$2.5 billion for the past 12 months, down from US\$3.3 billion in 2019. The 2018 level, US\$3.4 billion, was the highest since 2007 when the market recorded US\$9.9 billion. Cap rates increased slightly in 2020, averaging approximately 7.5% for the year.

Northern Virginia registered 1,040,605 sf of new leasing activity and 304,764 sf of renewals in Q4 2021, bringing new leasing to 5,336,267 sf and renewals to 4,562,144 sf YTD. The largest new lease of the quarter was signed by Peraton at 1875 Explorer Street for 89,328 sf in the Reston/Herndon submarket. Fairfax County registered 90% of renewals in Q4 with 277,631 sf. This was driven by Kastle Systems renewing 59,484 sf at 6402 Arlington Boulevard in the Merrifield/Route 50 submarket and the Sierra Nevada Corporation renewing 53,819 sf at 3076 Centreville Road in the Reston/Herndon submarket.

Overall average vacancy rates in Northern Virginia rose 110 bps YOY to 19.7%, and up 20 bps from Q3 2021. Overall average rental rates rose \$0.11 YOY to \$33.88 psf on a full-service basis in Q4 2021 and increased \$0.02 from Q3 2021. Courthouse/Clarendon registered the highest overall average rental rate of all the Northern Virginia markets, closing the quarter at \$43.25 psf.

## Outlook

Suburban Virginia's continued economic growth can be seen throughout the office market fundamentals. The positive net absorption, increasing rental rates and decreasing vacancy rates (since the beginning of 2019) combine to create a vibrant and dynamic office landscape. Optimism continues in 2022 as vacancy rates are expected to decrease as development decreases along with positive net absorption.

## BOCA RATON, FLORIDA

### Economic Indicators

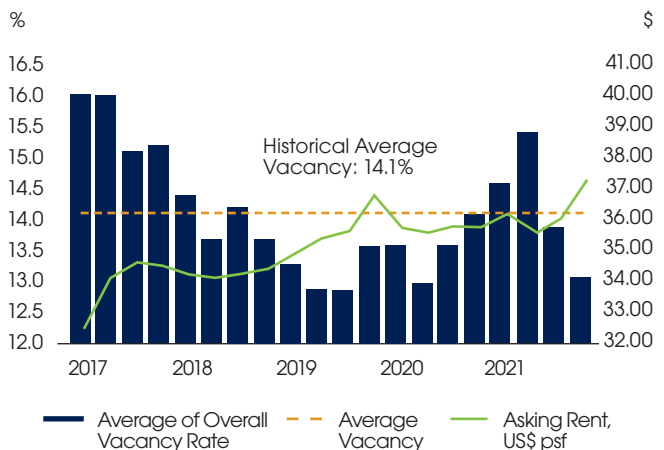
	Q4 2020	Q4 2021	12-Month Forecast
Boca Raton MSA Employment	2,796k	3,025k	▲
Boca Raton MSA Unemployment	6.1%	3.3%	▼
US Unemployment	6.7%	3.9%	▼

### Office Market Indicators (Overall, All Classes)

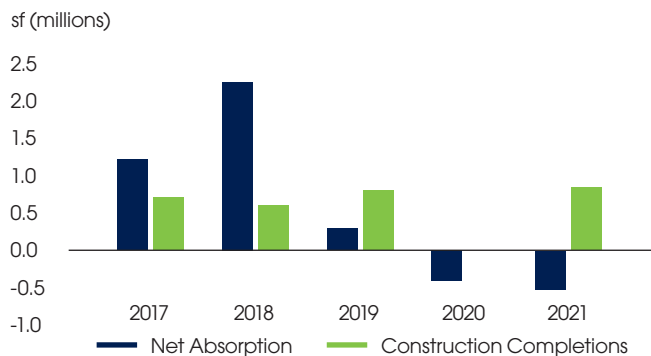
	Q4 2020	Q4 2021	12-Month Forecast
Vacancy	14.1%	13.1%	▼
YTD Net Absorption (sf)	21k	528k	▲
Under Construction (sf)	170k	529k	▼
Average Asking Rent*	US\$38.37	US\$39.86	—

\* Rental rates reflect gross asking US\$/psf/year

### Overall Vacancy and Asking Rents

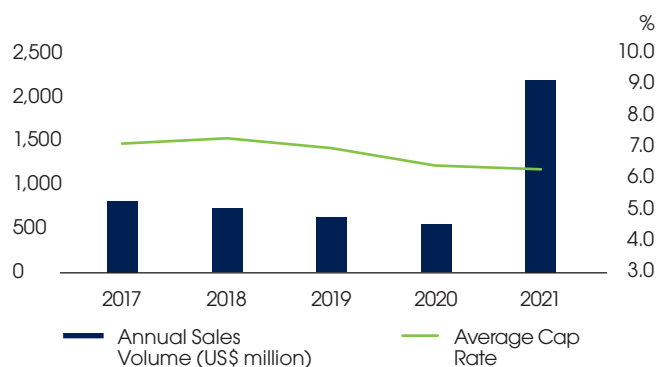


### Office Space Demand and Deliveries



# INDEPENDENT MARKET REPORT

## Investment Sales



Source: Real Capital Analytics

## Local Economy

The unemployment rate in Palm Beach County was 3.9% in December 2021. Nonagricultural employment was 641,900, a 5.1% increase YOY or 31,100 jobs added. All non-government employment sectors in Palm Beach County gained jobs over the year. Leisure & Hospitality recorded the most jobs gained over the year, up 13.9% with the 10,600 jobs added. Office-using employment, including Information, Financial Activities and Professional & Business Services, had a combined increase of 6,400 jobs over the year.

## Office Market Trends

Palm Beach's overall vacancy was 13.2% at yearend, down 90 bps compared to year-end 2020. Overall vacancy in Class A assets was 13.3%, a 290-bps decrease from the end of the third quarter as a slew of tenants moved into newly delivered Class A space over the last three-month period. Class B vacancy trended down to 13.5% with a decrease of 190 bps over the year and 50 bps in the fourth quarter. For the year, 300,000 sf was delivered and another 529,400 sf was under construction. New leasing activity year to date (YTD) was over 2.2 msf which was up 77% from 2020 levels and the highest annual total since 2013. Class A assets accounted for approximately 50% of all activity, indicating strength in demand and a flight to quality by office users. The CBD captured 22%, or 493,000 sf, of all leasing for 2021. Close to half of the 1.7 msf in leases signed in suburban submarkets over the last year were in the Boca Raton major market, totaling 809,000 sf. Smaller tenants drove activity over the year, with the average size of deal less than 3,800 sf. In Overall absorption was strongly positive at 528,000 sf which was helped in the last six months of the year as tenant move ins accelerated. This was the highest annual absorption total since 2016.

Overall asking rents rose by 3.8% YOY and ended the year at \$39.86 psf full service. Class A assets increased

by slightly less than 1.0% over the last 12 months to \$47.17 psf as quality space priced at the top of the market was leased. Class B rents were higher by 6.4% to \$35.17 psf as many property owners took advantage of the elevated leasing environment to increase rents. In the CBD, overall rents closed out the year at \$50.02 psf with Class A rising 6.7% to \$65.42 psf. Interest from out-of-town tenants, predominately in financial services and money management firms from the Northeast, improved in Palm Beach County as the year progressed with many taking space in newly built towers in the CBD.

Real Capital Analytics estimated investment sales volume at approximately US\$2.15 billion for the past 12 months, up 291% from US\$550 million in 2020. Cap rates decreased slightly in 2021, averaging approximately 6.3% for the year.

## Outlook

The economy in the Palm Beach metro continues to support growth in the office sector. While gains in the office market continued into 2021, market fundamentals remain solid. The lack of space currently in the market and the long lead times it takes for new office construction means that Palm Beach will remain a landlord's market for the foreseeable future.

## SAN DIEGO, CALIFORNIA

### Economic Indicators

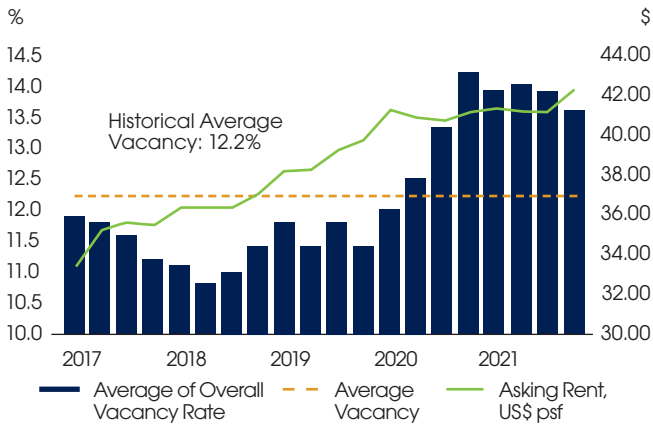
	Q4 2020	Q4 2021	12-Month Forecast
San Diego MSA Employment	1,407k	1,469k	▲
San Diego MSA Unemployment	8.7%	5.3%	▼
US Unemployment	6.7%	3.9%	▼

### Office Market Indicators (Overall, All Classes)

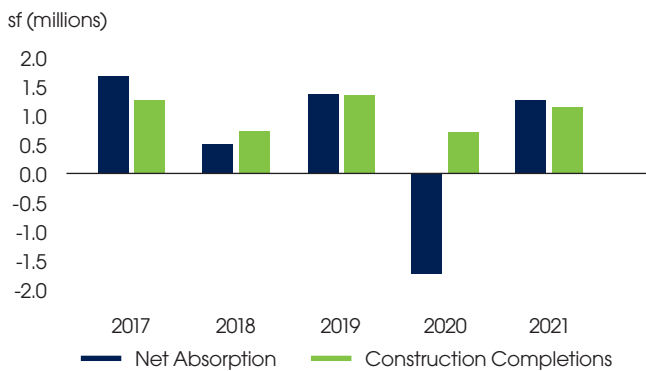
	Q4 2020	Q4 2021	12-Month Forecast
Vacancy	14.2%	13.6%	▼
YTD Net Absorption (sf)	-1,695k	1,219k	▲
Under Construction (sf)	3,899k	4,109k	▼
Average Asking Rent*	US\$41.04	US\$42.24	▲

\* Rental rates reflect gross asking US\$psf/year

## Overall Vacancy and Asking Rents



## Office Space Demand and Deliveries



## Investment Sales



Source: Real Capital Analytics

## Local Economy

The San Diego employment market has recovered 193,400 (83%) of the 248,000 jobs lost during the beginning of the pandemic between March and April of 2020. During the same time, the monthly unemployment rate decreased from 6.8% last year to 4.6% and is notably lower compared to the 15.9% high recorded in April of 2020. All employment sectors are expected to grow at a combined rate of 4.5% in 2022, while office employment is forecasted to grow 2.3% and high-tech employment 2.7%. San Diego's economy of \$252.7 billion as measured by 2021 gross regional product is forecasted to grow 4.9% in 2022 and 3.3% in 2023, above its 10-year average of 3.1%.

## Office Market Trends

At the end of 2021, San Diego's direct office vacancy was 13.6%, a decrease of 30 bps from the previous quarter and 60 bps from a year ago. Tenants absorbed 373,400 sf in Q4 2021, marking the fourth consecutive quarter of occupancy gains since the beginning of the COVID-19 pandemic and bringing annual occupancy gains to 1.2 msf. Large technology tenants like Apple, ClickUp and Flock Freight were the primary drivers of absorption. Leasing activity remained strong in Q4 2021 at 1.7 msf across 106 deals, excluding renewals, compared to 2.0 msf (156 deals) in Q3 2021, and 797,000 sf (112 deals) in Q4 2020.

The countywide average asking rent across all classes rose 2.6% from the previous quarter to \$3.52 psf on a monthly full-service basis and increased \$0.10 (+2.9% YOY) from a year ago. Over the past 12 months, Class A average rent has increased by 9.0% to \$4.12 psf, while Class B rent has decreased by 9.2% to \$3.05 psf. New speculative construction and life sciences conversions of older buildings are expected to push rents higher over the next twelve months.

Real Capital Analytics estimated investment sales volume at approximately US\$3.9 billion for the past 12 months, up 35.7% from US\$1.46 billion in 2020. Cap rates decreased slightly in 2021, averaging approximately 6.0% for the year.

## Outlook

Tenants are reassessing their real estate footprint based on work-from-home policies as well as assessing both short and long-term needs working through and after the pandemic. Leasing within the 10,000 to 50,000 sf range will continue to be the main driver of activity, accounting for 50% of total sf in lease obligations set to expire over the next 18 months.

# INDEPENDENT MARKET REPORT

Active tenant requirements of all sizes remain robust at 5.2 msf over the next 24 months countywide, led by Apple's search for a San Diego campus. While many of these tenants paused their plans due to COVID-19, a majority have reactivated their requirements or begun exploring the market. While not all current tenants in the market will transact in the short term, these levels provide a barometer to leasing activity in subsequent quarters.

## Use and Reliance

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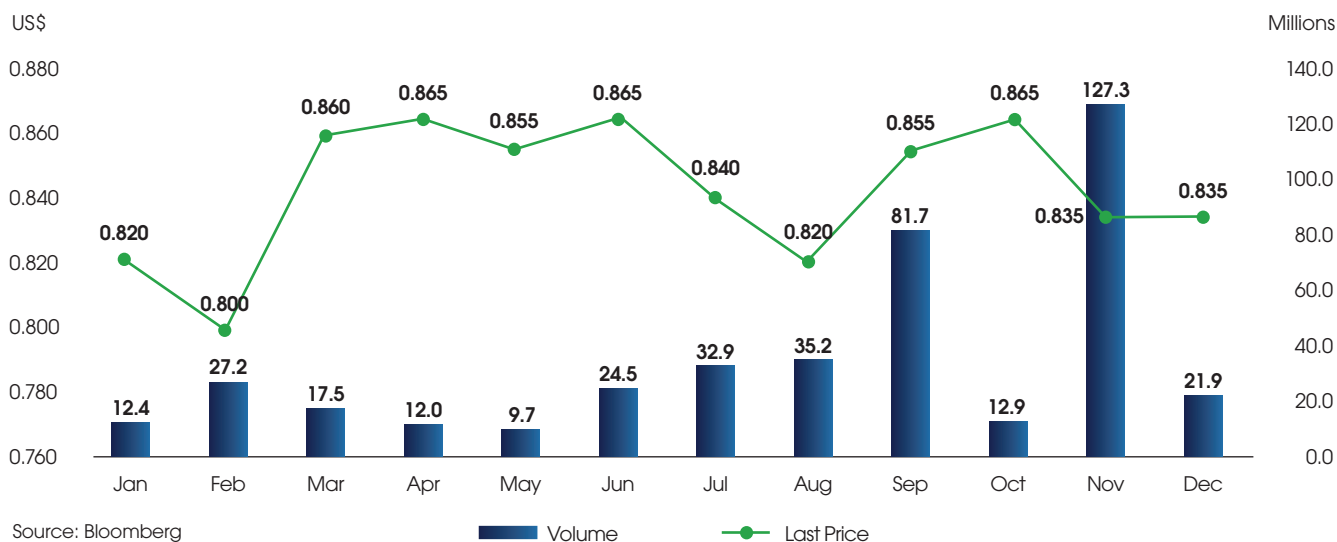
## Methodology

Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including its own proprietary database and historical data from third party data sources. The market statistics are calculated from a base building inventory made up of office properties deemed to be competitive in the local office markets. Generally, owner-occupied and federally-owned buildings are not included. Single tenant buildings and privately-owned buildings in which the federal government leases space are included. Older buildings unfit for occupancy or ones that require substantial renovation before tenancy are generally not included in the competitive inventory. The inventory is subject to revisions due to resampling. Vacant space is defined as space that is available immediately or imminently after the end of the quarter. Sublet space still occupied by the tenant is not counted as available space. The figures provided for the current quarter are preliminary, and all information contained in the report is subject to correction of errors and revisions based on additional data received.



# INVESTOR RELATIONS REVIEW

## PRIME Performance in FY 2021



### Unit Price Performance

Opening Price as at First Trading Day of the Year – 4 January 2021 (US\$ per unit)	0.800
Closing Price as at Last Trading Day of the Year – 31 December 2021 (US\$ per unit)	0.835
Highest closing price (US\$ per unit)	0.880
Lowest closing price (US\$ per unit)	0.780
Average closing price (US\$ per unit)	0.839
Volume weighted average price (VWAP) (US\$ per unit)	0.832
Trading Volume (million units)	415.3
Number of Units in Issue as at 31 December 2021 (million units)	1,168.2
Market Capitalisation as at 31 December 2021 (US\$ million)	975.4

Source: Bloomberg and company announcements

### IR Calendar in FY2021

DATE	EVENT
<b>February 2021</b>	
17 February, Wednesday	FY2020 Financial Results Announcement
18 February, Thursday	FY2020 DBS Group Investor Briefing
<b>March 2021</b>	
3 March, Wednesday	SGX-Daishin-Phillip Virtual S-REIT Corporate Day: Office (Korea)
16 March, Tuesday	RHB Group Investor Call
<b>April 2021</b>	
14 April, Wednesday	SGX Taiwan Corporate Access
28 April, Wednesday	FY2020 Virtual AGM
<b>May 2021</b>	
18 May, Tuesday	1Q2021 Key Business and Operational Update
19 May, Wednesday	1Q2021 Credit Suisse Group Investor Briefing



## IR Calendar in FY2021 (cont'd)

DATE	EVENT
<b>June 2021</b>	
8 June, Tuesday	Phillip Securities Webinar
14 June, Monday	DBS-SGX-REITAS Virtual Conference: Empty offices or "zoom fatigue" setting in? - A Global Perspective
24 June, Thursday	DBS Group Investor Call
<b>August 2021</b>	
3 August, Tuesday	1H2021 Financial Results Announcement
4 August, Wednesday	1H2021 DBS Group Investor Briefing
25 August, Wednesday	Citi-SGX-REITAS REITS / Sponsors Forum 2021
<b>September 2021</b>	
28 September, Tuesday	SGX-CS Real Estate Day
<b>November 2021</b>	
3 November, Wednesday	3Q2021 Key Business and Operational Update
5 November, Friday	3Q2021 DBS Group Investor Briefing
30 November, Tuesday	SGX-Yuanta: Single Stock NDR (Taiwan)
<b>January - March 2022</b>	
18 January, Tuesday	CLSA Singapore Hidden Jewels Access Day
16 February, Wednesday	FY2021 Financial Results Announcement
17 February, Thursday	FY2021 DBS Group Investor Briefing
10 March, Thursday	SGX-Samsung Securities - S-REITs Corporate Day (Korea)
29 March, Tuesday	RHB NDR

# COMMUNITY ENGAGEMENT

## TENANT AND COMMUNITY ENGAGEMENT

The impact of COVID-19 was significant throughout the United States and PRIME experienced this as physical occupancies declined across the portfolio. The Manager went to great lengths to establish new protocols and implement a variety of measures to ensure the health and safety of its tenants throughout the pandemic, including adherence to all CDC guidelines. The Manager worked with our tenants to implement measures that would assist with their return to office planning for their employees. These measures included prominent signage throughout the buildings to promote safe practices and social distancing, increased janitorial services, UV sterilization technology, installation of nano-septic elevator button covers, and installation of higher quality air filters. In addition, the Manager utilized Underwriters Laboratories' UL Verified Healthy Building program to test the indoor air quality in each of our properties. The Manager also provided resources for tenants such as virtual concierge services, and hosted Zoom events such as virtual wine tastings and holiday party events throughout the year in order to bring tenants together even while working remotely.

## SUSTAINABLE ENVIRONMENTAL MANAGEMENT

The Manager is committed to sustainable business practices and recognizes that energy consumption is a growing concern globally. 12 out of 14 of PRIME's properties are Leadership in Energy and Environmental Design ("LEED") or Energy Star certified. LEED is an international certification that recognizes resource-efficient green buildings. The Manager implements measures to optimize energy and water efficiency across all its properties and conducts regular maintenance works to ensure improved efficiency and cost savings.

Most properties, including the newly acquired One Town Center and Sorrento Towers, are equipped with environmentally friendly amenities to minimize its carbon footprint and environmental impact. These amenities include the installation of bicycle racks, recycling programs, automatic lighting sensors, water conservation features and weather proofing window panels. A number of our properties are installing rooftop honeybee hives that promote wellness and include educational workshops for our tenants. These hour-long hands-on activities or inspiring conferences engage and connect people with their honeybees, whether in-person or virtually. As an added benefit, they produce honey which is either donated or shared with our tenants to enjoy. Properties currently participating include CrossPoint, One Washingtonian Center, and Reston Square. These sustainability efforts are a key element of value creation for our tenants and investors.

The Manager will share more information on PRIME's sustainability management in our Sustainability Report which will be available in electronic form on SGXNet and our website at [www.primeusreit.com](http://www.primeusreit.com) by 31 May 2022.

# CORPORATE GOVERNANCE REPORT

The Singapore Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore (the “MAS”) on 6 August 2018 (the “Code”) and read together with the Amendment to Practice Guidance 4 of the Code of Corporate Governance with effect from 1 July 2021, has played a significant role in corporate governance reform. Incorporating global principles and internationally recognised practices of corporate governance which are beyond the minimum required by statutory regulations has positively influenced the corporate governance practices of Prime US REIT (“PRIME”) since its listing on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). PRIME was constituted by a deed of trust (as amended) dated 7 September 2018 entered into between KBS Prime US Property Management Pte. Ltd., as the manager (the “Manager”) and DBS Trustee Limited, as the trustee (the “Trustee”) (the “Trust Deed”). PRIME has adopted the above approach to promote greater internalisation of corporate governance culture.

The Board of Directors (the “Board” or “Directors” and individually, a “Director”) of the Manager views corporate governance as a fundamental process contributing towards achieving long-term Unitholders’ value. The Board continuously strives to refine the corporate governance practices and processes to ensure they consistently reflect market practices and stakeholders’ expectations where PRIME’s competitive edge both locally and internationally remains undiminished. The term “corporate governance” refers to the entire system for managing and supervising an entity, including its organisation values, as well as all internal and external regulatory and monitoring mechanisms. The Board and the management team of the Manager (“Management”) are committed to good corporate governance practices that enhance the confidence placed in it by the Unitholders, business partners, employees and the financial markets.

This Corporate Governance Report (the “Report”) sets out details on the applicability of each of the principles and provisions of the Code for the financial year ended 31 December 2021 (the “FY2021”). PRIME is pleased to confirm that it has adhered to the principles and provisions of the Code in all material aspects, save for any deviations which are then explained and provided for, as well as the practices adopted to be consistent with the intent and philosophy of the relevant principle in question within this Report.

## THE MANAGER OF PRIME US REIT

The Manager has general powers of management over the assets and is mainly responsible for managing the assets and liabilities of PRIME for the benefit of the Unitholders. The Manager’s primary role is to formulate and establish the strategic direction and business plans of PRIME in accordance with its mandate. This includes making recommendations to the Trustee on any opportunities on the investment, divestment, development and/or enhancement of assets of PRIME in accordance with the investment strategy of PRIME. The Manager shall also ensure that the research, evaluation and analysis required for these purposes are coordinated and carried out, so as to maximise returns from investments and ultimately the distributions and total returns to Unitholders.

The Manager uses its best endeavours to ensure that PRIME conducts its business in a proper and efficient manner and conducts all transactions with or for PRIME on an arm’s length basis and on normal commercial terms. The Manager’s principal functions and responsibilities include:

- Formulating investment strategy, including determining the location, sub-sector type and other characteristics of the property portfolio of PRIME, overseeing negotiations and providing supervision in relation to investments of PRIME, and making final recommendations to the Trustee;
- Formulating asset management strategy, including determining the tenant mix, asset enhancement works and the rationalisation of operation costs and providing supervision in relation to asset management of PRIME pursuant to the property management agreements signed for the respective properties and making final recommendations to the Trustee on material matters;
- Formulating plans for equity and debt financing for PRIME, which may contain proposals and forecasts on gross revenue, capital expenditure, acquisitions, divestments and valuations, distribution payments, expense payments and property maintenance payments, as well as executing capital management plans, negotiating with financiers and underwriters and making final recommendations to the Trustee; and
- Attending to all regular communications and liaisons with Unitholders, investors, analysts and the investment community.

# CORPORATE GOVERNANCE REPORT

The Manager discharges its responsibilities for the benefit of the Unitholders in accordance with all applicable laws and regulations, including the applicable provisions of the Securities and Futures Act 2001 (the "SFA"), the listing manual of the SGX-ST (the "Listing Manual"), the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("MAS") (the "CIS Code"), including Appendix 6 of the CIS Code (the "Property Funds Appendix") the Trust Deed, the tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of PRIME and the Unitholders as well as other applicable guidelines prescribed by SGX-ST, MAS or other relevant authorities and applicable laws.

## BOARD MATTERS

### Board's Conducts of Its Affairs

**Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.**

The Board maintains a reasonable balance between the continual striving for the highest standard of corporate governance and performing their role of setting strategy foundation and policymaking as the ultimate decision-making body. With the focus on enhancing sustainable value for Unitholders, the Board, in exercising due care and independent judgement in objective decision-making, is responsible for the stewardship of the business and managing the assets and liabilities of PRIME. The Board has delegated certain responsibilities to the respective Board Committees guided by their respective Terms of References ("ToR"), each of which is chaired by an independent director and reports to the Board. Each committee is supported by independent directors (the "IDs") who report to the Board which is supported by the Chief Executive Officer (the "CEO") and Deputy CEO and Chief Financial Officer (the "CFO"). The CEO, together with Management, is accountable to the Board.

## ROLE OF THE BOARD AND BOARD'S APPROVAL

The Board has formalised a set of internal guidelines and protocols wherein key matters such as investments, divestments, bank borrowings, issuance of new units, income distributions and other returns to Unitholders, corporate strategies and policies of PRIME, annual budget, financial performance of PRIME and approval to release semi-annual and full-year results and, where applicable, audited financial statements, are specifically reserved for the approval of the Board, whereas approval of operational transactions below a certain level are delegated to the Management. This is clearly communicated to Management in writing.

The principal roles and responsibilities of the Board, amongst others are:

- guiding the corporate strategy, policies and directions of the Manager;
- ensuring that Management discharges its responsibility to provide business leadership and demonstrates the highest quality of management skills with integrity and enterprise;
- overseeing the proper conduct of the Manager;
- ensuring measures relating to corporate governance, financial regulations, and other required policies are in place and enforced;
- ensuring that the necessary financial and human resources are in place for the Manager to meet their objectives;
- establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding the interests of the Unitholders and its assets;
- reviewing Management's performance;
- identifying the key stakeholder groups and recognising that their perceptions affect the reputation of PRIME;
- setting the Manager's values and standards (including ethical standards), and ensuring that obligations to Unitholders and other stakeholders are understood and met; and
- considering sustainability issues (including environmental and social factors) as part of the Manager's overall strategy.

# CORPORATE GOVERNANCE REPORT

Directors are fiduciaries who act objectively in the best interests of the Manager and PRIME and hold Management accountable for their performance. The Board, in discharging its responsibilities, sets the appropriate tone-from-the-top and desired organisational culture via a code of conduct and ethics with clear policies and procedures for dealing with conflicts of interest. Where a Director faces a conflict of interest, he or she will recuse him or herself from the discussions and decisions involving the issues of conflict.

## COMPOSITION OF THE BOARD

As at the date of this Report, the Board<sup>(1)</sup> is comprised of:

- Professor Annie Koh<sup>(2)</sup> (Chairperson, Independent Non-Executive Director (“**Independent Chairperson**” or “**IC**”))
- Ms Cheng Ai Phing<sup>(3)</sup> (Independent Non-Executive Director (“**ID**”))
- Ms Soh Onn Cheng Margaret Jane<sup>(4)</sup> (Independent Non-Executive Director (“**ID**”))
- Mr John Robert French (Independent Non-Executive Director (“**ID**”))
- Mr Kevin John Eric Adolphe<sup>(5)</sup> (Independent Non-Executive Director (“**ID**”))
- Mr Chua Hsien Yang (Non-Independent Non-Executive Director (“**NID**”))
- Mr Loh Yew Seng (Non-Independent Non-Executive Director (“**NID**”))
- Mr Pankaj Agarwal<sup>(6)</sup> (Non-Independent Non-Executive Director (“**NID**”))

Notes:

<sup>(1)</sup> On 22 February 2022, the Manager had received a notice of change in nomination from the Unitholder, KBS Asia Partners Pte. Ltd., and pursuant to the said notice, Mr Charles J. Schreiber, Jr. had ceased as the Chairperson and Non-Independent Non-Executive Director of the Board (“**NIC**”) and the Nominating and Remuneration Committee with effect from 23 February 2022.

<sup>(2)</sup> Professor Annie Koh was appointed as the Lead Independent Director (“**LID**”) and a member of Nominating and Remuneration Committee on 18 May 2021. Professor Annie Koh was appointed as the Independent Chairperson of the Board on 24 February 2022 in place of Mr Charles J. Schreiber, Jr. pursuant to the notice of change in nomination received from the Unitholder, KBS Asia Partners Pte. Ltd.. Following the said appointment, Professor Annie Koh ceased to be the Chairperson of the Audit and Risk Committee and the Lead Independent Director on 10 March 2022.

<sup>(3)</sup> Ms Cheng Ai Phing was appointed as the Chairperson of the Audit and Risk Committee with effect from 10 March 2022.

<sup>(4)</sup> Ms Soh Onn Cheng Margaret Jane was appointed as ID and Chairperson of the Nominating and Remuneration Committee with effect from 10 February 2021.

<sup>(5)</sup> Mr Kevin John Eric Adolphe was appointed as member of the Audit and Risk Committee with effect from 10 February 2021.

Profiles of the Board and the diverse skills and experience they bring to PRIME can be found between pages 7 and 10 of this Annual Report.

## BOARD COMMITTEES

There is a clear delineation of roles between the Board and Management, with the CEO acting as the conduit between the Board and Management in driving the success of PRIME’s governance and management function. To assist in the delegation of its responsibilities, two Board Committees, namely the Nominating and Remuneration Committee (the “**NRC**”) and the Audit and Risk Committee (the “**ARC**”), were established to oversee their respective functions within PRIME.

The Board Committees are governed by their respective ToRs, which define their specific responsibilities, authorities and duties. The Board Committees and their delegated authority from the Board can be found between pages 65 to 72 and pages 78 to 82 of this Annual Report. The Chairperson of the respective Board Committees will report to the Board on the outcome of the committee meetings and their recommendations on the specific agendas mandated to the committee by the Board. The Board is ultimately responsible for the final decision on all matters.

# CORPORATE GOVERNANCE REPORT

Following the changes to the Board composition during FY2021 and in February/March 2022 as mentioned above, the composition of the Board Committees was re-constituted as follows:

	ARC	NRC
Chairperson	Cheng Ai Phing	Soh Onn Cheng Margaret Jane
Member	Professor Annie Koh	Cheng Ai Phing
Member	Kevin John Eric Adolphe	Professor Annie Koh

## BOARD MEETINGS AND ACTIVITIES

Prior to Board meetings and on an on-going basis, Management provides complete, adequate and timely information to the Board to enable the Board to make informed decisions and discharge their duties and responsibilities more effectively. Management will make the necessary arrangements for these briefings, informal discussions, or explanations. Management is also required to furnish any additional information, when requested by the Board, as and when the need arises.

Directors may request further explanations, briefings or informal discussions on any aspect of the Manager's operations or business issues from Management and have separate and independent access to Management and the Company Secretary, namely Ms Ngiam May Ling at all times. The appointment and removal of the Company Secretary is subject to the approval of the Board. The Company Secretary (or her representatives) attends all Board and Board Committee meetings and is responsible for ensuring that Board procedures are followed, with periodic updates on the relevant regulatory changes affecting PRIME.

To keep pace with regulatory changes, where these changes have an important bearing on the disclosure obligations of the Board, the Board is briefed either during Board meetings or at specially convened sessions involving the relevant advisers and professionals, where necessary, or via circulation of Board papers. Legal advisors and/or auditors, who can provide additional insight into the matters for discussion are also invited from time to time to attend such meetings. The constitution of the Manager allows for participation in meetings via telephone conference, video conference or similar communications equipment where the physical presence of the Board member at such meetings is not feasible.

The Manager practises early planning of meeting schedules so that the Board members are able to plan ahead, provide the required time commitment and to ensure that there is sufficient time for the Board to deliberate and discuss the various matters. As such, the Board and other Board Committee meeting schedules are pre-arranged in the final quarter of the year for the forthcoming years to meet on a quarterly basis. In addition, ad-hoc meetings are convened as and when required to enable the Board and Board Committees to raise questions and seek clarification through discussion forums with Management in respect of significant matters passed via circular resolutions.

## ORIENTATION AND TRAINING FOR DIRECTORS

Upon appointment to the Board, all Directors are given formal appointment letters explaining the terms of appointment and setting out the duties and obligations of a Director (including their roles as executive, non-executive and independent directors). New directors are provided with the terms of references of the ARC and NRC, and are made aware of their duties and obligations to familiarise themselves with their new roles. In addition, an induction, training and development programme is arranged for newly appointed Directors to familiarise them with the business, operations, and financial performance of PRIME. The newly appointed Directors will also be briefed on the Manager's governance practices, including board processes, policies on disclosure of interests in securities, prohibitions on dealing in the securities, and restrictions on disclosure of price-sensitive information. All directors are kept informed of the new updates on corporate governance processes, changes to accounting standards, Listing Manual and other regulatory developments from time to time.

# CORPORATE GOVERNANCE REPORT

The Manager will arrange for the Board to be kept abreast of developments in the real estate industry on a regular basis. To keep pace with the fast-changing laws and regulations and commercial risks, the Board receives further relevant training of their choice in connection with their duties as Directors. The Directors, either individually or as a group, may at the Manager's expense, seek independent professional advice, where appropriate, to discharge their duties effectively.

The Board believes that continuous training for Directors is vital for the Board members to enhance their skills and knowledge. Through participation in training and professional development programmes, Directors are routinely updated on developments and changes in the operating environment and applicable laws and regulations, including directors' duties and responsibilities, corporate governance matters and changes in financial reporting standards, to enable them to discharge their duties effectively as members of the Board and where applicable, as Board Committee members. The Directors may also attend other relevant courses, conferences and seminars, at the Manager's expense, including programmes run by the Singapore Institute of Directors. The NRC makes recommendations to the Board on relevant matters relating to the review of training and professional development programmes for the Board.

## **Board Composition and Guidance**

**Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.**

The Board reviews the size and composition of the Board with a view to ensure effective decision-making by taking into account the scope and nature of the operations of PRIME.

## **REVIEW OF INDEPENDENCE OF DIRECTORS**

The Board recognises the importance of independence and objectivity in its decision-making process, and that the presence of the IDs is essential in providing unbiased and impartial opinion, advice and judgement to ensure the interests of PRIME, Unitholders, employees, customers and other stakeholders in which PRIME conducts its businesses with are well-represented and taken into account.

The Board assesses the independence of the IDs in accordance with the requirements of the Code and Regulations 13D to 13H of the Securities and Futures (Licensing and Conduct of Business) Regulations (the "SFLCB Regulations") to ensure that the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of PRIME. A Director is considered to be independent if he or she is independent in conduct, character and judgement, and has no relationship with the Manager, its related corporations, substantial Unitholders who hold 5% or more of the voting shares of the Manager, or substantial Unitholders who hold 5% or more of the units in PRIME or its officers that could interfere or be reasonably perceived to interfere with the exercise of the Director's independent business judgement with a view to the best interests of PRIME, and is independent from Management and any business relationship with the Manager and PRIME, every substantial Unitholder of the Manager and every substantial Unitholder of PRIME, is not a substantial Unitholder of the Manager or a substantial Unitholder of PRIME and has not served on the Board for a continuous period of nine years or longer.

The IDs individually complete an annual confirmation of independence whereby they are required to assess their own independence, including independence from the major Unitholders and Management. The NRC considers this review, with each of the NRC members recusing him or herself from deliberations on his or her own independence.

# CORPORATE GOVERNANCE REPORT

The Board, after considering the relevant requirements under the SFLCB Regulations, specifically Regulation 13E(b)(i) of the SFLCB Regulations and the Code, wishes to set out its view in respect of each of the Directors as follows:

Name of Director	(i) had been independent from the management of the Manager and PRIME during FY2021	(ii) had been independent from any business relationship with the Manager and PRIME during FY2021	(iii) had been independent from every substantial Unitholder of the Manager and every substantial Unitholder of PRIME during FY2021	(iv) had not been a substantial Unitholder of the Manager or a substantial Unitholder of PRIME during FY2021	(v) has not served as a director of the Manager for a continuous period of 9 years or longer as at the last day of FY2021
Professor Annie Koh <sup>(1)</sup>	✓	✓	✓	✓	✓
Ms Cheng Ai Phing <sup>(2)</sup>	✓	✓	✓	✓	✓
Ms Soh Onn Cheng Margaret Jane <sup>(3)</sup>	✓	✓	✓	✓	✓
Mr John Robert French <sup>(4)</sup>	✓	✓	✓	✓	✓
Mr Kevin John Eric Adolphe <sup>(5)</sup>	✓	✓	✓	✓	✓
Mr Chua Hsien Yang <sup>(6)</sup>	✓	✓	–	✓	✓
Mr Loh Yew Seng <sup>(7)</sup>	✓	✓	–	✓	✓
Mr Pankaj Agarwal <sup>(8)</sup>	✓	✓	–	✓	✓
Mr Charles Jay Schreiber, Jr <sup>(9)</sup>	✓	–	–	✓	✓

## Notes:

- <sup>(1)</sup> Professor Annie Koh was appointed as the LID and a member of NRC on 18 May 2021. She was appointed as the Independent Chairperson of the Board on 24 February 2022 in place of Mr Charles Jay Schreiber, Jr. pursuant to the notice of change in nomination received on 22 February 2022 by the Manager. Professor Annie Koh had subsequently ceased as the Chairperson of the ARC and as the LID on 10 March 2022.
- <sup>(2)</sup> Ms Cheng Ai Phing was appointed as the Chairperson of the ARC with effect from 10 March 2022.
- <sup>(3)</sup> Ms Soh Onn Cheng Margaret Jane was appointed as an ID and Chairperson of the NRC with effect from 10 February 2021.
- <sup>(4)</sup> Mr John Robert French retired from Ernst & Young LLP in June 2019 as a Senior Assurance Partner. Pursuant to the SFLCB Regulations under Regulations 13D(8), during FY2021, Mr French was not treated as an independent director by virtue of his former employment with Ernst & Young LLP. Nonetheless, the Board is satisfied that during FY2021, Mr French had acted in the best interests of the Unitholders as a whole.
- <sup>(5)</sup> Mr Kevin John Eric Adolphe was appointed as member of the ARC with effect from 10 February 2021.
- <sup>(6)</sup> Mr Chua Hsien Yang was the CEO of Keppel DC REIT Management Pte. Ltd. till 14 February 2021 and is currently a Director of Keppel Offshore & Marine Ltd. Both Keppel DC REIT Management Pte. Ltd. and Keppel Offshore & Marine Ltd are related corporations (indirect subsidiaries) of Keppel Corporation Limited which is a substantial Unitholder of PRIME and a substantial Unitholder of the Manager. Pursuant to the SFLCB Regulations, during FY2021, Mr Chua was deemed not to be independent from every substantial Unitholder of the Manager and substantial Unitholder of PRIME by virtue of his former employment with Keppel DC REIT Management Pte. Ltd.. Nonetheless, the Board is satisfied that during FY2021, Mr Chua had acted in the best interests of the Unitholders as a whole.
- <sup>(7)</sup> Mr Loh Yew Seng was the Head, Capital Markets of Singapore Press Holdings Limited till [12 October 2021]. Singapore Press Holdings Limited through its wholly-owned subsidiary, Times Properties Private Limited, is a substantial Unitholder of PRIME and a substantial Unitholder of the Manager. Pursuant to the SFLCB Regulations, during FY2021, Mr Loh was deemed not to be independent from every substantial Unitholder of the Manager and substantial Unitholder of PRIME by virtue of his [former] employment with Singapore Press Holdings Limited. Nonetheless, the Board is satisfied that during FY2021, Mr Loh had acted in the best interests of the Unitholders as a whole.
- <sup>(8)</sup> Mr Pankaj Agarwal is the Director and Investment Manager of Auctus Investments Management Pte. Ltd. which is deemed to be interested in the Units held by AT Investments Limited, a wholly-owned subsidiary of Auctus Investments Management Pte. Ltd. Nonetheless, the Board is satisfied that during FY2021, Mr Agarwal had acted in the best interests of the Unitholders as a whole.
- <sup>(9)</sup> Mr Charles Jay Schreiber, Jr. is the co-founder and CEO of KBS Realty Advisors, which is the U.S. asset manager for PRIME. Mr Schreiber is also a substantial Unitholder of the Manager through his indirect interest of 50% in KBS Asia Partners Pte. Ltd. ("KAP") which in turn holds a 40% direct interest in the Manager. Pursuant to the SFLCB Regulations, during FY2021, Mr Schreiber was deemed not to be (i) independent from a business relationship with the Manager and PRIME by virtue of the payments made by PRIME to KBS Realty Advisors; and (ii) independent from every substantial Unitholder of the Manager and substantial Unitholder of PRIME by virtue of his indirect interest of 50% in KAP. Nonetheless, the Board is satisfied that during FY2021, Mr Schreiber was able to act in the best interests of the Unitholders as a whole. Pursuant to the notice of change in nomination received from KAP on 22 February 2022, Mr Charles J. Schreiber, Jr. had ceased as the NIC, a member of the Board and a member of the NRC with effect from 23 February 2022.



# CORPORATE GOVERNANCE REPORT

The Board has considered and determined, taking into account the views of the NRC, that Professor Annie Koh, Ms Cheng Ai Phing, Mr John Robert French, Mr Kevin John Eric Adolphe and Ms Soh Onn Cheng Margaret Jane have demonstrated independence in character and judgement in the discharge of their responsibilities as Directors during FY2021 and is satisfied that each of them acted with independent judgement. The Board has also assessed the relationships or circumstances which are likely to affect or could appear to affect the Directors' judgement. Based on the annual review of the Directors' independence conducted by the NRC, the criteria of independence as set out in the Code, Listing Manual Rule 210 (5) (d), SFLCB Regulations and the declarations by the IDs of their independence, the Board is satisfied that Professor Annie Koh, Ms Cheng Ai Phing, Mr John Robert French, Mr Kevin John Eric Adolphe and Ms Soh Onn Cheng Margaret Jane are independent.

The Board presently comprises eight directors, five of whom are IDs and all of whom are non-executive. Mr Charles Jay Schreiber, Jr. had ceased to be as the Chairperson of the Board and a member of the NRC with effect from 23 February 2022. Professor Annie Koh was appointed as the Independent Chairperson of the Board on 24 February 2022 in place of Mr Charles Jay Schreiber, Jr. Having a majority of IDs on the Board enables Management to benefit from their invaluable and objective perspectives on issues that are brought before the Board. The Board of the Manager was established on 26 July 2018 and none of the Directors has served on the Board beyond nine years since the date of his or her first appointment.

The IDs contribute to the Board process by monitoring and reviewing the performance of Management against goals and objectives. Their views and opinions provide an alternative perspective to PRIME's business which enables the Board to make informed and balanced decisions and allows interaction between the Board and Management in shaping the strategic process. In the review of the proposals and decisions tabled by Management, the IDs bring their objective judgement to bear on business activities and transactions involving conflicts of interest and other complexities and in this regard, the IDs meet without the presence of the Management on an as-needed basis.

The IDs and Non-Executive Directors met or communicated amongst themselves, as regularly as warranted, without the presence of Management during FY2021 to discuss concerns or matters such as the effectiveness of Management. The Chairperson of such meeting provides feedback to the Board and/or its Chairperson as appropriate.

## BOARD DIVERSITY POLICY AND COMPOSITION

The Board adopted a Board Diversity Policy as it acknowledges the importance of boardroom diversity in terms of age, gender, culture, nationality, ethnicity, tenure and recognises the benefits of this diversity. A diversity of tenure will achieve the progressive renewal of the Board so that there is the continuity of experienced directors as well as the onboarding of new directors to provide fresh perspectives on an ongoing basis. All director appointments will be based on merit, having due regard to the overall balance and effectiveness of the Board.

The Board also recognises that having a range of different dimensions of skills, backgrounds, knowledge and industry experience and diversity is essential to ensuring a broad range of viewpoints to facilitate optimal decision-making and effective governance. The Board is of the view that whilst promoting boardroom diversity is essential, the normal selection criteria of a Director, based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board, should remain a priority. The Board from time to time undertakes a review of its composition to determine areas to strengthen and identify improvement opportunities. PRIME strives for diversity not only in the Board but also in the workplace as it is an essential measure of good governance and is indicative of a well-functioning organisation and sustainable development.

Under the Board Diversity Policy, the NRC reviews and assesses the composition of the Board and makes recommendations to the Board on the appointment of new directors, taking into consideration aspects such as professional qualifications, industry and geographic knowledge, skills, length of service, age, gender and the needs of the Manager. The NRC will review the structure, size, balance and diversity of the Board annually and propose any changes to the Board to complement the objectives and strategies of PRIME and in this regard review and report to the Board annually the objectives and progress made in achieving an appropriately diverse board composition.

# CORPORATE GOVERNANCE REPORT

Currently, the Board and its Board Committees comprise Directors with an appropriate balance and diversity of skills, experience and knowledge. The Directors have diverse backgrounds in accounting and auditing, mergers and acquisitions, fund and asset management, business advisory and development, real estate development, management consulting, law, corporate governance and strategic planning. The Directors engage in open and constructive debate and regularly challenge Management on its assumptions and proposals. The Directors also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. Management has benefited from the Directors' invaluable views and experiences. The Board continues to seek to introduce greater diversity as it progressively reviews the composition of the Board and its Board Committees.

The NRC is of the view that the members of the Board provide an appropriate balance and diversity of skills and commercial experience as elaborated on in the Board Diversity Policy section. The NRC believes that a Director's eligibility for selection, appointment and re-appointment goes beyond his attendance at meetings as the NRC takes into consideration a Director's competencies, commitment, contribution and performance and is committed to providing an appropriate balance and diversity of skills, experience and knowledge. The NRC members regularly review the skills matrix, which has been used to determine the skills needed for the running of a public listed company. Consideration will also be given to the diversity of the entire Board, which has achieved the FY2021 objective that 30% of the Directors are female.

## Chairperson and Chief Executive Officer

**Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.**

The Board is led by an Independent Chairperson, Professor Annie Koh, who was appointed with effect from 24 February 2022 in place of Mr Charles J. Schreiber, Jr., who was the NIC. Apart from the Board and Board Committee members, the Board Independent Chairperson is also supported by the CEO of the Manager, Ms Barbara Cambon, who has a wide range of expertise and experience. Besides ensuring the non-repetition of duties and authority, the separation of the roles of the Independent Chairperson and the CEO and the clarity of roles and distinct responsibilities provide a healthy professional relationship between the Board and Management. This enhances the appropriateness of the existing balance of roles, responsibilities, power, authority and accountability to maintain an effective system of checks and balances.

The Independent Chairperson and CEO collectively play an important role in the stewardship of the strategic direction and operations of PRIME. The Independent Chairperson and the CEO are not related, nor do they have any close family ties. The Independent Chairperson, who is based in Singapore, is a pre-eminent figure in Singapore higher education, and brings to this role a wealth of experience from her board and advisory positions across a number of listed and private corporates, start-up enterprises, multilateral agencies, and Singapore government entities. In recognition of her contributions to education and the public sector, she has been awarded the bronze and silver Singapore Public Administration medals. Furthermore, her experience and leadership in Environment Social Governance ("ESG") will be a significant resource to PRIME as the Board sets its strategic course going forward, including ESG as an important component of PRIME's future growth initiatives. The Board has assigned the day-to-day affairs of PRIME's business to the various divisions of Management, comprising finance, operations and Investor Relations. The CEO is accountable for the conduct and performance of Management's business within the agreed business strategies.

## **CLEAR DIVISION OF ROLES BETWEEN CHAIRPERSON OF THE BOARD AND THE CEO OF THE MANAGER**

The Independent Chairperson's role is to:

- carry out a visionary leadership role in facilitating the effective conduct of the Board;
- create a culture of openness characterised by constructive debate and appropriate challenge on strategy, business operations, enterprise risks and other plans amongst Board members;
- promote and ensure the highest standards of integrity in regard to corporate governance processes and issues; and
- undertake primary responsibility for the Board to receive accurate, timely, clear information and is consulted on all relevant matters.

# CORPORATE GOVERNANCE REPORT

The CEO's role is to:

- assume overall responsibility for the management and conduct of the business of the Manager;
- be principally responsible for the business direction and operational decisions in managing PRIME;
- oversee Management;
- develop, recommend and implement organisational strategy, targets, business plans and policies;
- foster a corporate culture promoting ethical practices and integrity;
- manage day-to-day conduct of business and affairs; and
- be the public face, the official spokesperson of PRIME.

As Mr Charles J. Schreiber, Jr, the NIC during FY2021, was not an ID, Professor Annie Koh was appointed as the LID with effect from 18 May 2021 following the resignation of the previous LID, Mr Tan Ser Ping on 31 December 2020 as required under the Code. During FY2021, the LID had availed herself to the Board and Unitholders should they have concerns that have failed to be resolved or were inappropriately or inadequately resolved through the normal channels of communications with the NIC or Management. During FY2021, the LID was reachable via the general line [+65 6951 8090], which is listed on PRIME's website at <http://www.primeusreit.com/contact-us.html>. The LID, Professor Annie Koh had held meetings with the IDs without the presence of the NIDs and Management as she deemed appropriate or necessary, and provided feedback to the Board during the course of FY2021.

Following Professor Annie Koh's appointment as the Independent Chairperson of the Board on 24 February 2022, the NRC was of the view that there was no longer a need for a LID under the Code and as such, she ceased to be the LID on 10 March 2022.

## **Board Membership**

***Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.***

## **ROLES AND RESPONSIBILITIES OF THE NRC**

The NRC is governed by the ToR which establishes the functions, powers, duties and responsibilities of the NRC. The NRC comprises three members, a majority of whom are IDs, including the NRC Chairperson. Professor Annie Koh was appointed as the LID and a member of the NRC on 18 May 2021. Mr Charles J. Schreiber, Jr. ceased to be a member of the NRC with effect from 23 February 2022.

As at the date of this Report, the members of the NRC are as follows:

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Ms Soh Onn Cheng Margaret Jane <sup>(1)</sup>	Chairperson	ID
Professor Annie Koh <sup>(2)</sup>	Member	IC
Ms Cheng Ai Phing	Member	ID

### **Notes:**

<sup>(1)</sup> Ms Soh Onn Cheng Margaret Jane was appointed as ID and Chairperson of the NRC with effect from 10 February 2021, following the resignation of Mr Tan Ser Ping as LID, member of the ARC and Chairperson of the NRC with effect from 31 December 2020.

<sup>(2)</sup> Professor Annie Koh was appointed as the LID and a member of the NRC on 18 May 2021.

# CORPORATE GOVERNANCE REPORT

The NRC makes recommendations to the Board on all Board appointments, oversees the Board and senior management's succession plans and conducts an annual review of board diversity, board size, board independence and directors' commitment. The Board is mindful of the need for boardroom diversity. The NRC, in evaluating, assessing and making recommendations to the Board for approval, takes into consideration the qualifications, credentials, core competencies vis-à-vis the composition of a required mix of skills to demonstrate knowledge, expertise and experience, character, gender, age, ethnicity, professionalism, integrity, competencies, time commitment and other qualities which the Director would bring to the Board to effectively discharge their roles and responsibilities as Director.

The ToR sets out the scope and authority in performing the function of the NRC, and these include assisting the Board in matters relating to:

- identification, selection and appointment of new Directors and re-appointment of existing Directors of the Board taking into account the contribution, performance and ability to commit sufficient time and attention to the affairs of PRIME as well as their respective commitments outside of PRIME;
- implementation and monitoring of the Board Diversity Policy to make recommendations to the Board on the diversity of skills, experience, gender, age, knowledge, size and composition of the Board;
- determining annually the independence of Director having regard to the circumstances set forth in Provisions 2.1 and 2.2 of the Code, Listing Rule 210 (5)(d) and SFLCB Regulations;
- review of succession plans in particular to the appointment and/or replacement of the Chairperson, the CEO and the key management personnel (the "KMP");
- develop the process and criteria for evaluation of the performance of the Board or Board Committees and individual Directors; and
- review of training and professional development programmes for the Directors.

## SELECTION, APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

The NRC is responsible for reviewing succession plans for the Board and Board Committees, in particular the appointment and/or replacement of the Chairperson, the CEO and the KMP.

The NRC regularly reviews the existing attributes and competencies of the Board and the suitability of any candidates put forward for appointment and re-appointment in order to determine the desired experience or expertise required to strengthen or supplement the Board. The NRC is in charge of making recommendations to the Board regarding the identification and selection of new Directors and in identifying candidates for new appointments to the Board as part of the Board's renewal process. The NRC evaluates whether the candidate is fit and proper in accordance with MAS' fit and proper guidelines, taking into account the track record, age, experience and capabilities and such other relevant experience as may be determined by the Board.

In addition, as part of regulatory requirements, MAS also requires prior approval for any change of the CEO. Candidates are evaluated and selected based on their relevant expertise and potential contributions where other factors including the current and medium-term needs, and goals of PRIME are also considered.

Upon establishment of the selection criteria, the search for potential candidates is initiated by considering recommendations from the Board, Management and the external search for candidates that fit the criteria, where the external search is conducted through the Singapore Independent Directors' Board Appointment Service. Candidates shortlisted and interviewed by the NRC are then evaluated by the Chairperson of the Board and the IDs, ensuring that recommendations made on proposed candidates are objective and well-supported. Once a candidate is selected for the Board, the NRC conducts due diligence and reference checks before recommending the candidate to the Board for approval.

Directors of the Manager are not subject to periodic retirement by rotation. Since a majority of the Board comprises IDs, the Manager will not voluntarily subject the appointment or re-appointment of Directors to voting by Unitholders. The Board intends to continue being comprised of a majority of IDs.

# CORPORATE GOVERNANCE REPORT

The Manager believes that Board renewal is necessary and a continuous process for good governance. Board renewal ensures that the Board and Board Committees comprise Directors that, as a group, provide an appropriate balance and diversity of skills, experience and industry knowledge and knowledge of PRIME's business. Renewal or replacement of a Director does not necessarily reflect his or her performance or contributions to date. In reviewing the composition of the Board, the NRC and the Board also considered that an ID should serve no more than a maximum of nine years.

Notwithstanding that the current composition of the Board remains appropriate, as part of the Board renewal process, the Board has also accepted the recommendations of the NRC on the appointment of Ms Soh Onn Cheng Margaret Jane as an ID with effect from 10 February 2021.

Directors who are appointed to the Board from time to time either have prior experience as a director of an issuer listed on the SGX-ST or will undergo the training required under Rule 210(5)(a) of the Listing Manual. As Ms Soh Onn Cheng Margaret Jane had prior experience as a director of an issuer listed on the SGX-ST, she was not required to undergo the requisite training under Rule 210(5)(a) of the Listing Manual.

## INDEPENDENCE AND TIME COMMITMENT

The NRC is responsible for determining annually, and as and when circumstances require, the independence of the Directors. In doing so, the NRC takes into account the circumstances and existence of relationships which would deem a Director not to be independent. Following due review, the NRC has endorsed the independence status of all IDs for FY2021.

An assessment was carried out on major commitments of the Directors, including employment and listed company directorships and took note of the number of listed company directorships held at present. The Board is to ensure that the duties of each Director have and can be suitably discharged. The NRC is of the view that setting a maximum number of listed company board representations a Director may hold is arbitrary, given that time requirements for each listed company varies and thus should not be prescriptive. The Board concurs with the view of the NRC.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors. The attendance of the Directors at Board and Board Committees meetings (as well as the frequency of such meetings) and the Annual General Meeting ("AGM") during FY2021 are as recorded below:

Name	Annual General Meeting		Board of Directors		Audit and Risk Committee		Nominating and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Charles Jay Schreiber, Jr <sup>(1)</sup>	1	1 <sup>^</sup>	5	5 <sup>^</sup>	5	5 <sup>*</sup>	5	5
Professor Annie Koh <sup>(2)</sup>	1	1	5	5	5	5 <sup>^</sup>	5	3
Ms Cheng Ai Phing <sup>(3)</sup>	1	1	5	5	5	5	5	5
Ms Soh Onn Cheng Margaret Jane <sup>(4)</sup>	1	1	5	5	5	5 <sup>*</sup>	5	5 <sup>^</sup>
Mr John Robert French	1	1	5	5	5	5 <sup>*</sup>	5	–
Mr Kevin John Eric Adolphe <sup>(5)</sup>	1	1	5	5	5	5	5	–
Mr Chua Hsien Yang	1	1	5	5	5	5 <sup>*</sup>	5	–
Mr Loh Yew Seng	1	1	5	5	5	5 <sup>*</sup>	5	–
Mr Pankaj Agarwal	1	1	5	5	5	5 <sup>*</sup>	5	–

### Notes:

<sup>^</sup> Chairperson.

<sup>\*</sup> Attendance by invitation.

<sup>(1)</sup> Mr Charles J. Schreiber, Jr. ceased to be the NIC, a member of the Board and a member of the NRC with effect from 23 February 2022.

<sup>(2)</sup> Professor Annie Koh was appointed as the LID and a member of NRC on 18 May 2021. Subsequently Professor Annie Koh was appointed as the Independent Chairperson of the Board on 24 February 2022 and ceased to be the Chairperson of the ARC and LID on 10 March 2022.

<sup>(3)</sup> Ms Cheng Ai Phing was appointed as Chairperson of the ARC with effect from 10 March 2022.

<sup>(4)</sup> Ms Soh Onn Cheng Margaret Jane was appointed as ID and Chairperson of the NRC with effect from 10 February 2021.

<sup>(5)</sup> Mr Kevin John Eric Adolphe was appointed as member of the ARC with effect from 10 February 2021.

# CORPORATE GOVERNANCE REPORT

Based on the Directors' attendance record at Board and Board Committee meetings, the AGM, and contributions outside of formal Board and Board Committees meetings, the NRC is satisfied that all Directors were able to and have committed sufficient time and discharged their duties adequately for FY2021. The Manager has no alternate directors on its Board. Key information on the Directors such as academic and professional qualifications, committee membership, date of appointment, a list of the present and past directorships of each Director, and unitholding in PRIME and its related corporations are reflected on pages 7 to 10 and 142 of this Annual Report.

## **Board Performance**

**Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.**

The NRC has put in place objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by each individual Director to the effectiveness of the Board. The Board had conducted a formal performance evaluation exercise to assess the effectiveness of the Board as a whole and its Board committees, the contribution by each individual Director to the effectiveness of the Board, and the effectiveness of the Chairperson of the Board for FY2021. The evaluations are carried out by means of a questionnaire being completed by each Director. The performance evaluation exercise provides an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes had allowed the effective discharge of duties.

The objective performance criteria include Board composition and size, Unitholders' access to information, Board structure, Board processes, Board effectiveness, Board standards of conduct and financial performance indicators, corporate strategy and planning, risk management and internal controls, conduct of meetings and communication with stakeholders. The Board is of the view that this set of performance criteria allows for appropriate comparison and addresses how Directors have enhanced long-term Unitholders' value. Evaluation of the contribution by each Director took into consideration various factors, including individual performance of principal functions and fiduciary duties, participation in meetings and commitment of time to Director's duties. The NRC also considers other contributions by a Director such as providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and the Director's accessibility to management outside of formal Board and Board Committees meetings. The performance of each Director will be taken into account in re-election or re-appointment.

To ensure that the assessments of Board performance were done promptly and fairly, the Board had appointed People Advisory Services Ernst & Young Advisory Pte. Ltd., an independent third-party facilitator to assist in administering, collating and analysing the responses of the Directors for FY2021.

## **REMUNERATION MATTERS**

### **Procedures for Developing Remuneration Policies**

**Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.**

### **Level and Mix of Remuneration**

**Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.**

### **Disclosure on Remuneration**

**Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.**

# CORPORATE GOVERNANCE REPORT

## ROLES AND RESPONSIBILITIES OF THE NRC

The NRC plays an important role in ensuring the appropriate attraction, recruitment, motivation and retention of talents which are qualified and valuable to PRIME through competitive remuneration and progressive policies without being excessive so as to achieve PRIME's goals and to deliver sustainable Unitholder value, distribution income as well as growth in total returns. The ToR setting out the scope and authority in performing the functions of the NRC have been written and include assisting the Board in matters relating to:

- reviewing and recommending to the Board a general framework of remuneration for the Board and the KMP;
- reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the KMP;
- reviewing PRIME's obligations arising in the event of termination of NIDs and KMP's contracts of service and ensuring that such contracts of service contain fair, equitable and reasonable termination clauses which are not overly generous; and
- reviewing the disclosures in the Annual Report of the Manager's remuneration policies, level and mix of remuneration and the procedure for setting remuneration.

The NRC seeks to ensure that the remuneration paid to the Directors and KMP of the Manager are directly linked to the achievement of corporate and individual performance targets aligned with the interests of the Unitholders and other stakeholders, as well as promoting the long-term success of PRIME. The performance targets approved by the Board at the start of each year are set with the purpose of motivating a high degree of business performance, with an emphasis on both short- and longer-term quantifiable goals. At the close of each financial year, the NRC reviews the achievements of the Manager against the targets set to determine the overall performance taking into consideration qualitative factors such as the business environment, regulatory landscape and industry trends. Based on this review, the NRC approves a bonus pool that is commensurate with the performance achieved. Where necessary, the NRC recommends to the Board for endorsement a framework of remuneration, in order to align the Manager's Board and KMPs' compensation with the interests of the Unitholders. Remuneration of the Directors, Management and employees of the Manager are not paid out of the deposited property of PRIME but paid by the Manager from the fees it receives. In addition, the NRC reviews the Manager's obligations in the event of any termination of a KMP's contract of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. There were no termination, retirement and post-employment benefits that were granted over and above what have been disclosed to Directors, the CEO or the CFO during FY2021.

In FY2021, the NRC appointed Aon Hewitt as an independent remuneration consultant to review the compensation framework and benchmarking for the KMP. After reviewing the independence of Aon Hewitt in its capacity as an independent remuneration consultant, the NRC confirms that Aon Hewitt has no relationship with the Manager, its controlling Unitholder(s) or related entities.

## REMUNERATION DETERMINATION AND DISCLOSURES

PRIME is externally managed by the Manager as it has no personnel of its own. The remuneration of all Directors and employees of the Manager is borne by the Manager rather than by PRIME. There is no employee of the Manager who is an immediate family member of a Director or the CEO of the Manager or a substantial Unitholder of the Manager and whose remuneration exceeds S\$100,000 during the year and none of the employees are substantial Unitholders of the Manager.

In recommending the Directors and KMP's remuneration to the Board for approval and in encouraging long-term decision-making removing undue volatility from remuneration outcomes, the NRC takes into account the following:

- the responsibilities of the Directors including the CEO,
- the pay and employment conditions of all employees,
- the corporate and individual performance,

# CORPORATE GOVERNANCE REPORT

- the current views of stakeholders,
- the general market conditions,
- accomplishment of strategic goals as well as regional and global corporate performance, and
- benchmarking against the remuneration arrangements of other companies of a similar position, size and complexity for guidance.

The Directors concerned will abstain from the decision-making process.

The remuneration of Directors is determined at levels which enable the Manager to attract, retain and motivate Directors with the relevant experience and expertise to provide good stewardship of the Manager and PRIME whereas the remuneration of KMP is determined at a level which enables PRIME to attract, develop and retain high-performing and talented individuals with the relevant experience, level of expertise and level of responsibilities to successfully manage PRIME for the long term. The Board recommended that the level of remuneration should reflect the experience, effort, time-spent and the level of responsibilities undertaken by each Director and then recommended the Directors' fees and other benefits payable to the Directors on a yearly basis to the Manager's shareholders for approval at the AGM.

The Board believes in a competitive and transparent remuneration framework. The Directors' remuneration received from PRIME for FY2021, based on the structure of the Directors' fees for the Directors, comprising a base fee for serving as a Director and additional fees for serving on Board Committees as the case may be, are set out in the table below:

Main Board	Chairperson	N.A
	Director	S\$60,000 – per annum
NRC	Chairperson	S\$20,000 – per annum
	Member	S\$10,000 – per annum
ARC	Chairperson	S\$30,000 – per annum
	Member	S\$20,000 – per annum

Name of Director	Salary (S\$)	Performance Bonus (S\$)	Director's Fees (S\$)	Additional Fees for pre-IPO (S\$)	Total (S\$)
<b>Below \$250,000</b>					
Mr Charles Jay Schreiber, Jr. <sup>(1)</sup>	–	–	–	–	–
Professor Annie Koh <sup>(2)</sup>	–	–	96,209	–	–
Ms Cheng Ai Phing <sup>(3)</sup>	–	–	90,000	–	–
Ms Soh Onn Cheng Margaret Jane <sup>(4)</sup>	–	–	71,111	–	–
Mr John Robert French	–	–	60,000	–	–
Mr Kevin John Eric Adolphe <sup>(5)</sup>	–	–	77,778	–	–
Mr Chua Hsien Yang	–	–	–	–	–
Mr Loh Yew Seng	–	–	–	–	–
Mr Pankaj Agarwal	–	–	–	–	–

#### Notes:

- <sup>(1)</sup> Mr Charles J. Schreiber, Jr. ceased to be the NIC, a member of the Board and a member of the NRC with effect from 23 February 2022.
- <sup>(2)</sup> Professor Annie Koh was appointed as the LID and a member of NRC on 18 May 2021. Professor Annie Koh was appointed as the Independent Chairperson of the Board on 24 February 2022 and she ceased to be the Chairperson of the ARC and LID on 10 March 2022.
- <sup>(3)</sup> Ms Cheng Ai Phing was appointed as Chairperson of the ARC with effect from 10 March 2022.
- <sup>(4)</sup> Ms Soh Onn Cheng Margaret Jane was appointed as ID and Chairperson of the NRC with effect from 10 February 2021.
- <sup>(5)</sup> Mr Kevin John Eric Adolphe was appointed as a member of the ARC with effect from 10 February 2021.

The Chairperson of each Board Committee is paid a higher fee as compared with the members of such Board Committees in view of the greater responsibilities carried by chairing that committee in addition to their existing roles.

The NRC reviewed the total remuneration structure for FY2021 which addressed four key objectives, namely:

- Unitholder alignment: to incorporate performance measures that are aligned to Unitholders' interests;



# CORPORATE GOVERNANCE REPORT

- Long-term orientation: to motivate employees to drive sustainable long-term growth;
- Simplicity: to ensure that the remuneration structure is easy to understand and communicate to stakeholders; and
- Value creation: amount of value-add contributed by the individual, including but not limited to deal introduction to PRIME, cost-savings ideas and initiatives which have the potential of increasing the performance of PRIME and measured based on the monetary benefit or cost-savings which PRIME receives as a result of the value-add contributed by the individual Director or a KMP.

The Code has recommended that the Manager should disclose on a named basis the detailed remuneration of at least the top five KMP in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these KMP where the size of the annual performance bonus pot of the Manager is determined by the financial performance of the Manager which is closely linked to PRIME's distributable income and is distributed to KMP based on their individual performance.

In order not to hamper the Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the industry where the poaching of senior management is commonplace, the Manager is disclosing the remuneration of the CEO and KMP who are not Directors in bands of S\$250,000 and is not disclosing the aggregate total remuneration paid to the top five KMP. The Manager is of the view that despite this partial deviation from Provision 8.1 of the Code, such disclosure or non-disclosure as the case may be, is consistent with the intent of Principle 8 of the Code and will not be prejudicial to the interests of the Unitholders as sufficient information is provided on the Manager's remuneration framework to enable Unitholders to understand the link between remuneration paid to the CEO and its KMP, and performance as set out on pages 69 through 71. Furthermore, the remuneration of the Management and employees of the Manager are not paid out of the deposited property of PRIME directly but are paid out by the Manager from the fees received from PRIME. The remuneration of PRIME's directors and executive officers are payable either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager. The level and mix of the remuneration of the CEO and KMP and their total remuneration per annum are categorised into the various bands as follows:

Remuneration Band and Names of CEO and KMP <sup>(1)</sup>	Salary (%)	Variable or Performance-related income or Bonus <sup>(2)</sup> (%)	Other Benefits (%)	Contingent award of units or shares in Cash <sup>(3)</sup> (%)	Contingent award of units or shares in RUP <sup>(3)</sup> (%)
<b><u>Above S\$750,000 – S\$1,000,000</u></b>					
Ms. Barbara Cambon	83%	15%	2%	–	–
<b><u>Above S\$500,000 – S\$750,000</u></b>					
Mr. Harmeet Singh Bedi <sup>(4)</sup>	74%	23%	3%	–	–

#### Notes:

<sup>(1)</sup> The Manager has less than five key management personnel other than the CEO.

<sup>(2)</sup> Performance bonus in respect of the financial year 2021 is paid in 2 tranches - one each in 2022 and 2023.

<sup>(3)</sup> There are no share incentive schemes in place.

<sup>(4)</sup> Approved in April 2021 after issuance of the 2020 Annual Report for PRIME, the Manager, by way of a transfer of Units owned by the Manager, awarded Mr. Harmeet Singh Bedi with units in PRIME for his 2020 performance. Mr Bedi's revised 2020 remuneration comprised of Salary (74%), Variable/Performance – related income or bonus (23%) and Other Benefits (3%).

The Manager is currently reviewing unit scheme or other forms of long-term incentive schemes for the CEO and KMP. The Manager applies the principle that remuneration matters are to be viewed in totality as this is part of a concerted sufficiently structured and benchmarked to good market practices in order to attract suitably qualified talent, grow and manage PRIME. The Manager applies the principle that the remuneration for the Board and KMP should be viewed in totality as this is part of a concerted pursuit of strong and ethical leadership for the success of PRIME and the Manager. The NRC reviews the remuneration packages of the CEO and KMP and submits its recommendations to the Board for endorsement. A fundamental element in the remuneration principles is the concept of pay for performance and the NRC will look at the total remuneration provided which comprises annual fixed salary and variable salary component including Units in PRIME. The variable salary components are in the form of variable bonus that is linked to the performance of PRIME. The NRC and Board have reviewed and ensured that the level and structure of remuneration for Directors and KMP are aligned with the long-term interests and risk management policies of PRIME.

# CORPORATE GOVERNANCE REPORT

## Accountability and Audit

***Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its Unitholders.***

The Board acknowledges that it is responsible for the risk management and internal control system in PRIME which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity to safeguard Unitholders' investments and PRIME's assets.

## **ROLES OF THE BOARD AND ARC IN ENSURING EFFECTIVE RISK MANAGEMENT AND INTERNAL CONTROLS**

The Board is responsible for PRIME's risk management framework and system of internal controls and for reviewing the adequacy and integrity of the risk management framework and system of internal controls. Accordingly, the Board is required to ensure that the Manager has in place an effective system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines. The Board assumes the responsibility for the effectiveness and adequacy of PRIME's risk management and internal control system and has delegated the responsibility of undertaking periodic review to the ARC with an established ToR to assist in discharging this responsibility. However, the Board as a whole remains ultimately responsible for the effectiveness, adequacy and integrity of the system of risk management and internal controls.

The ARC assists the Board in examining the adequacy and effectiveness of internal controls policies and procedures to ensure that a robust risk management framework and internal control system is maintained while the Board reviews the adequacy and effectiveness of the risk management and internal control system. The ARC also assesses the materiality of specific developments or risks that might have an impact on the security price of PRIME.

The Board has been working closely with Management in monitoring the challenges posed by the COVID-19 pandemic. Detailed disclosures on the issues reviewed by the Board in the face of the COVID-19 pandemic (including changes to business fundamentals, the significant risks facing PRIME as a result of the pandemic and the acceleration of digitisation efforts within PRIME can be found in the Sustainability Report which will be published on SGXNet and PRIME's website at <http://www.primeusreit.com/> by 31 May 2022.

During the course of the year under review, the Board continued to monitor the Manager's COVID-19 business continuity plan which was implemented in 2020 to ensure appropriate systems and procedures within PRIME to specifically address the impact of the pandemic on business operational risks. Management closely monitored developments on the COVID-19 situation within PRIME and coordinated the escalation of information regarding any impact and mitigation measures to the Board.

Management also kept the Board regularly informed about the legal and regulatory developments (both locally and overseas) in connection with the COVID-19 pandemic, which enabled the Manager to make decisions promptly to mitigate the pandemic's impact on PRIME's business.

## **ENTERPRISE RISK MANAGEMENT FRAMEWORK**

### **Risk Management**

A sound and robust risk management framework ensures that the Manager is ready to meet challenges and seize opportunities. The Enterprise Risk Management (the "ERM") framework provides a systematic approach to risk management. It outlines the reporting structure, monitoring mechanisms, specific risk management processes and tools, as well as PRIME's policies and limits in addressing and managing key risks identified. The ERM framework also allows PRIME to respond promptly and effectively in the constantly evolving business landscape.

# CORPORATE GOVERNANCE REPORT

## 5-STEP RISK MANAGEMENT PROCESS

Step 1. Identify – Understand business strategy and identify risk;

Step 2. Assess – Assess risk based on impact and likelihood of occurrence;

Step 3. Mitigate – Develop action plans to mitigate risks;

Step 4. Implement – Communicate and implement action plans; and

Step 5. Monitor – Monitor and review.

### Robust ERM Framework

The Manager adopts a five-step risk management process comprising risk identification, risk assessment, formulation of risk mitigation measures, communication and implementation, as well as monitoring and review. The ERM framework is dynamic and evolves to adapt to the changing business environment.

The risk assessment takes into account both the impact and likelihood of occurrence, and covers the investment, financial, operational, reputational and other major aspects of PRIME's business. Tools deployed include risk rating matrices and risk registers to assist the Manager in its performance of risk management.

The Board is responsible for governing risks management and ensuring that the Manager maintains a sound risk management system and internal controls to safeguard Unitholders' interests and PRIME's assets. Assisted by the ARC, the Board provides valuable advice to management in formulating various risk management policies and guidelines where necessary. The ToR of the ARC are disclosed on pages 79 to 80 of this Annual Report.

The Board and Management meet quarterly or more frequently, when necessary, to review PRIME's performance; assess its current and future operating, financial and investment risks; as well as respond to feedback from the risk and compliance manager and auditors.

The Board, assisted by the ARC, has in place three Risk Tolerance Guiding Principles for the Manager and PRIME. These principles, which determine the nature and extent of the significant risks that the Board is willing to take in achieving its strategic objectives, include:

1. Risks taken should be carefully evaluated, commensurate with rewards, and are in line with PRIME's core strengths and strategic objectives;
2. No risk arising from a single area of operation, investment or undertaking should be so huge as to endanger PRIME; and
3. PRIME does not condone safety breaches or lapses, non-compliance with laws and regulations, as well as acts such as fraud, bribery and corruption.

The risk management assessment framework also guides the Manager and the Board in assessing the adequacy and effectiveness of the risk management system within PRIME. During FY2021, the Board had assessed and deemed PRIME's risk management system to be adequate and effective in addressing the key risks identified below. Other current, evolving or emerging risks are also monitored and reported to the Board where significant:

### 1. Operational Risk

- All operations are aligned with PRIME's strategies to deliver sustainable distributions and strong total returns to its Unitholders;

# CORPORATE GOVERNANCE REPORT

- The Manager works closely with the property managers to optimise asset performance and control property expenses. The Manager oversees an active asset management program that has been put in place to oversee leasing, capital projects and operations at the properties. Measures include prompt lease renewals to reduce rental voids, active monitoring of rental payments from tenants to minimise rental arrears and bad debts, controlling property expenses to maximise net property income, and evaluating the counterparties on an ongoing basis;
- The Manager, through its relationship with the KBS asset management team, actively engages and fosters close relationships with tenants and manages a well-spread lease expiry profile;
- Business continuity plans are updated and tested regularly to ensure PRIME is able to respond effectively to disruptions resulting from internal and external events, while continuing its critical business functions and minimising impact on its people, operations and assets;
- PRIME's assets undergo regular audits to review the operational property management processes of its buildings and ensure that safety standards and security processes are in line with latest local requirements;
- Asset enhancement works are conducted, when applicable, to ensure that the properties remain competitive; and
- Insurance coverage is reviewed annually to ensure that PRIME's assets are adequately and appropriately insured.

## 2. Economic and Taxation Risks

- PRIME may be adversely affected by economic and real estate market conditions in the United States ("US") as well as changes in taxation legislation, administrative guidance or regulations. In 2021, the US and other major global economies suffered abrupt slowdowns caused by the COVID-19 pandemic. This has resulted in heightened economic risk of the curtailment of business activities; and
- The Manager manages this by closely monitoring the US economic situation, political environment, economic developments and tax regime so that it may take anticipatory moves to safeguard income flows. The Manager also works closely with tax agents and advisors in the US and Singapore to anticipate and evaluate the impact of any changes in taxation legislation, administrative guidance and regulations on the business of PRIME and its Unitholders.

## 3. Liquidity and Financing Risks

- Liquidity and financing risks are managed in accordance with established guidelines and policies. The Manager proactively monitors PRIME's cash flow, debt maturity profile, gearing and liquidity positions, including evaluating the diversification of its future funding sources and managing tenure of borrowings, to ensure a well-staggered debt maturity profile; and
- The Manager maintains a robust cash flow position and working capital to ensure that there are adequate liquid reserves to meet financial obligations. Steps have also been taken to plan for capital and expense requirements to manage the cash position at any point of time.

## 4. Exposure to Financial Markets Risk

- The Manager constantly monitors exposure to interest rates. It utilises various financial derivative instruments, where appropriate, to hedge against such risks;
- As at 31 December 2021, 86.7% of the variable rate interest borrowing had been hedged using floating-for fixed interest rate swaps;
- In 2021, PRIME was not exposed to significant foreign currency risk as its functional currency is in United States Dollars ("US\$") and the cash flows from the operations of its properties are denominated in US\$. The Trust will receive US\$ distributions from the investment properties which will be passed to the Unitholders, either in US\$ or converted to Singapore Dollars ("S\$") at the spot foreign exchange rate on the designated date. PRIME also borrows in US\$ in order to manage the foreign currency risk; and

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- The Trust is exposed to fluctuations in the cross-currency rates of the US\$ and S\$ for operating expenses incurred in Singapore, which are not material. Where appropriate, based on the prevailing market conditions, PRIME may adopt suitable hedging strategies to minimise any US\$ and S\$ foreign exchange risk.

## 5. Credit Risk

- This is an area of review given the prolonged and widespread economic slowdown in 2021 due to the COVID-19 pandemic. The Manager will continue to actively monitor this to ensure mitigation measures are in place should the risk impact become material;
- Credit risk assessments of tenants are carried out prior to signing of lease arrangements. Credit risks are further mitigated through various mechanisms, including the upfront collection of security rental deposits where applicable;
- Systematic rental collection procedures are implemented to ensure regular collection of rents, thereby reducing the incidence of rental arrears; and
- The Manager also monitors the tenant mix to ensure no individual tenant contributes a significant percentage of the gross revenue.

## 6. Investment Risk

- Comprehensive due diligence is conducted prior to any proposed transaction to assess and evaluate potential investment risks. All investment proposals are evaluated objectively based on the Manager's investment criteria, as well as the target asset's specifications, location, expected returns, yield accretion, growth potential and performance sustainability, taking into account the prevailing economic climate and market conditions;
- The Board reviews and approves all investment proposals only after evaluating the feasibilities, merits and risks; and
- The Manager takes into consideration investment risk in a controlled manner, exercising the spirit of enterprise as well as prudence to earn the optimal risk-adjusted returns on invested capital.

## 7. Compliance Risk

- The Manager, being a Capital Markets Services Licence holder, complies with applicable laws and regulations, including the Listing Rules of the Singapore Exchange, the Code, CIS Code, Property Funds Appendix and conditions of the Capital Markets Services Licence for REIT Management issued by the MAS under the SFA as well as tax rulings in the relevant jurisdictions in which it operates;
- PRIME and the Manager undergo regular internal and external audits to ensure that they adhere to relevant policies and processes;
- Recognising that non-compliance with laws and regulations has potential significant reputational and financial impact, particular emphasis is placed on regulatory compliance in all of PRIME's business operations;
- The Manager closely monitors changes in legislations and regulations, as well as new developments in its operating environment; and
- PRIME adopts a strong anti-corruption and anti-bribery stance and regularly communicates key policy requirements to ensure relevant policies, processes and controls are effectively designed, managed and implemented so that compliance risks and controls are effectively managed.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEM

The ARC has been entrusted by the Board to review and monitor the risk management activities of PRIME and approve appropriate risk management procedures and measurement methodologies. The ARC provides guidance to Management in the formulation of risk management policies and processes and in identifying, evaluating and managing key risks, while the ownership of risk management lies with the CEO supported by the management team. The nature and extent of risks are assessed regularly by Management and the internal auditors, and reports are submitted to the ARC as and when necessary. The ARC reports to the Board on material findings and makes recommendations or seeks guidance from the Board in respect of any material risk issues. The ARC directs and reviews the adequacy and work scopes of the internal auditor, any findings on material non-compliance or weaknesses in internal controls and risk management by the internal auditors are reported directly to the ARC. The recommendations to further improve the internal control system and risk management system are reported to the ARC and actions are taken by Management.

Further, the Board has obtained assurances from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of PRIME's operations and finance, as well as assurances from the CEO and CFO who are responsible regarding the adequacy and effectiveness of PRIME's risk management and internal control system.

Based on the internal control systems established and adhered to by PRIME, the assurances received from the CEO and CFO work performed by the internal and external auditors, and compliance manager, reviews conducted by Management and various Board Committees, the Board, with the concurrence of the ARC, is of the opinion that PRIME's internal controls (including financial, operational, compliance and information technology) and risk management systems have been adequately designed and are operating effectively in all material aspects to address the risks faced by PRIME in its current business environment as at 31 December 2021.

The Board notes that the internal control systems established provide reasonable but not absolute assurance against material misstatement of loss and that PRIME will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board accepts that the internal control systems contain inherent limitations and notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human errors, fraud and other irregularities.

## INTERNAL CONTROL SYSTEM FOR RELATED PARTY AND INTERESTED PERSON TRANSACTIONS

An internal control system to ensure that all Related Party Transactions, Interested Party Transactions (as defined in the Property Fund Appendix) and Interested Person Transactions (as defined in the Listing Manual) (collectively "IPT") will be undertaken on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Unitholders of PRIME has been established by the Manager.

Related party transactions have been disclosed in the financial statements of this Annual Report. As a general rule, the Manager must demonstrate to the ARC that such transactions satisfy the foregoing criteria, which may entail obtaining, where practicable, quotations from parties unrelated to the Manager or obtaining valuations from independent professional valuers in accordance with the Property Funds Appendix. The Manager maintains a register to record all IPT which are entered into by PRIME and the bases on which they are entered into, including any quotations from unrelated parties and independent valuations obtained.

The Manager has incorporated into its internal audit plan a review of all IPT entered into by PRIME. The ARC monitors the procedures established to regulate IPT, including reviewing any IPT transactions entered into from time to time, and directs the preparation of internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor IPT have been complied with, including relevant provisions of the Listing Manual and Property Funds Appendix. If a member of the ARC has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

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Further to that, the Trustee also has the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with. The review includes an examination of the nature of the transaction and its supporting documents, or such other data deemed necessary to the ARC. In addition, the following procedures are required to be adhered to:

- Transactions (whether individually, as part of a series or aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding S\$100,000 in value but less than 3.0% of the value of PRIME's latest audited net tangible assets/net asset value are subject to review by the ARC at regular intervals;
- Transactions (whether individually, as part of a series or aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of PRIME's latest audited net tangible assets/net asset value are subject to the review and prior approval of the ARC. Such approval shall only be given if such transaction is conducted on an arm's length basis on normal commercial terms and consistent with similar types of transactions made with third parties which are not interested parties; and
- Transactions (whether individually, as part of a series or aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding 5.0% of the value of PRIME's latest audited net tangible assets/net asset value are reviewed and approved prior to such transaction being entered into, on the basis described in the preceding paragraph, by the ARC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Appendix, such transaction would have to be approved by the Unitholders of PRIME at a meeting duly convened.

In the event where matters concerning PRIME relate to transactions entered into or to be entered into by the Trustee for and on behalf of PRIME with an interested party which would include relevant associates thereof, the Trustee is required to ensure that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of PRIME and the Unitholders of PRIME, and are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the said transaction. Furthermore, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving an interested party. If the Trustee is to sign any contract with an interested party, the Trustee will review the contract to ensure that it complies with the requirements relating to IPT in the Property Funds Appendix and the provisions of the Listing Manual relating to IPT as well as guidance prescribed by the MAS and SGX-ST. Save for the IPT described under "Related Party Transactions in Connection with the Setting Up of PRIME US REIT and the Offering" and "Exempted Agreements" in the IPO prospectus, PRIME has complied with Rule 905 of the Listing Manual by announcing any Interested Person Transaction in accordance with the Listing Manual if such transaction by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person as defined in the Listing Manual during the same financial year is 3% or more of the value of PRIME's latest audited net tangible assets.

# CORPORATE GOVERNANCE REPORT

The aggregate value of all IPT in accordance with the Listing Manual in FY2021, and which are subject to Rules 905 and 906 of the Listing Manual excluding transactions of less than S\$100,000 in value, is disclosed below:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
		US\$'000	US\$'000
<b>KBS US Prime Property Management Pte. Ltd.</b>	Manager of PRIME		
– Manager's base management fees		7,714	Nil
– Manager's acquisition fee		2,451	Nil
– Reimbursements		194	Nil
<b>DBS Trustee Limited</b>	Trustee of PRIME		
– Trustee fees		193	Nil
– Acquisition-related costs		18	Nil
<b>DBS Bank Ltd</b>	Associate of Trustee		
– Underwriting fees and recharge of legal fees		1,692	Nil
<b>KBS Realty Advisors, LLC</b>	Sponsor-related entity		
– Property audit costs		120	Nil
– Reimbursements		50	Nil
<b>Total</b>		<b>12,432<sup>(1)</sup></b>	<b>Nil</b>

<sup>(1)</sup> Total fees and charges paid to interested parties was 1.3% of PRIME's net asset value as at 31 December 2021.

PRIME has not obtained a Unitholders' mandate pursuant to Rule 920 of the Listing Manual for IPT. Save as disclosed above, there were no additional interested person transactions (within the meaning of the Listing Manual (excluding transactions of less than S\$100,000 each) entered into during the period under review. The entry into and the fees and charges payable by PRIME under the Trust Deed and Unitholders' Agreements, the License Agreement and the leases set out in the section "Other Related Party Transactions" in the IPO Prospectus and/or circular, to the extent that details of these have been specifically disclosed in the IPO Prospectus and/or circular, which each constitutes an Interested Person Transaction, are deemed to have been specially approved by Unitholders upon purchase of the Unit and/or in the Extraordinary General Meeting and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect PRIME.

## Audit Committee

**Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.**

## AUDIT AND RISK COMMITTEE

The ARC is governed by the ToR which establishes the functions, powers, duties and responsibilities of the ARC. In line with the Code with regard the governance of the ARC, the ARC membership comprises at least three members, a majority of whom are IDs, including the Chairperson. As at the date of this Report, the members of the ARC are as follows:

Name	Designation	Directorship
Ms Cheng Ai Phing <sup>(1)</sup>	Chairperson	ID
Professor Annie Koh <sup>(2)</sup>	Member	IC
Mr Kevin John Eric Adolphe <sup>(3)</sup>	Member	ID



# CORPORATE GOVERNANCE REPORT

## Notes:

- <sup>(1)</sup> Ms Cheng Ai Phing was appointed as Chairperson of the ARC with effect from 10 March 2022.
- <sup>(2)</sup> Professor Annie Koh ceased to be the Chairperson of the ARC on 10 March 2022.
- <sup>(3)</sup> Mr Kevin John Eric Adolphe was appointed as member of the ARC with effect from 10 February 2021.

The Board is of the view that all members of the ARC bring with them invaluable and relevant managerial and professional expertise in accounting and related financial management domains to discharge their responsibilities. The Board considers Professor Annie Koh as having sufficient financial management knowledge to discharge her responsibilities as Chairperson of the ARC. Mr Kevin John Eric Adolphe and Ms Cheng Ai Phing have extensive audit, accounting and financial management expertise and experience. Mr Kevin John Eric Adolphe is a Fellow of the Chartered Professional Accountants of Ontario and a Fellow Chartered Accountant, among other professional affiliations whilst Ms Cheng Ai Phing is a Fellow of the Institute of Singapore Chartered Accountants and a Fellow of CPA Australia, among other professional affiliations. Following the changes on the composition of the Board on 23 February 2022, Ms Cheng Ai Phing was appointed as Chairperson of the ARC in place of Professor Annie Koh, who ceased to be the Chairperson of the ARC and the LID on 10 March 2022.

The ARC members as a whole possess a wide range of necessary skills to discharge their duties and are financially literate. None of the ARC members are former partners or directors of PRIME's existing external auditing firm, Ernst & Young LLP ("EY"), within a period of two years commencing from the date of their ceasing to be partners of EY, or have any financial interest in EY.

## ROLES AND RESPONSIBILITIES OF THE ARC

The ARC has explicit authority to investigate any matter within its ToR. The ARC has full access to and co-operation by Management and the internal and external auditors and has full discretion to invite Management, the Sponsor, external consultants or advisers to attend its meetings. The internal and external auditors have unrestricted access to the ARC. In FY2021, five ARC meetings were held and the ARC has also met separately with the internal auditor and external auditors, without the presence of Management to discuss issues and to confirm that they had full access to and received co-operation and support from Management.

The ARC, having considered the nature and level of the provision of the non-audit related services and the statutory audit fee, is of the view that the external auditor's independence and objectivity are not impaired or threatened. In reviewing the nomination of EY for re-appointment for FY2021, the ARC had taken into consideration the Audit Quality Indicators Framework. The ARC also considered the adequacy and experience of the professional staff and audit engagement partner assigned, EY's experience in the REIT sector and the size and complexity of the audit. The ARC is satisfied with the independence and work of the external auditors and has recommended to the Board the re-appointment of EY as the external auditors of PRIME at the forthcoming AGM. The Manager confirms that PRIME complies with the requirements of Rules 712 and 715 of the Listing Manual in respect of the suitability of the auditing firm for PRIME.

The ARC is collectively responsible in assisting the Board in corporate governance and compliance matters of PRIME. A summary of the work and key matters undertaken by the ARC during FY2021 included the following:

- Reviewing the significant financial reporting issues and judgements so as to ensure integrity of the financial statements of PRIME and any announcements relating to the financial performance;
- Reviewing the audit plans and reports of the internal and external auditors and considering the effectiveness of actions or policies taken by Management on the recommendations and observations;
- Reviewing the adequacy and effectiveness of the risk management and internal control systems;
- Reviewing the assurances from CEO and CFO on the financial records and financial statements;
- Making recommendations to the Board on the proposal to the Unitholders on the appointment and removal of external auditors and the remuneration and terms of engagement of the external auditors;
- Reviewing the adequacy, effectiveness, independence, scope and results of the external auditors and the Internal Audit Function ("IAF");

# CORPORATE GOVERNANCE REPORT

- Reviewing the nature and extent of non-audit services performed by the external auditors;
- Reviewing the policy (including the Whistle Blowing Policy) and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;
- Reviewing related party transactions, including ensuring compliance with the provisions of the Listing Manual relating to “interested person transaction” and the provisions of the Property Funds Appendix relating to IPT, and together with Interested Person Transactions, (the “RPT”); and
- Investigating any matters within the ARC’s purview, whenever it deems necessary. Periodic updates on changes in accounting standards and their accounting implications on PRIME are prepared by external auditors and circulated to members of the ARC so that they are kept abreast of such changes and the potential corresponding impact on PRIME’s financial statements, if any.

## INTERNAL AUDITORS

The role of the internal auditors is to assist the ARC to ensure that the Manager maintains a sound system of internal controls by regularly monitoring key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the ARC, and conducting regular in-depth audits of high risks areas. The ARC approves the evaluation of the internal auditor, or the accounting or auditing firm or corporation to which the internal audit function is outsourced. PRIME’s and the Manager’s internal audit functions are performed by KBS Realty Advisors LLC (“KBSRA”) and Keppel Corporation Limited (“Keppel GIA”) respectively. Keppel GIA was appointed as internal auditors in place of KPMG in July 2021. KBSRA, KPMG and Keppel GIA adopt (for the purposes of internal auditing standards) the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors (IIA). The internal auditors are independent of Management and report directly to the Chairperson of the ARC and administratively to the CEO. KBSRA determines the hiring, removal and compensation of the internal auditors at KBSRA and the ARC reviews, and provides to KBSRA with the ARC’s feedback on the internal audit team’s performance. With respect to KPMG and Keppel GIA, the ARC determines their hiring, removal and compensation.

The internal auditor plans the internal audit schedules in consultation with, but independent of the Manager. The audit plan is submitted to the ARC for approval prior to the commencement of the internal audit work. The internal auditor has unfettered access to all the Manager’s documents, records, properties and personnel, including access to the ARC. The ARC reviews the internal audit report quarterly and monitors the implementation of the improvements required on internal control weaknesses identified. For the year under review, the ARC is of the view that the IAF is adequately resourced and has appropriate standing within PRIME. The ARC has reviewed and is satisfied with the adequacy, independence and effectiveness of the IAF.

The IAF is independent of the activities and operations of other operating units. Its principal role is to undertake independent, regular and systematic reviews of the systems of risk management and internal controls to provide reasonable assurance that the systems continue to operate efficiently and effectively to ensure an acceptable level of risk exposure.

In line with best practices, the IAF adopts a risk-based methodology in establishing its strategic and annual Internal Audit Planning Memorandum deploys audit resources to focus on significant risk areas which prioritises the audits to areas that have been assessed as having potentially higher risks for effective governance, risk management and internal controls. Where applicable, examinations were conducted on policies, manuals and standards governing the activities, processes, systems and on analysis of the data contained in the accounting and management information systems while key members of Management were interviewed.

# CORPORATE GOVERNANCE REPORT

## REVIEWS CONDUCTED BY THE ARC

In FY2021, the ARC performed independent reviews of the semi-annual and full-year financial results of PRIME before recommending that the Board approve the release of the financial statements and SGX announcements relating to PRIME's financial statements. In the process, the ARC reviewed the significant financial reporting issues and judgements, including the appropriateness of accounting policies and the quality and completeness of disclosure to ensure the integrity of the financial statements. The ARC also reviewed, among other matters, the following key audit matter ("KAM") as identified by the external auditors for FY2021:

### Valuation of investment properties

The ARC considered the approach and methodology applied to the valuation model in assessing the valuation of investment properties, noted the objectivity, independence and expertise of the external appraisers engaged by the Manager, assessed the appropriateness of the valuation model and reasonableness of the significant assumptions adopted, evaluated major cost items capitalised in investment properties during the period for reasonableness and having reviewed the valuation reports and the carrying value of its investment properties are satisfied that the use of inputs and assumptions are reasonable and that the investment properties have been appropriately measured at fair value and valuations fall within a reasonable range.

The ARC has conducted a review of all non-audit services provided by EY during the year under review. The aggregate amount of fees paid and payable to EY was US\$793,000, of which audit-related fees amounted to US\$565,000 and non-audit fees amounted to US\$228,000. Audit-related fees include audit fees of US\$537,000 and US\$28,000 for agreed upon procedures on financial information for periods ended 30 March 2021, 30 June 2021 and 30 September 2021. The non-audit fees paid or payable to EY comprise US\$203,000 for general tax and GST compliance work and US\$25,000 for sustainability reporting.

The ARC reviewed and approved the audit plan and scope of the external auditors on the audit of the full-year financial statements. The ARC also reviewed and approved the internal audit plan and scope of the internal auditors' work and audit programme. It reviewed the findings during the year and Management's responses thereto and it satisfied itself of the adequacy of the IAF. In addition, the ARC reviewed the IPT to ensure compliance with the Listing Manual and the Property Funds Appendix. Changes to the accounting standards and issues which have a direct impact on the financial statements were reported and discussed with the ARC at its meetings. In carrying out its function, the ARC may also obtain independent or external legal or other professional advice or appoint external consultants as it considers necessary at the Manager's cost.

## WHISTLEBLOWING POLICY

PRIME acknowledges the importance of lawful and ethical behaviour in all its business activities and is committed to adhere to the values of transparency, integrity, impartiality and accountability in the conduct of its business and affairs in its workplace.

The Manager has put in place a Whistleblowing Policy which serves to encourage its employees and any other persons to raise concerns about possible improprieties in matters of financial reporting and other malpractices (including fraud, corruption, bribery or blackmail, criminal offences, failure to comply with a legal or regulatory obligation, miscarriage of justice, endangering the health and safety of an individual and concealment of any of the aforementioned) in confidence and in good faith.

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PRIME's website at <https://secure.ethicspoint.com/domain/media/en/gui/71338/index.html> provides an avenue for employees or any other persons in good faith to raise concerns about illegal, unprofessional, fraudulent or other unethical behaviour by submitting a report or calling the Global Ethics Hotline. Any concerns which are not resolved by these channels may also be raised with the ARC Chairperson of the Manager or the Chief Audit, Compliance & IT Officer, contact details of whom are found on the same website. Accounting and audit complaints or concerns may be raised with the ARC Chairperson. The ARC is designated as an independent function to investigate all whistleblowing reports made in good faith at its scheduled meetings. Following a review of a complaint or concern, the ARC Chairperson, where appropriate, will take steps to have the matter investigated and, if warranted, will request that the Board and Management implement corrective measures. Independent, thorough investigation and appropriate follow-up actions are taken. The Manager ensures that the identity of the whistleblower is kept confidential, and remains committed to protect the whistleblower against detrimental or unfair treatment. Whistleblowers are given the option to report any misconduct or wrongdoings relating to the Manager and its officers via an external independent hotline or directly to the ARC Chairperson or PRIME's Head of Internal Audit. Confidentiality of the identities of whistleblowers and persons who participate (or who intend to participate) in investigations initiated under this policy will, to the extent possible, be maintained. Establishing these policies reflects the Manager's commitment to conduct its business within a framework that fosters the highest ethical standards. The Whistleblowing Policy is made available to all employees when they join the Manager, and they are briefed on this. The policy is also publicly disclosed on PRIME's website.

## DEALING IN UNITS

PRIME has devised and adopted its own internal compliance code to provide guidance to its officers with regard to dealing by PRIME and its officers in its securities. Each Director and the CEO of the Manager is to give notice to the Manager of any acquisition of Units or of any changes in the number of Units which he or she holds or in which he or she has an interest within two business days after such acquisition or the occurrence of such event giving rise to such changes in the number of Units to which he or she holds or in which he or she has an interest. All dealings in Units by the Directors and/or the CEO of the Manager will be announced via SGXNet. The Directors and employees of the Managers are encouraged to hold Units but are prohibited from dealing in the Units in the period commencing one month before the public announcement of PRIME's annual results and property valuations, and PRIME's semi-annual results and ending on the date of the announcement of the relevant results or as the case may be, the property valuations and at any time while in possession of price sensitive information. The insider trading rules stipulated in the SFA are to be adhered to and the dealing in the Units of PRIME on a short-term or speculative consideration are strongly discouraged. In addition to that, the Directors, CEO and employees of the Manager are required to obtain pre-approval from the Head of Compliance of the Manager before dealing in any units under the Manager's internal policy.

## UNITHOLDER RIGHTS AND ENGAGEMENT

### Unitholder Rights and Conduct of General Meetings

***Principle 11: The company treats all Unitholders fairly and equitably in order to enable them to exercise Unitholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives Unitholders a balanced and understandable assessment of its performance, and prospects.***

### Engagement with Unitholders

***Principle 12: The company communicates regularly with its Unitholders and facilitates the participation of Unitholders during general meetings and other dialogues to allow Unitholders to communicate their views on various matters affecting the company.***

# CORPORATE GOVERNANCE REPORT

## MANAGING STAKEHOLDER RELATIONSHIPS

### Engagement with Stakeholders

**Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.**

## CONDUCT OF GENERAL MEETINGS

PRIME supports and encourages active Unitholder participation at general meetings as general meetings serve as an opportune avenue for Unitholders to meet and interact with the Board and Management. Unitholders are informed of general meetings through notices published in the newspapers, through reports or circulars sent to all Unitholders and via SGXNet. At general meetings, Unitholders are given the opportunity to participate effectively and vote. Where relevant rules and procedures govern such meetings (e.g. voting procedure), these rules and procedures are clearly communicated prior to the start of the meeting.

In view of the COVID-19 pandemic, PRIME had convened and held its previous AGM for the financial year ended 31 December 2020 ("**AGM 2021**"), and will be convening and holding its forthcoming AGM by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, and in accordance with the checklist jointly issued by ACRA, MAS and the Singapore Exchange Regulation, which gave guidance to listed and non-listed entities on the conduct of general meetings amid the evolving COVID-19 situation (the "**Checklist**").

The alternative arrangements put in place for the conduct of the AGM 2021 included attendance at the AGM 2021 via electronic means under which Unitholders could observe and/or listen to the AGM 2021 proceedings via live audio-visual webcast or live audio-only stream, submission of questions in advance of the AGM 2021, addressing of substantial and relevant questions prior to or at the AGM 2021 and voting by appointing the Chairperson of the meeting as proxy at the AGM 2021. All Directors attended the AGM 2021 either in-person or via electronic means. A record of the Directors attendance can be found in the record of their attendance at general meeting(s) and Board and Board Committee meetings for FY2021 set out on page 67 of this Annual Report.

The upcoming AGM to be held on 27 April 2022 will also be convened and held by way of electronic means pursuant to the COVID-19 Temporary Measures Order and in accordance with the Checklist. Unitholders will be entitled to submit relevant and substantial questions in advance of and/or live at the AGM through the live chat function via the live audio-visual platform and vote at the AGM by appointing the chairperson of the meeting as proxy to vote on their behalf, to facilitate interaction between the Board, Management and Unitholders. Further details on the alternative arrangements put in place for the conduct of the upcoming AGM are set out in the Manager's notice of AGM dated 12 April 2022.

Provision 11.4 of the Code requires an issuer's Constitution to allow for absentia voting at general meetings of Unitholders. The Trust Deed currently does not permit absentia voting methods (such as voting via mail, email or fax). The Manager will consider implementing the relevant amendments to the Trust Deed to permit absentia voting when issues such as the authentication of Unitholders identity and other related security and integrity of such information can be resolved. Notwithstanding the foregoing, Unitholders are able to appoint up to two proxies to vote on their behalf should they be unable to attend the meeting. Based on the above, the Board is of the view that despite the deviation from Provision 11.4 of the Code, Unitholders will still be able to participate effectively in and vote at the general meetings even in the absence of absentia voting through appointment of proxies. Accordingly, the rights of Unitholders are consistent with the intent of Principle 11 of the Code.

In addition to that, the Manager sets out separate resolutions on each substantially separate issue (which are not interdependent and not linked so as to form one significant proposal) at general meetings and supports the Code's provision as regards "bundling" of resolutions. Should there be resolutions which are interlinked, the Manager will provide reasons and material implications in the notice of the meetings or at general meetings to which Unitholders are given the opportunity to raise questions and clarify any issues that they may have relating to the resolutions sought to be passed.

# CORPORATE GOVERNANCE REPORT

For greater transparency and to better reflect Unitholders' interests, the Manager uses poll voting at the general meetings to facilitate greater and more efficient participation of all Unitholders present or represented at the general meetings. The voting results of all votes cast for, against or abstaining from each resolution are then displayed at the general meeting and announced to SGX-ST after the general meeting. An independent external party is appointed as scrutineer for the electronic voting process to count and validate the votes at general meetings.

All Board members, including the Chairpersons of the NRC and ARC, the Manager and representatives from the Trustee will be present at the general meetings of Unitholders which includes participation in person or by means of teleconference, video conference or similar communication methods without the need to be present physically to address relevant questions raised by the Unitholders. The external auditors will also be present to provide professional independent clarification and to address Unitholders' queries about the conduct of audit and the preparation and content of the auditors' report.

The minutes of Unitholders' general meetings which capture the attendance of Board members at the general meetings, matters approved by Unitholders, voting results and substantial and relevant comments or queries from Unitholders relating to the agenda of the general meeting together with responses from the Board and Management, are prepared by the Manager and will be published on the SGXNet and on PRIME's website at <http://www.primeusreit.com/>.

## FURTHER ENGAGEMENT

The Manager continues to engage and maintain the stakeholders' needs and expectations, taking into consideration their viewpoints which provide new perspective in generating positive impact for PRIME, treating all Unitholders fairly and equitably striving to establish timeliness and consistency in its disclosure while maintaining regular interaction and dialogue with Unitholders to generate awareness and understanding of PRIME's strategic business model, competitive strengths, growth strategy and investment merits as well as to garner feedback and views for consideration. Committed to promoting regular and effective communication with Unitholders in order to allow them to make informed decisions, the Trust Deed is available for inspection at the Manager's office and all announcements (i.e. press releases, presentations, annual and sustainability reports and financial statements) are uploaded onto SGXNet and on PRIME's website in a timely and accurate manner.

Continuous and informed dialogue between the Manager and Unitholders is a central tenet of good corporate governance. The Manager is committed to maintaining regular engagements with stakeholders and to providing full disclosure on PRIME's performance and growth strategy in a timely manner. The CEO and the Investor Relations team of the Manager actively engage with institutional investors, analysts and fund managers to solicit and understand the views of the investment community via analyst briefings held after the financial results announcements; one-on-one or group meetings, conference calls, investor luncheons, local or overseas road shows and conferences and on PRIME's website at <https://www.primeusreit.com/>. Unitholders can contact the Manager via the Investor Relations contact available on PRIME's website for investor relations and media enquiry at [https://investor.primeusreit.com/email\\_alerts.html](https://investor.primeusreit.com/email_alerts.html). An email alert option is also available to subscribers who wish to be notified of newly posted announcements, press releases, presentations and publications. In this way, PRIME seeks to establish good communication and engagement with all its stakeholders.

PRIME strives towards improving fiscal growth, optimising operational efficiency while creating a sustainable culture throughout to create long-term value based on ESG. In recognition that stakeholders are important to PRIME's long-term growth and success, the Manager has identified stakeholder groups which have a significant influence and interest in PRIME's operations and business and has engaged these stakeholders to understand their ESG expectations and to have a good grasp on their concerns. The key stakeholders identified are the Board, employees, sponsor, Unitholders and investment community, the media, government regulators and industry or business associations, and the local community at large.

# CORPORATE GOVERNANCE REPORT

The Manager adopts the principle that to build confidence among stakeholders, there is a need to deliver sustainable value. The Sustainability Report provides PRIME's approach in identifying its material stakeholders, as well as addressing stakeholders' concerns and methods of engagement. The Sustainability Report will also set out the key areas of focus in relation to the management of stakeholder relationships during the reporting period. PRIME is committed to conducting its business operations in a manner that upholds high standards of corporate governance and considers the environmental and social impact for sustainable growth resulting in PRIME establishing a reporting team led by the CEO for formulating and implementing PRIME's sustainability best practices. PRIME will publish the electronic version of its Sustainability Report on SGXNet and PRIME's website at <https://investor.primeusreit.com/publication.html> by 31 May 2022.

## DISTRIBUTION POLICY

PRIME's distribution policy is to distribute at least 90% of its annual distributable income for each financial year. Such distributions are typically paid on a semi-annual basis. PRIME's distribution policy is to distribute as much of its income as practicable and the determination to distribute and the quantum of distributions to be made by PRIME will be at the discretion of the Board. The Manager will endeavour to pay distributions no later than 90 days after the end of each distribution period.

## ESTABLISHMENT OF DISTRIBUTION REINVESTMENT PLAN

PRIME had announced the establishment of a distribution reinvestment plan ("**DRP**") on 21 June 2021, pursuant to which Unitholders may elect to receive new Units in respect of all or, at the discretion of the Manager, only part of the cash amount of any distribution to which the DRP applies.

The DRP may be applied from time to time to any distribution declared by PRIME as the Manager may determine in its absolute discretion. Participation in the DRP is optional and Unitholders may elect to participate in respect of part or all of their unitholdings. Unless the Manager has determined that the DRP will apply to any particular distribution, the distribution concerned will be paid in cash to Unitholders in the usual manner.

The DRP provides Unitholders with an opportunity to elect to receive distributions in the form of fully-paid new Units, instead of cash. This will enable Unitholders to increase their unitholdings in PRIME without incurring brokerage fees and other related costs. The issue of new Units in lieu of cash distributions under the DRP will also strengthen PRIME's balance sheet, enhance its working capital reserves and improve the liquidity of the Units.

The Manager will make an announcement whenever it decides to apply the DRP to a particular distribution, and such announcement will contain, among others, (a) the procedures, timeline and other relevant details in relation to the application of the DRP to such distribution and (b) details on whether PRIME is relying on a general mandate or specific Unitholders' approval for the issue of new Units under the DRP.

PRIME had made its first DRP distribution to Unitholders on 20 August 2021. The Manager had announced on 16 February 2022 that the DRP will apply to PRIME's distribution for the period from 6 July 2021 to 31 December 2021, which was paid on 31 March 2022.

## FINANCIAL STATEMENTS

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# REPORT OF THE TRUSTEE

For the financial year ended 31 December 2021

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of Prime US REIT (the "Trust") held by it or through its subsidiaries (collectively, the "Group") in trust for the holders of the units ("Unitholders") in the Trust. In accordance with the Securities and Futures Act 2001, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of KBS US Prime Property Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 7 September 2018 (as amended and restated) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust and its subsidiaries during the period covered by these financial statements, set out on pages 92 to 139, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,  
DBS Trustee Limited

Jane Lim Puay Yuen  
Director

Singapore  
30 March 2022

# STATEMENT BY THE MANAGER

For the financial year ended 31 December 2021

In the opinion of the directors of KBS US Prime Property Management Pte. Ltd. (the “Manager”), the Manager of Prime US REIT (the “Trust”), the accompanying financial statements set out on pages 92 to 139 comprising the Statements of Financial Position of the Group and the Trust as at 31 December 2021, the Consolidated Portfolio Statement of the Group as at 31 December 2021, the Consolidated Statement of Comprehensive Income, Consolidated Distribution Statement, Consolidated Statement of Changes in Unitholders’ Funds, and Consolidated Statement of Cash Flows of the Group, and Statement of Changes in Unitholders’ Funds of the Trust for the financial year ended 31 December 2021 and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2021, the consolidated portfolio holdings of the Group as at 31 December 2021, the consolidated comprehensive income, consolidated distributable income, consolidated changes in Unitholders’ funds and consolidated cash flows of the Group, and changes in Unitholders’ funds of the Trust for the financial year ended 31 December 2021, in accordance with the International Financial Reporting Standards and the provisions of the Trust Deed between DBS Trustee Limited and the Manager dated 7 September 2018 (as amended and restated) and relevant requirements of the Code on Collective Investment Schemes (the “CIS Code”) issued by the Monetary Authority of Singapore. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager,  
KBS US Prime Property Management Pte. Ltd.

Professor Annie Koh  
Director

Cheng Ai Phing  
Director

Singapore  
30 March 2022

# INDEPENDENT AUDITOR'S REPORT

to the Unitholders of Prime US REIT (Constituted under a Trust Deed dated 7 September 2018 in the Republic of Singapore)  
For the financial year 31 December 2021

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Prime US REIT (the "Trust") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Trust as at 31 December 2021, the consolidated portfolio statement of the Group as at 31 December 2021, the consolidated statement of comprehensive income, consolidated distribution statement, consolidated statement of changes in Unitholders' funds and consolidated statement of cash flows of the Group, and statement of changes in Unitholders' funds of the Trust for the financial year ended 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in Unitholders' funds of the Trust are properly drawn up in accordance with the International Financial Reporting Standards ("IFRSs"), relevant provisions of the Trust Deed and relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore, so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2021, the consolidated portfolio holdings of the Group as at 31 December 2021, the consolidated comprehensive income, consolidated distributable income, consolidated changes in Unitholders' funds and consolidated cash flows of the Group and changes in Unitholders' funds of the Trust for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### Valuation of investment properties

As at 31 December 2021, the carrying value of investment properties was US\$1.65 billion (2020: US\$1.41 billion) which accounted for 98.8% (2020: 97.1%) of total assets. The valuation of the investment properties is significant to our audit due to the magnitude and complexity of the valuation which is highly dependent on a range of estimates made by the Manager and the external valuers engaged by the Manager. In addition, the prevailing COVID-19 continued to result in increased level of estimation uncertainty and judgement required in determining the valuation due to the evolving market and economic conditions caused by the pandemic. As disclosed in Note 23(e), the valuations of investment properties are highly sensitive to changes in the significant unobservable inputs, particularly those relating to discount rates, capitalisation rates and terminal capitalisation rate.

# INDEPENDENT AUDITOR'S REPORT

to the Unitholders of Prime US REIT (Constituted under a Trust Deed dated 7 September 2018 in the Republic of Singapore)  
For the financial year 31 December 2021

## Key Audit Matters (cont'd)

### Valuation of investment properties (cont'd)

The Manager uses external valuers to determine the fair value of the investment properties. Our audit procedures included, amongst others, an assessment of the Group's process relating to the selection of the external valuers, determination of the scope of work of the valuers, and a review of the valuation reports issued by the valuers. We evaluated the objectivity, independence and expertise of the external valuers and read their terms of engagement to ascertain whether there are matters that might have affected the scope of their work and their objectivity.

We involved our internal real estate valuation specialists as necessary to assist us in assessing the appropriateness of the valuation model and the reasonableness of the significant assumptions by reference to historical rates and market data. Our procedures also included validating the reliability of property related data used by the external valuers. In addition, we discussed with the external valuers the valuation techniques and basis for the significant assumptions used, including key valuation adjustments made in response to the changes in market and economic conditions resulted by the COVID-19 pandemic. Significant assumptions and inputs evaluated include projected rental and occupancy rate, capitalisation rates, discount rates and terminal capitalisation rate. We assessed the overall appropriateness of the movements in fair value of the investment properties as reported in the financial statements. We also assessed the adequacy of disclosures in Note 23(e) to the financial statements.

## OTHER INFORMATION

The Manager of the Trust is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE MANAGER FOR THE FINANCIAL STATEMENTS

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the IFRSs, relevant provisions of the Trust Deed and relevant requirements of the CIS Code issued by the Monetary Authority of Singapore, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The responsibilities of the Manager include overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# INDEPENDENT AUDITOR'S REPORT

to the Unitholders of Prime US REIT (Constituted under a Trust Deed dated 7 September 2018 in the Republic of Singapore)  
For the financial year 31 December 2021

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Wei Hock.

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants

Singapore  
30 March 2022

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	Group		Trust	
		2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
<b>Current assets</b>					
Cash and cash equivalents	4	13,873	37,442	1,571	2,246
Trade and other receivables	5	1,825	1,623	563	185
Amount due from subsidiaries	5	–	–	–	24,860
Prepaid expenses		2,654	2,584	1	9
		<b>18,352</b>	<b>41,649</b>	<b>2,135</b>	<b>27,300</b>
<b>Non-current assets</b>					
Investment properties	6	1,653,000	1,405,200	–	–
Derivative assets	10	1,580	–	–	–
Investment in subsidiaries	7	–	–	961,368	879,988
		1,654,580	1,405,200	961,368	879,988
<b>Total assets</b>		<b>1,672,932</b>	<b>1,446,849</b>	<b>963,503</b>	<b>907,288</b>
<b>Current liabilities</b>					
Trade and other payables	8	15,903	14,540	868	385
Amount due to related parties	8	361	328	361	328
Rental security deposits		892	532	–	–
Rent received in advance		9,329	6,493	–	–
		<b>26,485</b>	<b>21,893</b>	<b>1,229</b>	<b>713</b>
<b>Non-current liabilities</b>					
Loans and borrowings	9	628,973	480,352	–	–
Rental security deposits		3,428	3,953	–	–
Derivative liabilities	10	8,908	23,476	–	–
Preferred shares		125	125	–	–
Deferred tax liabilities	11	13,929	9,258	–	–
		<b>655,363</b>	<b>517,164</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>		<b>681,848</b>	<b>539,057</b>	<b>1,229</b>	<b>713</b>
<b>Net assets attributable to Unitholders</b>		<b>991,084</b>	<b>907,792</b>	<b>962,274</b>	<b>906,575</b>
<b>Represented by:</b>					
Unitholders' funds		<b>991,084</b>	<b>907,792</b>	<b>962,274</b>	<b>906,575</b>
<b>Units in issue and to be issued ('000)</b>	12	<b>1,170,191</b>	<b>1,060,437</b>	<b>1,170,191</b>	<b>1,060,437</b>
<b>Net asset value per Unit (US\$) attributable to Unitholders</b>	13	<b>0.85</b>	<b>0.86</b>	<b>0.82</b>	<b>0.85</b>

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Note	Group	
		2021 US\$'000	2020 US\$'000
Gross revenue	14	156,741	143,557
Property operating expenses	15	(56,043)	(48,568)
<b>Net property income</b>		<b>100,698</b>	<b>94,989</b>
Manager's base fee		(7,714)	(7,355)
Manager's performance fee		–	(622)
Trustee's fee		(193)	(188)
Other trust expenses	17	(1,860)	(1,426)
Net fair value change in derivatives		16,147	(16,356)
Finance expenses	16	(16,986)	(14,871)
Finance income		4	3
<b>Net income before tax and fair value change in investment properties</b>		<b>90,096</b>	<b>54,174</b>
Net fair value change in investment properties	6	(17,199)	(28,935)
<b>Net income for the year before tax</b>		<b>72,897</b>	<b>25,239</b>
Tax expense	18	(4,709)	(2,030)
<b>Net income for the year attributable to Unitholders</b>		<b>68,188</b>	<b>23,209</b>
<b>Earnings per Unit (US cents)</b>			
Basic and diluted	19	6.13	2.24

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED DISTRIBUTION STATEMENT

For the financial year ended 31 December 2021

	Group	
	2021 US\$'000	2020 US\$'000
Income available for distribution to Unitholders at beginning of the year	36,250	29,176
Net income for the year	68,188	23,209
Distribution adjustments (Note A)	7,413	48,869
Income available for distribution to Unitholders for the year	75,601	72,078
<b>Distributions to Unitholders</b>		
– Distribution of US 3.15 cents per Unit for the period from 19 July 2019 to 31 December 2019	–	(29,138)
– Distribution of US 0.96 cents per Unit for the period from 1 January 2020 to 20 February 2020	–	(8,880)
– Distribution of US 2.56 cents per Unit for the period from 21 February 2020 to 30 June 2020	–	(26,986)
– Distribution of US 3.42 cents per Unit for the period from 1 July 2020 to 31 December 2020	(36,177)	–
– Distribution of US 3.42 cents per Unit for the period from 1 January 2021 to 5 July 2021	(36,326)	–
Total distributions to Unitholders	(72,503)	(65,004)
<b>Income available for distribution to Unitholders at end of the year</b>	<b>39,348</b>	<b>36,250</b>
<b>Distribution per Unit (DPU) (US cents):</b>	<b>6.78</b>	<b>6.94</b>
<b>Note A – Distribution adjustments comprise:</b>		
Property related non-cash items <sup>(1)</sup>	(3,524)	(6,139)
Manager's base fee paid/payable in Units	6,173	5,884
Manager's performance fee paid/payable in Units	–	622
Trustee's fee	193	188
Amortisation of upfront debt-related transaction costs <sup>(2)</sup>	1,552	1,133
Net change in fair value of derivatives	(16,147)	16,356
Net change in fair value of investment properties	17,199	28,935
Deferred tax expense	4,670	1,990
Others <sup>(3)</sup>	(2,703)	(100)
<b>Net distribution adjustments</b>	<b>7,413</b>	<b>48,869</b>

The Distribution Statement presents the distributions made to Unitholders during the year and the income available for distribution to Unitholders at the end of the year.

(1) Mainly comprise straight-line rent adjustments, amortisation of lease incentives and lease commissions.

(2) Upfront debt-related transaction costs are amortised over the life of the borrowings.

(3) This includes free rent reimbursements, adjustments related to lease termination income and other adjustments. The free rent reimbursements were related to free rent periods granted to certain tenants at Park Tower, One Town Center and Sorrento Towers. As part of the acquisition of these properties, the sellers reimbursed the Group for free rent under existing lease arrangements and free rent reimbursements are applied towards distributable income during these free rent periods.

The accompanying notes form an integral part of the financial statements.



# STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

For the financial year ended 31 December 2021

	Note	Attributable to Unitholders		
		Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
<b>Group</b>				
<b>At 1 January 2021</b>		<b>891,622</b>	<b>16,170</b>	<b>907,792</b>
Net income for the year		–	68,188	68,188
<b>Increase in net assets resulting from operations</b>		<b>891,622</b>	<b>84,358</b>	<b>975,980</b>
<b>Unitholders' transactions</b>				
Issue of new Units:				
– Private placement	12	80,000	–	80,000
– Manager's base fee paid/payable in Units		6,173	–	6,173
– Distribution Reinvestment Plan	12	3,062	–	3,062
Issue costs	12	(1,628)	–	(1,628)
Distributions to Unitholders		(23,748)	(48,755)	(72,503)
<b>Increase/(decrease) in net assets resulting from Unitholders' transactions</b>		<b>63,859</b>	<b>(48,755)</b>	<b>15,104</b>
<b>At 31 December 2021</b>		<b>955,481</b>	<b>35,603</b>	<b>991,084</b>
<b>At 1 January 2020</b>				
<b>At 1 January 2020</b>		<b>791,606</b>	<b>33,704</b>	<b>825,310</b>
Net income for the year		–	23,209	23,209
<b>Increase in net assets resulting from operations</b>		<b>791,606</b>	<b>56,913</b>	<b>848,519</b>
<b>Unitholders' transactions</b>				
Issue of new Units:				
– Private placement	12	120,000	–	120,000
– Manager's base fee paid/payable in Units		5,884	–	5,884
– Manager's performance fee payable in Units		622	–	622
Issue costs	12	(2,229)	–	(2,229)
Distributions to Unitholders		(24,261)	(40,743)	(65,004)
<b>Increase/(decrease) in net assets resulting from Unitholders' transactions</b>		<b>100,016</b>	<b>(40,743)</b>	<b>59,273</b>
<b>At 31 December 2020</b>		<b>891,622</b>	<b>16,170</b>	<b>907,792</b>

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

For the financial year ended 31 December 2021

	Note	Attributable to Unitholders		
		Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
<b>Trust</b>				
<b>At 1 January 2021</b>		891,622	14,953	906,575
Net income for the year		–	40,595	40,595
<b>Increase in net assets resulting from operations</b>		<b>891,622</b>	<b>55,548</b>	<b>947,170</b>
<b>Unitholders' transactions</b>				
Issue of new Units:				
– Private placement	12	80,000	–	80,000
– Manager's base fee paid/payable in Units		6,173	–	6,173
– Distribution Reinvestment Plan		3,062	–	3,062
Issue costs	12	(1,628)	–	(1,628)
Distributions to Unitholders		(23,748)	(48,755)	(72,503)
<b>Increase/(decrease) in net assets resulting from Unitholders' transactions</b>		<b>63,859</b>	<b>(48,755)</b>	<b>15,104</b>
<b>At 31 December 2021</b>		<b>955,481</b>	<b>6,793</b>	<b>962,274</b>
<b>At 1 January 2020</b>		<b>791,606</b>	<b>16,174</b>	<b>807,780</b>
Net income for the year		–	39,522	39,522
<b>Increase in net assets resulting from operations</b>		<b>791,606</b>	<b>55,696</b>	<b>847,302</b>
<b>Unitholders' transactions</b>				
Issue of new Units:				
– Private placement	12	120,000	–	120,000
– Manager's base fee paid/payable in Units		5,884	–	5,884
– Manager's performance fee payable in Units		622	–	622
Issue costs	12	(2,229)	–	(2,229)
Distributions to Unitholders		(24,261)	(40,743)	(65,004)
<b>Increase/(decrease) in net assets resulting from Unitholders' transactions</b>		<b>100,016</b>	<b>(40,743)</b>	<b>59,273</b>
<b>At 31 December 2020</b>		<b>891,622</b>	<b>14,953</b>	<b>906,575</b>

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	Note	Group	
		2021 US\$'000	2020 US\$'000
<b>Operating activities</b>			
Net income before tax		72,897	25,239
Adjustments for:			
Property related non-cash items		(3,524)	(6,139)
Manager's fee paid/payable in Units		6,173	6,506
Impairment loss on trade receivables	5	384	445
Net fair value change in investment properties	6	17,199	28,935
Net fair value change in derivatives	10	(16,147)	16,356
Foreign exchange losses/(gains)		38	(72)
Finance expenses	16	16,986	14,871
Finance income		(4)	(3)
<b>Operating cash flow before working capital changes</b>		<b>94,002</b>	<b>86,138</b>
<b>Changes in working capital</b>			
Trade and other receivables		(586)	344
Prepaid expenses		(70)	(384)
Trade and other payables		766	966
Amount due to related parties		33	(148)
Rental security deposits		(1,255)	1,543
Rent received in advance		2,836	1,433
<b>Cash flow from operations</b>		<b>95,726</b>	<b>89,892</b>
Taxes paid		(39)	(39)
<b>Net cash generated from operating activities</b>		<b>95,687</b>	<b>89,853</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment properties and related assets and liabilities	(a)	(238,715)	(161,768)
Settlement of liabilities in relation to the acquisition of investment properties		(5,552)	(2,422)
Payment for capital expenditure relating to investment properties	6	(16,097)	(11,737)
Interest received		4	3
<b>Net cash used in investing activities</b>		<b>(260,360)</b>	<b>(175,924)</b>

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

		Group	
	Note	2021	2020
		US\$'000	US\$'000
<b>Cash flows from financing activities</b>			
Distribution to Unitholders		(69,441)	(65,004)
Proceeds from issuance of Units	12	80,000	120,000
Payment for transaction costs relating to issuance of Units		(1,445)	(2,229)
Transaction costs related to issuance of preferred shares		–	(1)
Dividends on preferred shares		(16)	(16)
Proceeds from loans and borrowings	9	355,575	150,500
Payment of transaction costs related to loans and borrowings	9	(1,910)	(607)
Repayment of loans and borrowings	9	(206,596)	(103,500)
Interest paid on loans and borrowings		(15,025)	(13,565)
<b>Net cash generated from financing activities</b>		<b>141,142</b>	<b>85,578</b>
<b>Net decrease in cash and cash equivalents</b>			
		<b>(23,531)</b>	<b>(493)</b>
Cash and cash equivalents at the beginning of the year		37,442	37,862
Effect of exchange rate fluctuations on cash held in foreign currency		(38)	73
<b>Cash and cash equivalents at end of the year</b>	4	<b>13,873</b>	<b>37,442</b>

(a) Acquisition of investment properties and related assets and liabilities

	Group	
	2021	2020
	US\$'000	US\$'000
Agreed purchase consideration for investment properties	245,500	165,500
Acquisition costs	3,025	1,880
Capital expenditure and leasing costs under seller's responsibility	(2,505)	(4,180)
Net cash consideration for investment properties	246,020	163,200
Accrued expenses and other payables	(6,215)	(1,061)
Rental security deposits	(1,090)	(371)
Acquisition of investment properties and related assets and liabilities	<b>238,715</b>	<b>161,768</b>

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED PORTFOLIO STATEMENT

As at 31 December 2021

Description of property	Location	Tenure of land	Fair value as at	Percentage of total net assets as at	Fair value as at	Percentage of total net assets as at
			31 December 2021 US\$'000	31 December 2021 %	31 December 2020 US\$'000	31 December 2020 %
Tower 1 at Emeryville	San Francisco Bay Area (Oakland)	Freehold	115,000	11.6	115,700	12.7
222 Main	Salt Lake City	Freehold	228,000	23.0	224,000	24.7
Village Center Station I	Denver	Freehold	81,000	8.0	86,400	9.5
Village Center Station II	Denver	Freehold	156,000	15.7	155,100	17.1
101 South Hanley	St. Louis	Freehold	79,300	8.0	80,000	8.8
Tower 909	Dallas	Freehold	81,600	8.2	80,900	8.9
Promenade I & II	San Antonio	Freehold	74,900	7.6	71,000	7.8
CrossPoint	Philadelphia	Freehold	102,000	10.3	99,000	10.9
One Washingtonian Center	Washington D.C. Area (Suburban Maryland)	Freehold	92,500	9.3	102,000	11.2
Reston Square	Washington D.C. Area (Suburban Virginia)	Freehold	35,100	3.5	46,900	5.2
171 17th Street	Atlanta	Freehold	200,000	20.2	180,700	19.9
Park Tower	Sacramento	Freehold	157,600	15.9	163,500	18.0
One Town Center	Boca Raton	Freehold	101,000	10.2	–	–
Sorrento Towers	San Diego	Freehold	149,000	15.0	–	–
<b>Total investment properties</b>			<b>1,653,000</b>	<b>166.5</b>	<b>1,405,200</b>	<b>154.7</b>
Other assets and liabilities (net)			(661,916)	(66.5)	(497,408)	(54.7)
<b>Net assets</b>			<b>991,084</b>	<b>100.0</b>	<b>907,792</b>	<b>100.0</b>

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 1. GENERAL

Prime US REIT (the "Trust") is a Singapore real estate investment trust constituted pursuant to the trust deed (the "Trust Deed") dated 7 September 2018 (as amended and restated) between KBS US Prime Property Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the Unitholders of the Trust. The Trust and its subsidiaries are collectively referred to as the "Group".

KBS Asia Partners Pte. Ltd. is the sponsor (the "Sponsor") of the Trust.

The Trust was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 19 July 2019.

The registered office and principal place of business of the Manager is located at 1 Raffles Place, #40-01 One Raffles Place, Singapore 048616.

The principal activity of the Trust is investment holding. The principal activities of the Trust's subsidiaries are to own and invest, directly or indirectly, in a portfolio of income-producing office real estate in major markets in the United States, as well as real estate-related assets. The Group's key objectives are to provide sustainable distributions and strong total returns for Unitholders.

The Trust has entered into several service agreements in relation to the management of the Trust and its property operations.

The fee structures of these services are as follows:

### (a) Manager's fees

The Manager is entitled under the Trust Deed to receive the following remuneration for the provision of asset management services:

#### **Base fee**

Pursuant to the Trust Deed, the Manager is entitled to a base fee at the rate of 10.0% per annum of the Trust's annual distributable income (calculated before accounting for the base fee and performance fee, if any). The base fee is payable in the form of cash and/or Units as the Manager may elect, in such proportions as may be determined by the Manager.

The Manager has elected to receive 80.0% (2020: 80.0%) of its base fee in the form of Units for the year.

The base fee, payable either in the form of cash and/or Units, is payable monthly/quarterly in arrears respectively. Where the base fee is payable in Units, the Units will be issued based on the volume weighted average price for a Unit for all trades transacted on SGX-ST in the ordinary course of trading for a period of ten business days (as defined in the Trust Deed) immediately preceding the relevant business day.

#### **Performance fee**

Pursuant to the Trust Deed, the Manager is entitled to a performance fee equal to the rate of 25.0% of the difference in Distribution Per Unit ("DPU") in a financial year with the DPU in the preceding financial year (calculated before accounting for performance fee but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. The performance fee is payable if the DPU in any financial year exceeds the DPU in the preceding financial year, notwithstanding that the DPU in the financial year where the performance fee is payable may be less than the DPU in any preceding financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 1. GENERAL (CONT'D)

### (a) Manager's fees (cont'd)

#### *Performance fee (cont'd)*

The performance fee is payable in the form of cash and/or Units as the Manager may elect, in such proportions as may be determined by the Manager.

The Manager has elected to receive 100.0% of its performance fee in the form of Units for the year ended 31 December 2020.

#### *Acquisition fee*

Pursuant to the Trust Deed, the Manager is entitled to an acquisition fee of 1.0% of the purchase price of investment property acquired, whether directly or indirectly through one or more subsidiaries or such lower percentage as may be determined by the Manager in its absolute discretion.

The acquisition fee is payable to the Manager in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager.

#### *Divestment fee*

Pursuant to the Trust Deed, the Manager is entitled to a divestment fee of 0.5% of the sale price of investment property sold or divested, whether directly or indirectly through one or more subsidiaries or such lower percentage as may be determined by the Manager in its absolute discretion.

The divestment fee is payable to the Manager in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager. Any payment to third party agents or brokers in connection with the disposal of any assets shall be paid to such persons out of the deposited property, and not out of the divestment fee received or to be received by the Manager.

### (b) Trustee's fees

The Trustee fees are charged on a scaled basis of up to 0.1% per annum of the value of all the gross assets of the Group ("Deposited Property"), subject to a minimum of S\$15,000 per month, excluding out-of-pocket expenses and GST.

### (c) Property management fees

Under the property management agreement in respect of each of the properties, the respective property manager will provide property management services and construction supervision services. The property manager is entitled to the following fees:

#### *Property management fee and expenses*

A monthly property management fee equal to a certain percentage of rent or gross revenues, as more specifically defined in each property management agreement. All the property managers are unrelated to the Sponsor.

Property management fees are assessed on a monthly basis and payable in arrears. The property management fees for the property portfolio are charged based on gross revenue income and ranges from 0.9% to 2.0% of the gross revenue income except that for Village Center Station II, the property management fee is US\$2,750 per month. The specific percentages of the property management fees are set out in each of the property management agreements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 1. GENERAL (CONT'D)

### (c) Property management fees (cont'd)

#### *Property management fee and expenses (cont'd)*

Notwithstanding that under the property management agreements the property management fee is payable in cash and not Units, Clause 15.7 of the Trust Deed allows for the payment of property management fee in the form of cash and/or Units. Prime US REIT may, in the future, enter into new property management agreements that provide for the payment of property management fee in Units.

#### *Construction supervision fee*

For the majority of our properties, the property managers are entitled to construction supervision fees in connection with providing construction management services for certain construction projects with respect to the property managed by the property manager. The only exception to this is Crosspoint where construction management has been contracted to a party who is not the property manager. All the property managers are independent third party service providers which are unrelated to the Sponsor.

Construction supervision fees are assessed as a percentage of the total cost of the applicable construction project with respect to the properties, as more specifically set forth in each Property Management Agreement, construction management addendum to the Property Management Agreement or separate project management agreement for the Property, with the applicable percentage decreasing as the total cost of a construction project increases.

With respect to such construction supervision fees, the percentages typically range from 0% to 6% of the total cost of a construction project. The Manager who oversees the property managers will negotiate the amount of construction supervision fees while taking into account the complexity and scale of the construction project. Most commonly, projects with construction costs over US\$1,000,000 are negotiable on a case by case basis such that each construction supervision fee is reasonable depending on the size and complexity of any given project. The Manager believes that the construction supervision fees payable to the third party independent property managers are in line with market practice for property managers in the respective markets.

### (d) Lease commissions

Leasing agents are entitled to the following fees:

#### *Leasing services commissions*

Under the leasing services agreements, the leasing agents, who are independent third-party service providers, are entitled to leasing services commissions, which are payable in cash.

#### *Leasing services commissions for procuring leases with new tenants*

The leasing agents are entitled to certain leasing services commissions for procuring leases with new tenants, and lease expansions which can range from US\$2.00 per square foot per year of the lease term or 3.0% to 7.0% for the initial term of the lease.

#### *Leasing services commissions for procuring lease renewals*

The leasing agents are entitled to certain leasing services commissions for procuring lease renewals which can range from US\$1.00 per square foot per year of the lease term or 2.0% to 7.0% for the term of the renewed lease.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), and the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed.

As at 31 December 2021, the current liabilities of the Group exceeded its current assets. Based on the Group's available financial resources and sources of funding, the Manager is of the view that the Group will be able to satisfy all its financial obligations as and when they fall due. The Group also has available credit facilities in excess of US\$230 million and debt headroom of US\$406 million (which said amount includes the available credit facilities of US\$230 million) at 50% leverage limit.

### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

### 2.3 Functional and presentation currency

The financial statements are presented in United States dollars ("US\$"), which is the functional currency of the Trust. All financial information presented in United States dollars has been rounded to the nearest thousand (US\$'000), unless otherwise stated.

Any differences in the tables included in the financial statements between the listed amounts and the totals thereof are due to rounding.

### 2.4 Significant accounting judgements and estimates

The preparation of the financial statements requires the Manager to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and in any future periods affected.

#### Judgements made in applying accounting policies

There are no critical judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements.

#### Key sources of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period are described in Note 23(e) – Valuation of investment properties.

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 2. BASIS OF PREPARATION (CONT'D)

### 2.4 Significant accounting judgements and estimates (cont'd)

#### Valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognized in profit or loss. The fair values of investment properties are determined with inputs from independent real estate valuation experts using recognized valuation techniques. These techniques include the Discounted Cash Flow Method, Income Capitalisation Method and Direct Comparison Method. The key assumptions used to determine the fair value of these investment properties are provided in Note 23(e). As a result of the COVID-19 pandemic, it is possible that values and incomes are likely to change more rapidly and significantly than during normal market conditions.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the Group consistently to the period presented in these financial statements except in the current financial year, the Group has adopted all the new and revised standards, which are effective for the annual financial periods beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

### 3.1 Consolidated financial statements

#### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Trust. Consistent accounting policies are applied to like transactions and events in similar circumstances. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

#### (b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

In the Trust's statement of financial position, investment in subsidiaries is accounted for at cost less impairment losses.

### 3.2 Foreign currency

#### (a) Foreign currency transactions and balances

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The Manager has determined the currency of the primary economic environment in which the Trust and subsidiaries operate, i.e. the functional currency, to be the US\$.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Foreign currency (cont'd)

#### (a) Foreign currency transactions and balances (cont'd)

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical costs are translated using the exchange rate at the date of the transaction.

#### (b) Consolidation

For consolidation purpose, the assets and liabilities of foreign operations are translated to US\$ at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is transferred to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognized in the translation reserve in Unitholders' funds.

### 3.3 Investment properties

Investment properties are properties that are held to earn rental income or for capital appreciation, or for both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Investment properties are initially stated at cost, including transaction costs, and are measured at fair value thereafter, with any change therein recognized in profit or loss in the year in which they arise. Fair values are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in such manner and frequency required under the CIS Code issued by MAS.

Investment properties are subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised and the carrying amounts of the replaced components are written off to profit or loss. To the extent that lease commissions paid increase the future economic benefits of investment properties, they are capitalized as part of the assets. Lease incentives are included in the carrying amount of the investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and its carrying amount) is recognized in profit or loss when control is transferred to the buyer.

When the acquisition of an investment property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based on their relative fair values at the date of purchase. Acquisition-related costs are capitalised as part of the costs of investment property at the time the acquisition is completed.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.4 Financial instruments

#### (a) Non-derivative financial assets

##### Initial recognition and measurement

Financial assets are recognized when, and only when the Group becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Financial assets comprise trade receivables, cash and cash equivalents, other receivables and amount due from subsidiaries. Cash and cash equivalents comprise cash at bank.

##### Subsequent measurement

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognized in profit or loss when the assets are derecognized or impaired, and through amortisation process.

##### Derecognition

A financial asset is derecognized where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income for debt instruments is recognized in profit or loss.

#### (b) Non-derivative financial liabilities

##### Initial recognition and measurement

Financial liabilities are recognized when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Financial liabilities not at fair value through profit or loss comprise trade and other payables, amount due to related parties, rental security deposits and loans and borrowings.

##### Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortisation process.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.4 Financial instruments (cont'd)

#### (b) Non-derivative financial liabilities (cont'd)

##### Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognized in profit or loss.

#### (c) Preferred shares

Preferred shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the holders of such units, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognized as finance expenses in profit or loss as accrued.

#### (d) Derivatives

The Group holds derivative financial instruments to manage its interest rate risk exposures. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognized in profit or loss.

### 3.5 Impairment

#### (a) Financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all trade and other receivables, including lease receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, including lease receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In which case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized previously.

### 3.6 Unitholders' funds

Unitholders' funds are classified as equity. Issue costs relate to expenses incurred in connection with the issue of Units. These expenses are deducted directly against Unitholders' funds.

### 3.7 Revenue recognition

#### *Rental income from operating leases*

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of Comprehensive Income due to its operating nature. The difference between revenue recognized and the contractual cash received is included in the carrying value of the investment property and subsequently adjusted to fair value change for investment properties recognized in profit or loss. Tenant lease incentives are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease.

#### *Recoveries income*

Recoveries from tenants are recognized as income in the period in which the applicable costs are incurred.

#### *Other operating income*

Other operating income comprise parking income and other non-rental income are recognized as services are provided and the performance obligations are satisfied. Car park income consists of contractual and transient car park income, which are recognized upon utilization of parking facilities. Non-rental income also includes lease cancellation fees. Lease cancellation fees are recognized as revenue once an agreement is reached with the tenant to terminate the lease and the collectability is reasonably assured.

Other operating income is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Other operating income is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. The amount of other operating income recognized is the amount allocated to the satisfied performance obligation.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Revenue recognition (cont'd)

#### *Finance income*

Interest income is recognized as it accrues, using the effective interest method.

### 3.8 Finance expenses

Finance expenses comprise interest expense on borrowings, amortisation of borrowing-related transaction costs and commitment fees incurred on the borrowings and dividends on preferred shares that are recognized in profit or loss. Borrowing costs are recognized in profit or loss using the effective interest method.

### 3.9 Taxes

Tax expense comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

#### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognized in profit or loss except to the extent that the tax relates to items recognized outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### (b) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- temporary differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment properties that are measured at fair value in the United States, the presumption that the carrying amounts will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 Taxes (cont'd)

#### (b) Deferred tax (cont'd)

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investment in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### 3.10 Distribution policy

Prime US REIT's distribution policy is to distribute 100.0% of its distributable income for the period from the Listing Date to 31 December 2021. Thereafter, Prime US REIT will distribute at least 90.0% of its distributable income for each financial year. The actual distribution will be determined at the discretion of the Board of Directors of the Manager.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.11 Leases – as lessor

The Group adopted IFRS 16 *Leases* for the current financial year beginning 1 January 2020. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 3.7.

### 3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank which are subject to an insignificant risk of changes in value.

### 3.13 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. The Group's investment properties are primarily commercial office properties and are located in the United States. Therefore, the directors consider that the Group operates within a single business segment and within a single geographical segment in the United States. Accordingly, no segment information has been presented in the financial statements.

### 3.14 New standards issued but not yet effective

The Group has not adopted the following applicable standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendment to IFRS 16: <i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to IAS 1: <i>Classification of Liabilities as Current or Non-Current</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

The adoption of the standards above will have no material impact on the financial statements in the year of initial application.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 4. CASH AND CASH EQUIVALENTS

	Group		Trust	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Cash at bank	13,873	37,442	1,571	2,246

Cash at banks earns interest at floating rates based on daily bank deposit rates.

## 5. TRADE AND OTHER RECEIVABLES AMOUNT DUE FROM SUBSIDIARIES

	Group		Trust	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Trade receivables	1,257	1,438	–	–
GST receivable	568	185	563	185
	1,825	1,623	563	185
Amount due from subsidiaries	–	–	–	24,860

Trade receivables relating to rent and services to tenants are billed 1 month in advance, non-interest bearing and are typically due within five days.

In 2020, the amount due from subsidiaries mainly relates to dividend receivable from one of its subsidiaries. This amount was non-trade related, unsecured, interest-free, repayable on demand and was settled in cash during the year.

### Receivables that are past due but not impaired

The Group has trade receivables related to rent and services amounting to US\$565,000 (2020: US\$264,000) at year end that are past due but not impaired. The analysis of their ageing at the end of the reporting year is as follows:

	Group	
	2021 US\$'000	2020 US\$'000
1 to 30 days	508	220
31 to 60 days	42	22
61 to 90 days	12	10
91 to 120 days	1	8
Greater than 120 days	2	4
	565	264

The Group believes that no impairment losses are necessary in respect of trade receivables that are past due as these receivables mainly arose from tenants with good past payment track record and the Group maintains security deposits or letter of credits in relation to these tenants as collateral.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 5. TRADE AND OTHER RECEIVABLES (CONT'D) AMOUNT DUE FROM SUBSIDIARIES (CONT'D)

### Receivables that are impaired

The Group has also considered trade and other receivables to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts and recognized the impairment loss on the trade receivables accordingly. These receivables represent the excess of the total outstanding amounts over the collaterals held.

	Group	
	Individually impaired 2021 US\$'000	Individually impaired 2020 US\$'000
Trade receivables – nominal amounts	438	417
Less: Allowance for impairment	(438)	(417)
Balance at 31 December	–	–

### Expected credit losses (“ECL”)

Movement in the allowance for ECL on trade receivables computed based on lifetime ECL was as follows:

	Group	
	2021 US\$'000	2020 US\$'000
As at 1 January	(417)	(130)
Charge for the year	(384)	(445)
Written off	363	158
Balance at 31 December	(438)	(417)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 6. INVESTMENT PROPERTIES

	Group	
	2021 US\$'000	2020 US\$'000
<b>Consolidated Statement of Financial Position</b>		
At 1 January	1,405,200	1,254,700
Acquisitions (including acquisition costs) <sup>(1)</sup>	246,020	163,200
Capital expenditure (including leasing commissions and incentives) <sup>(2)</sup>	14,330	9,474
Fair value changes in investment properties	(12,550)	(22,174)
At 31 December	<u>1,653,000</u>	<u>1,405,200</u>
<b>Consolidated Statement of Comprehensive Income</b>		
Fair value changes in investment properties	(12,550)	(22,174)
Net effect of straight-lining <sup>(3)</sup>	(4,649)	(6,761)
Net fair value change recognized in the Statement of Comprehensive Income	<u>(17,199)</u>	<u>(28,935)</u>

<sup>(1)</sup> The acquisition costs included \$2,451,000 (2020: \$1,650,000) of Manager's acquisition fee.

<sup>(2)</sup> Includes net lease commissions of US\$3,877,000 (2020: US\$1,592,000) and lease incentives of US\$605,000 (2020: US\$167,000)

<sup>(3)</sup> Arising from accounting for rental income on a straight-line basis, the difference between revenue recognized and the contractual cash flow is included in the carrying value of the investment properties and subsequently adjusted to reflect fair value change in investment properties recognized in profit or loss.

Investment properties comprise office spaces which are leased to external tenants. The remaining lease terms range from less than one year to 14.3 years (2020: less than one year to 15.3 years) at year end.

For the year ended 31 December 2021, net cash outflow for payment made on capital expenditure relating to investment properties amounted to US\$16,097,000 (2020: US\$11,737,000), after taking into consideration timing difference on the payments made.

### Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2021 and 31 December 2020. The valuations were performed by JLL Valuation & Advisory Services, LLC (2020: Cushman and Wakefield Western, Inc), an independent valuer with a recognized and relevant professional qualification and with recent experience in the location and category of the properties being valued. Details of valuation techniques and inputs are disclosed in Note 23(e).

### Properties pledged as security

Three investment properties with carrying value of US\$478,000,000 (one property in 2020: US\$224,000,000) are mortgaged to secure loans (Note 9).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 6. INVESTMENT PROPERTIES (CONT'D)

Investment properties held by the Group are:

Property	Description and Location	Tenure	31 December	31 December
			2021	2020
			US\$'000	US\$'000
Tower I at Emeryville	12-storey Class A office building located in Emeryville, California	Freehold	115,000	115,700
222 Main	21-storey Class A office building located in Salt Lake City, Utah	Freehold	228,000	224,000
Village Center Station I	9-storey Class A office building located in Greenwood Village, Colorado	Freehold	81,000	86,400
Village Center Station II	12-storey Class A office building located in Greenwood Village, Colorado	Freehold	156,000	155,100
101 South Hanley	19-storey Class A office building located in St. Louis, Missouri	Freehold	79,300	80,000
Tower 909	19-storey Class A office building located in Irving, Texas	Freehold	81,600	80,900
Promenade I & II	Two 4-storey Class A office buildings located in San Antonio, Texas	Freehold	74,900	71,000
CrossPoint	4-storey Class A office building located in Wayne, Pennsylvania	Freehold	102,000	99,000
One Washingtonian Center	14-storey Class A office building located in Gaithersburg, Maryland	Freehold	92,500	102,000
Reston Square	7-storey Class A office building located in Reston, Virginia	Freehold	35,100	46,900
171 17th Street	22-storey Class A office building located in Atlanta, Georgia	Freehold	200,000	180,700
Park Tower	24-storey Class A office building located in Sacramento, California	Freehold	157,600	163,500
One Town Center	10-storey Class A office building located in Boca Raton, Florida	Freehold	101,000	–
Sorrento Towers	7-storey Class A office building located in San Diego, California	Freehold	149,000	–
			1,653,000	1,405,200

## 7. INVESTMENT IN SUBSIDIARIES

	Trust	
	2021	2020
	US\$'000	US\$'000
Unquoted equity investments at cost	961,368	879,988

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries of the Trust are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Trust	
			2021 %	2020 %
<b>Direct subsidiaries:</b>				
Prime US REIT S1 Pte. Ltd. <sup>(1)</sup>	Investment holding	Singapore	100	100
Prime US REIT S2 Pte. Ltd. <sup>(1)</sup>	Investment holding	Singapore	100	100
Prime US REIT S3 Pte. Ltd. <sup>(1)</sup>	Investment holding	Singapore	100	100
<b>Indirect subsidiaries:</b>				
Prime US-Sub REIT, Inc. <sup>(2)</sup>	Investment holding	United States of America	100	100
Prime US-Upper Tier, LLC <sup>(2)</sup>	Investment holding	United States of America	100	100
Prime US-Middle Tier, LLC <sup>(2)</sup>	Investment holding	United States of America	100	100
Prime US-Lower Tier, LLC <sup>(2)</sup>	Investment holding	United States of America	100	100
Prime US Properties, LLC <sup>(2)</sup>	Investment holding	United States of America	100	100
Prime US-Acquisition I, LLC <sup>(2)</sup>	Investment holding	United States of America	100	100
Prime US-Acquisition II, LLC <sup>(2)</sup>	Investment holding	United States of America	100	–
Prime US-Acquisition III, LLC <sup>(2)</sup>	Investment holding	United States of America	100	–
Prime US-Towers At Emeryville, LLC <sup>(2) (3)</sup>	Property owner	United States of America	100	100
Prime US-222 Main, LLC <sup>(2)</sup>	Property owner	United States of America	100	100
Prime US-Village Center Station, LLC <sup>(2) (3)</sup>	Property owner	United States of America	100	100
Prime US-Village Center Station II, LLC <sup>(2) (3)</sup>	Property owner	United States of America	100	100
Prime US-101 South Hanley, LLC <sup>(2) (3)</sup>	Property owner	United States of America	100	100
Prime US-Tower At Lake Carolyn, LLC <sup>(2) (3)</sup>	Property owner	United States of America	100	100
Prime US-Promenade, LLC <sup>(2) (3)</sup>	Property owner	United States of America	100	100
Prime US-CrossPoint At Valley Forge, LLC <sup>(2) (3)</sup>	Property owner	United States of America	100	100
Prime US-One Washingtonian, LLC <sup>(2) (3)</sup>	Property owner	United States of America	100	100
Prime US-Reston Square, LLC <sup>(2) (3)</sup>	Property owner	United States of America	100	100
Prime US-171 17th Street, LLC <sup>(2) (3)</sup>	Property owner	United States of America	100	100
Prime US-Park Tower, LLC <sup>(2) (3)</sup>	Property owner	United States of America	100	100
Prime US-One Town Center, LLC <sup>(2)</sup>	Property owner	United States of America	100	–
Prime US-Sorrento Towers, LLC <sup>(2)</sup>	Property owner	United States of America	100	–

(1) Audited by Ernst & Young LLP Singapore

(2) Audited by Ernst & Young LLP United States for group reporting purpose

(3) As disclosed in Note 9, the equity interests of these subsidiaries have been pledged in connection with the borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 8. TRADE AND OTHER PAYABLES AMOUNT DUE TO RELATED PARTIES

	Group		Trust	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Trade payables	10	140	–	–
Interest payable	1,506	1,124	–	–
Property tax payable	5,585	5,629	–	–
Building and tenancy improvement payables	3,197	2,945	–	–
Accrued expenses	5,605	4,702	868	385
Trade and other payables	15,903	14,540	868	385
Amount due to related parties	361	328	361	328

Amount due to related parties mainly relates to expenses paid by the Manager on behalf of the Trust. The amounts is unsecured, non-trade, non-interest bearing, repayable on demand and to be settled in cash.

## 9. LOANS AND BORROWINGS

	Nominal interest rate % per annum	Maturity	Group	
			2021 US\$'000	2020 US\$'000
<b>Non-current</b>				
Revolving credit facility <sup>(1)</sup>	LIBOR + 1.30%	July 2022	14,000	59,596
Four-year term loan facility <sup>(2)</sup>	LIBOR + 1.15%	July 2023	200,000	160,000
Five-year term loan facility <sup>(2)</sup>	LIBOR + 1.15%	July 2024	200,000	160,000
Three-year term loan facility <sup>(3)</sup>	LIBOR + 1.65%	July 2024	44,675	–
Three-year term loan facility <sup>(4)</sup>	LIBOR + 1.65%	July 2024	69,900	–
Ten-year term loan facility <sup>(5)</sup>	4.11%	August 2029	105,000	105,000
			633,575	484,596
Less: Unamortised transaction costs			(4,602)	(4,244)
Total loans and borrowings			628,973	480,352

### (1) Revolving credit facility

The total amount available under this facility is US\$200.0 million (2020: US\$150.0 million). As at year end, the Group has US\$186.0 million (2020: US\$90.4 million) of unutilised revolving credit facility. Interest rate on US\$10.0 million balance of the facility has been hedged using floating-for-fixed interest rate swaps until 15 June 2021. Taking into account the swap, the weighted average interest rate for the year was 1.31% (2020: 1.85%) per annum.

The borrower of the facility is Prime US-Lower Tier, LLC, which has pledged its equity interest in each of the property-owning entities (apart from the entity owning the 222 Main property, One Town Center and Sorrento Towers) for the facility.

The facility has two one-year extension options. The Group has the discretion to roll over the facility upon meeting certain conditions. Management has assessed that they are able to meet these conditions and plans to exercise its extension option for a year upon its maturity in July 2022. Accordingly, the Group continues to disclose this as a non-current liability.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 9. LOANS AND BORROWINGS (CONT'D)

(2) Four-year term loan facility

(2) Five-year term loan facility

The amount drawn down from each facility is US\$200.0 million (2020: US\$160.0 million). The borrower is Prime US-Lower Tier, LLC, which has pledged its equity interest in each of the property-owning entities (apart from the entity owning the 222 Main property, One Town Center and Sorrento Towers) for the facilities.

Interest rates on the four and five-year term loans have been hedged using floating-for-fixed interest rate swaps. Taking into account the swaps, the weighted average interest rate (including amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings for the year was 2.50% (2020: 2.64%) per annum. The four-year term loan facility has a one-year extension option beyond its scheduled maturity date in July 2023.

(3) Three-year term loan facility

The borrower is Prime US-One Town Center, LLC and the facility is secured by the One Town Center property. Taking into account the swaps, the weighted average interest rate (including amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings for the year was 2.03% (2020: nil) per annum.

The facility has two one-year extension options beyond its scheduled maturity date in July 2024.

(4) Three-year term loan facility

The borrower is Prime US-Sorrento Towers, LLC and the facility is secured by the Sorrento Towers property. Taking into account the swaps, the weighted average interest rate (including amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings for the year was 2.02% (2020: nil) per annum.

The facility has two one-year extension options beyond its scheduled maturity date in July 2024.

(5) Ten-year term loan facility

The amount drawn down from the facility is US\$105.0 million (2020: US\$105.0 million). The borrower is Prime US-222 Main, LLC, and the facility is secured by the 222 Main property.

A reconciliation of liabilities arising from the Group's financing activities is as follows:

	1 January 2021	Net cash flows	Amortisation of upfront debt-related transaction costs	31 December 2021
	US\$'000	US\$'000	US\$'000	US\$'000

### Group

Loans and borrowings	480,352	147,069	1,552	628,973
Preferred shares	125	–	–	125

	1 January 2020	Net cash flows	Amortisation of upfront debt-related transaction costs	31 December 2020
	US\$'000	US\$'000	US\$'000	US\$'000

### Group

Loans and borrowings	432,824	46,395	1,133	480,352
Preferred shares	125	–	–	125



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 10. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2021	2020	2021	2020
	Contract/ Nominal amount US\$'000	Contract/ Nominal amount US\$'000	Assets US\$'000	Assets US\$'000

### Non-current:

Interest rate swaps	114,575	–	1,580	–
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	2021	2020	2021	2020
	Contract/ Nominal amount US\$'000	Contract/ Nominal amount US\$'000	Liabilities US\$'000	Liabilities US\$'000

### Non-current:

Interest rate swaps	330,000	330,000	8,908	23,476
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Derivative financial instruments as a percentage of the Group's net assets			0.74%	2.59%
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The Group enters into interest rate swaps to manage its economic exposure to interest rate movements on certain of its floating rate interest-bearing borrowings by swapping the interest expense on these borrowings from floating rates to fixed rates.

The change in fair value of the interest rate swaps is recognized in profit or loss for the financial year.

The Group holds the interest rate swaps to provide fixed rate funding until maturity in June 2026 (2020: June 2026).

## 11. DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Group	
	2021	2020
	US\$'000	US\$'000
Investment properties	13,929	9,258

Movements in deferred tax liabilities of the Group during the year are as follows:

	At 1 January	Recognized in	At
	2021	Statement of	31 December
	US\$'000	Comprehensive Income (Note 18) US\$'000	2021 US\$'000
Investment properties			
– Change in fair value of investment properties	(99)	(2,636) <sup>(1)</sup>	(2,735)
– Depreciation claimed for income tax purpose in United States	9,358	7,306	16,664
	9,259	4,670	13,929

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 11. DEFERRED TAX LIABILITIES (CONT'D)

	At 1 January 2020 US\$'000	Recognized in Statement of Comprehensive Income (Note 18) US\$'000	At 31 December 2020 US\$'000
<b>Deferred tax liabilities</b>			
Investment properties			
– Change in fair value of investment properties	4,556	(4,656) <sup>(1)</sup>	(100)
– Depreciation claimed for income tax purpose in United States	2,711	6,647	9,358
	7,267	1,991	9,258

<sup>(1)</sup> This represents the tax effect on the change in fair value of investment properties of US\$12,550,000 (2020: US\$22,174,000) (Note 6) using the United States tax rate of 21%.

## 12. UNITS IN ISSUE AND TO BE ISSUED

	Group and Trust			
	2021		2020	
	No. of Units '000	US\$'000	No. of Units '000	US\$'000
<b>Units in issue</b>				
As at 1 January	1,057,791	889,513	925,004	790,268
Issue of new Units:				
– Private placement	98,766	80,000	125,392	120,000
– Units in issue pursuant to Distribution Reinvestment Plan	3,680	3,062	–	–
– Management fees paid in Units	7,175	6,015	7,395	5,735
– Performance fees paid in Units	780	622	–	–
– Issue costs	–	(1,628)	–	(2,229)
– Distributions to Unitholders	–	(23,748)	–	(24,261)
As at 31 December	1,168,192	953,836	1,057,791	889,513
<b>Units to be issued</b>				
Management fee payable in Units	1,999	1,645	1,866	1,487
Performance fee payable in Units	–	–	780	622
<b>Total Units in issue and to be issued as at the end of the year</b>	<b>1,170,191</b>	<b>955,481</b>	<b>1,060,437</b>	<b>891,622</b>

The Trust do not hold any Units in treasury as at 31 December 2021 and 31 December 2020. There are no sales, transfers disposals, cancellation and/or use of treasury Units.

The Trust's subsidiaries do not hold any Units in the Trust as at 31 December 2021 and 31 December 2020.

### Issue of new Units in 2021

For the period from 1 October 2020 to 31 December 2020, the Trust issued 1,865,482 new Units at US\$0.797 per Unit as part payment of the Manager's fees.

For the period from 1 January 2020 to 31 December 2020, the Trust issued 780,161 new Units at US\$0.797 per Unit as full payment of the Manager's performance fees.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 12. UNITS IN ISSUE AND TO BE ISSUED (CONT'D)

### Issue of new Units in 2021 (cont'd):

For the period from 1 January 2021 to 31 March 2021, the Trust issued 1,713,397 new Units at US\$0.837 per Unit as part payment of the Manager's fees.

For the period from 1 April 2021 to 30 June 2021, the Trust issued 1,691,116 new Units at US\$0.862 per Unit as part payment of the Manager's fees.

For the period from 1 July 2021 to 30 September 2021, the Trust issued 1,905,186 new Units at US\$0.858 per Unit as part payment of the Manager's fees.

On 6 July 2021, 98,766,000 Units were issued for private placement to raise US\$80.0 million of proceeds for the acquisition of One Town Center and Sorrento Towers.

### Distribution Reinvestment Plan ("DRP")

On 21 June 2021, the Group established a DRP, pursuant to which Unitholders may elect to receive new Units in the Group in respect of all or, at the discretion of the Manager, part only of the cash amount of any distribution to which the DRP applies. Consequently, for the cumulative distribution on 20 August 2021, 3,679,911 new Units had been issued at the issue price of US\$0.832 per Unit for the period from 1 January 2021 to 5 July 2021.

### Issue of new Units in 2020:

An aggregate of 125,392,000 Units were issued at US\$0.957 per unit for gross proceeds of US\$120.0 million pursuant to a private placement was completed on 21 February 2020.

For the period from 7 September 2018 to 31 December 2019, the Trust issued 1,374,720 new Units at US\$0.973 per Unit to the Manager as part payment of the Manager's fees.

For the period from 1 January 2020 to 31 March 2020, the Trust issued 2,386,703 new Units at US\$0.602 per Unit as part payment of the Manager's fees.

For the period from 1 April 2020 to 30 June 2020, the Trust issued 1,858,008 new Units at US\$0.803 per Unit as part payment of the Manager's fees.

For the period from 1 July 2020 to 30 September 2020, the Trust issued 1,775,527 new Units at US\$0.827 per Unit as part payment of the Manager's fees.

### Rights and restrictions of Unitholders

Each Unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- Receive income and other distributions attributable to the Units held;
- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust; and
- Have the right to receive notice of, attend and one vote per Unit at any meeting of the Unitholders.

The Unitholders are entitled to receive all distributions declared and paid by the Trust. Upon winding up, the Unitholders are entitled to a return of capital based on the asset value per Unit of the Trust.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 12. UNITS IN ISSUE AND TO BE ISSUED (CONT'D)

### Rights and restrictions of Unitholders (cont'd):

The restrictions on Unitholders include the following:

- A Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- A Unitholder has no right to request the Manager to redeem his Units while the Units are listed on SGX-ST.

A Unitholder's liability is limited to the amount paid or payable for any Units. The provisions of the Trust Deed provide that no Unitholders will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of the Trust exceed its assets.

## 13. NET ASSET VALUE PER UNIT

		Group		Trust	
	Note	2021	2020	2021	2020
Net asset value per Unit is based on:					
– Net assets (US\$'000)		991,084	907,792	962,274	906,575
– Total Units issued and to be issued at 31 December ('000)	12	1,170,191	1,060,437	1,170,191	1,060,437

## 14. GROSS REVENUE

	Group	
	2021	2020
	US\$'000	US\$'000
Rental income	123,134	117,532
Recoveries income	21,601	18,675
Other operating income	12,006	7,350
	<u>156,741</u>	<u>143,557</u>

Recoveries income includes, amongst others, charges to tenants for recovery of certain operating costs and real estate taxes and is estimated in accordance with the individual tenant leases.

Other operating income includes parking income and lease termination income.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 15. PROPERTY OPERATING EXPENSES

	Group	
	2021	2020
	US\$'000	US\$'000
Property taxes	20,868	18,450
Utilities	6,930	6,037
Repair and maintenance expenses	7,199	6,211
Property management fees	6,050	5,596
Other property operating expenses	14,996	12,274
	<u>56,043</u>	<u>48,568</u>

Other property operating expenses comprise mainly of janitorial, security, insurance, and lot and landscaping costs.

## 16. FINANCE EXPENSES

	Group	
	2021	2020
	US\$'000	US\$'000
Interest expense on borrowings	15,095	13,451
Amortisation of upfront debt-related transaction costs	1,552	1,133
Transaction costs related to issuance of preferred shares	–	1
Commitment fees	313	269
Interest expense on preferred shares	26	17
	<u>16,986</u>	<u>14,871</u>

Upfront debt-related transaction costs are amortised over the tenure of the borrowings.

## 17. OTHER TRUST EXPENSES

Included in other trust expenses are the following:

	Group	
	2021	2020
	US\$'000	US\$'000
Audit and related fees paid/payable to auditors of the Group	565	514
Tax compliance fees	381	347
Valuation fees	123	101
Other expenses	791	464
	<u>1,860</u>	<u>1,426</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 18. TAX EXPENSE

The major components of tax expense for the years ended 31 December are:

	Group	
	2021	2020
	US\$'000	US\$'000
<b>Deferred tax expense</b>		
Movement in temporary differences	4,670	1,991
<b>Current income tax</b>		
– Current year	39	39
<b>Tax expense</b>	<u>4,709</u>	<u>2,030</u>
<b>Reconciliation of effective tax expense</b>		
Net income for the year before tax	<u>72,897</u>	<u>25,239</u>
Tax calculated using United States tax rate of 21%	15,308	5,300
Tax effect of expenses not deductible for tax purposes	1,015	4,271
Tax effect of income not subject to taxation	(11,653)	(7,581)
Others	39	40
Tax expense reported in Consolidated Statement of Comprehensive Income	<u>4,709</u>	<u>2,030</u>

The United States tax rate is used as all the properties are based in the United States.

The Group has tax losses of US\$20,316,000 (2020: US\$10,961,000) that are available indefinitely for offsetting against future taxable profits of the group entities in which the losses arose.

Deferred tax assets have not been recognized as there are no tax planning opportunities or other evidence of recoverability in the near future.

## 19. EARNINGS PER UNIT

Basic and diluted earnings per Unit is based on:

	Group	
	2021	2020
	US\$'000	US\$'000
Net income for the year	<u>68,188</u>	<u>23,209</u>
	Group	
	No. of Units	No. of Units
	'000	'000
Weighted average number of Units	<u>1,111,620</u>	<u>1,036,322</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 19. EARNINGS PER UNIT (CONT'D)

Basic and diluted EPU are calculated based on the weighted average number of Units for the year. This comprises:

- (i) The weighted average number of Units in issue for the year; and
- (ii) Based on the weighted average number of Units in issue during the period and the Units to be issued as part payment of the Manager's base fee incurred for the period from 1 October 2021 to 31 December 2021 (2020: 1 October 2020 to 31 December 2020).

Diluted earnings per Unit is equivalent to basic earnings per Unit as there were no dilutive instruments in issue during the year.

## 20. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the direct and indirect ability to control the party, jointly control or exercise significant influence over the party in making financial and operating decisions, or vice versa. Related parties may be individuals or other entities.

In the normal course of its business, the Group carried out transactions with related parties on terms agreed between the parties. During the year, in addition to those disclosed elsewhere in the financial statements, the following significant related party transactions took place at terms agreed between the parties:

	Group	
	2021 US\$'000	2020 US\$'000
Manager's base fees paid/payable	7,714	7,355
Manager's performance fee payable	–	622
Manager's acquisition fees paid	2,451	1,650
Reimbursement to the Manager	194	550
Reimbursement to related parties	85	113
Property audit fees paid/payable to a related party	120	–
Trustee fees paid/payable	193	188
Other fees paid/payable to Trustee	18	–

## 21. FINANCIAL RATIOS

	Group	
	2021 %	2020 %
Ratio of expenses to weighted average net assets <sup>(1)</sup>		
– Including performance component of the Manager's management fees	1.03	1.05
– Excluding performance component of the Manager's management fees	1.03	0.98
Portfolio turnover rate <sup>(2)</sup>	–	–

(1) The annualised ratio is computed in accordance with guidelines of the Investment Management Association of Singapore ("IMAS"). The expenses used in the computation relate to expenses at the Group level, excluding property related expenses, finance expenses, net foreign exchange differences and income tax expense. The Group did not incur any performance fee for the year ended 31 December 2021.

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value in accordance with the formula stated in the CIS Code.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to tax risk, market risk (including currency risk and interest rate risk), credit risk and liquidity risk in the normal course of its business. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors ("BOD") of the Manager is responsible for setting the objectives and underlying principles of financial risk management for the Group. This is supported by comprehensive internal processes and procedures which are formalized in the Manager's organizational and reporting structure, operating manuals and delegation of authority guidelines. The Audit and Risk Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been, throughout the current financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Trust's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

### **Tax risk**

Changes in taxation legislation, administrative guidance or regulations, and/or any disagreement as to the interpretation thereof, may adversely affect the Group.

Any change in the tax status of the Group, or change in taxation legislation, administrative guidance, or regulation (or any disagreement as to the interpretation thereof) that applies to the Group, could adversely affect the distributions paid by the Group.

In addition, any such tax changes could adversely affect the value of the Group's investments, and/or increase the U.S. and non-U.S. tax liabilities of the Group and/or affect the Group's ability to achieve its investment objectives. Such changes could have a significant negative impact on the Group and its Unitholders.

### **Market risk**

#### **(i) Currency risk**

Currency risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The Group's business is not exposed to significant currency risk as the portfolio of properties are located in the US and the cash flows from the operations of the properties are denominated in US\$. The Group also borrows in the same currency as the assets in order to manage the foreign currency risk. The Trust will receive US\$ distributions from the investment properties which will be passed to the Unitholders, either in US\$ or converted to Singapore Dollar ("S\$") at the spot foreign exchange rate on the designated date.

The Group is exposed to fluctuations in the cross-currency rates of the US\$ and S\$ for operating expenses incurred in Singapore, which are not material. Where appropriate, based on the prevailing market conditions, the Group may adopt suitable hedging strategies to minimise any significant foreign exchange risk. The Group has minimal exposure to currency risk.

#### **(ii) Interest rate risk**

The Group's exposure to changes in interest rates relates primarily to interest-bearing financial liabilities. The Manager will actively monitor and manage the Group's net exposure to interest rate risk through the use of interest rate hedging instruments and/or fixed rate borrowings, where applicable.

As at 31 December 2021, the Group had US\$528.6 million (2020: US\$379.6 million) of variable rate interest borrowings, of which US\$444.6 million (2020: US\$330.0 million) are hedged with interest rate swaps. The Group had not been exposed to significant interest rate risk.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### Market risk (cont'd)

#### (ii) Interest rate risk (cont'd)

##### Sensitivity analysis for interest rate risk

During the reporting period, if the interest rates of borrowings had been 1% (2020: 1%) per annum lower/higher with all other variables constant, the Group's net income before tax would have been US\$334,793 (2020: US\$436,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings that are not hedged.

##### Interest rate benchmark reform

The Group's variable rate interest borrowings are currently pegged to the London Interbank Offered Rate ("LIBOR"). The Group entered into interest rate swaps to manage interest rate risk arising from these borrowings.

The global transition from Interbank Offered Rates ("IBOR") to Alternative Reference Rates ("ARR") may require amendments to existing financial contracts with lenders that result in a substitution of LIBOR to a revised, replacement benchmark rate as existing benchmark rates are expected to be discontinued, and the basis on which they are calculated may change.

The Group is monitoring local and international regulatory guidance and working closely with its lenders to prepare for this transition from IBOR to ARR. Given that we have substantially hedged our interest rate risks and are expected to have similar hedging mechanism in place post IBOR reform, we do not expect the IBOR reform will have a material impact on the Group.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. In addition, tenants may experience financial difficulty and are unable to fulfil their lease commitments or tenants may fail to occupy and pay rent in accordance with lease agreements.

The Group mitigates credit risk through staggered lease maturities, diversification of revenue sources by ensuring no individual tenant contributes too significant a percentage of the Group's gross revenue and obtaining security deposits or letter of credits from the tenants, where applicable. The top tenant in 2021 accounted for 10.2% (2020: 8.8%) of total revenue. At the end of the reporting period, there were no significant trade receivables of the Group.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

##### Credit risk concentration profile

The Group evaluates the concentration of risk with respect to trade receivables as low, as its tenants are from different states and industries in the United States. As at the reporting date, the Group believes that there is minimal credit risk inherent in the Group's trade and other receivables, based on historical payment behaviours and the collaterals held. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statements of Financial Position.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 5 (Trade and other receivables). There were no significant trade and other receivables that are past due but not impaired.

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations with its financial liabilities that are settled by delivering cash or another financial asset. The Manager monitors the liquidity risk of the Group and maintains a level of cash deemed adequate to finance its operations and to mitigate the effects of fluctuations in cash flows. The Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	Within 1 year	Cash flows	
				After 1 year but within 5 years	After 5 years
Group	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>2021</b>					
<b>Non-derivative financial liabilities (current)</b>					
Trade and other payables	15,903	15,903	15,903	–	–
Amount due to related parties	361	361	361	–	–
Rental security deposits	892	892	892	–	–
<b>Non-derivative financial liabilities (non-current)</b>					
Loans and borrowings	628,973	681,800	25,423	540,216	116,161
Rental security deposits	3,428	3,428	–	795	2,633
Preferred shares	125	203	15	63	125
	<u>649,682</u>	<u>702,587</u>	<u>42,594</u>	<u>541,074</u>	<u>118,919</u>
<b>Derivatives</b>					
Interest rate swaps (net-settled)	8,908	9,312	4,160	5,152	–
<b>Trust</b>					
<b>2021</b>					
<b>Non-derivative financial liabilities (current)</b>					
Trade and other payables	868	868	868	–	–
Amount due to related parties	361	361	361	–	–
	<u>1,229</u>	<u>1,229</u>	<u>1,229</u>	<u>–</u>	<u>–</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### Liquidity risk (cont'd)

Group	Carrying amount US\$'000	Contractual cash flows US\$'000	Within 1 year US\$'000	Cash flows	
				After 1 year but within 5 years US\$'000	After 5 years US\$'000
<b>2020</b>					
<b>Non-derivative financial liabilities (current)</b>					
Trade and other payables	14,540	14,540	14,540	–	–
Amount due to related parties	328	328	328	–	–
Rental security deposits	532	532	532	–	–
<b>Non-derivative financial liabilities (non-current)</b>					
Loans and borrowings	480,352	546,266	12,745	413,044	120,477
Rental security deposits	3,953	3,953	–	1,121	2,832
Preferred shares	125	203	15	63	125
	<u>499,830</u>	<u>565,822</u>	<u>28,160</u>	<u>414,228</u>	<u>123,434</u>
<b>Derivatives</b>					
Interest rate swaps (net-settled)	23,476	24,893	4,619	18,999	1,275
<b>Trust</b>					
<b>2020</b>					
<b>Non-derivative financial liabilities (current)</b>					
Trade and other payables	385	385	385	–	–
Amount due to related parties	328	328	328	–	–
	<u>713</u>	<u>713</u>	<u>713</u>	<u>–</u>	<u>–</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### Capital management

The Manager's objective when managing capital is to optimise the Group's capital structure within the borrowing limits as set out in the CIS Code issued by the MAS to fund future acquisitions and asset enhancement projects at the Group's properties. To maintain and achieve an optimal capital structure, the Manager may issue new units or source additional borrowings from both financial institutions and capital markets.

The Group has a policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

The Group is subjected to the aggregate leverage limits as defined in the Property Funds Appendix set out in the CIS Code. The Property Funds Appendix previously stipulated that the total borrowings and deferred payments (collectively the "Aggregate Leverage") of a property fund shall not exceed 45.0% of the fund's deposited property. On 16 April 2020, the MAS announced that the Aggregate Leverage limit for Singapore REITs ("S-REITs") will be raised from 45.0% to 50.0% with immediate effect and deferred the implementation of a new minimum interest coverage ratio ("ICR") requirement to 1 January 2022 in light of the current COVID-19 pandemic situation. With a new minimum ICR of 2.5 times, S-REITs are allowed to increase their leverage to beyond the prevailing 45.0% limit (up to 50.0%).

The Manager actively monitors the term of each loan facility, the weighted average cost of debt, and variable debt as a proportion of overall debt outstanding. The Manager also monitors the debt covenants on an ongoing basis and ensures there is sufficient cash available to make the payments under the loan agreement.

The aggregate leverage ratio is calculated as the total borrowings and deferred payments divided by the total assets. The aggregate leverage ratio as at 31 December 2021 is 37.9% (2020: 33.5%). The Group has complied with the Aggregate Leverage limit during the financial year.

## 23. FAIR VALUE OF ASSETS AND LIABILITIES

### (a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3: Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 23. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (b) Classification and fair value

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group	Note	Carrying amount				Fair value			
		Financial assets at amortised cost US\$'000	Financial liabilities carried at amortised cost US\$'000	Economic hedging instruments at fair value through profit or loss US\$'000	Total carrying amount US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>2021</b>									
<b>Financial assets not measured at fair value</b>									
Cash and cash equivalents	4	13,873	–	–	13,873	–	–	–	–
Trade and other receivables <sup>1</sup>	5	1,257	–	–	1,257	–	–	–	–
		<u>15,130</u>	<u>–</u>	<u>–</u>	<u>15,130</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Financial assets measured at fair value</b>									
Derivative assets	10	–	–	1,580	1,580	–	1,580	–	1,580
		<u>–</u>	<u>–</u>	<u>1,580</u>	<u>1,580</u>	<u>–</u>	<u>1,580</u>	<u>–</u>	<u>1,580</u>
<b>Financial liabilities not measured at fair value</b>									
Trade and other payables	8	–	15,903	–	15,903	–	–	–	–
Amount due to related parties	8	–	361	–	361	–	–	–	–
Rental security deposits		–	4,320	–	4,320	–	–	–	–
Loans and borrowings	9	–	628,973	–	628,973	–	–	635,553	635,553
Preferred shares		–	125	–	125	–	–	125	125
		<u>–</u>	<u>649,682</u>	<u>–</u>	<u>649,682</u>	<u>–</u>	<u>–</u>	<u>635,678</u>	<u>635,678</u>
<b>Financial liabilities measured at fair value</b>									
Derivative liabilities	10	–	–	8,908	8,908	–	8,908	–	8,908
		<u>–</u>	<u>–</u>	<u>8,908</u>	<u>8,908</u>	<u>–</u>	<u>8,908</u>	<u>–</u>	<u>8,908</u>

(1) Excludes GST receivables

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 23. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (b) Classification and fair value (cont'd)

Group	Note	Carrying amount				Fair value			
		Financial assets at amortised cost US\$'000	Financial liabilities carried at amortised cost US\$'000	Economic hedging instruments at fair value through profit or loss US\$'000	Total carrying amount US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>2020</b>									
<b>Financial assets not measured at fair value</b>									
Cash and cash equivalents	4	37,442	–	–	37,442	–	–	–	–
Trade and other receivables <sup>1</sup>	5	1,438	–	–	1,438	–	–	–	–
		<u>38,880</u>	<u>–</u>	<u>–</u>	<u>38,880</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Financial liabilities not measured at fair value</b>									
Trade and other payables	8	–	14,540	–	14,540	–	–	–	–
Amount due to related parties	8	–	328	–	328	–	–	–	–
Rental security deposits		–	4,485	–	4,485	–	–	–	–
Loans and borrowings	9	–	480,352	–	480,352	–	–	481,907	481,907
Preferred shares		–	125	–	125	–	–	125	125
		<u>–</u>	<u>499,830</u>	<u>–</u>	<u>499,830</u>	<u>–</u>	<u>–</u>	<u>482,032</u>	<u>482,032</u>
<b>Financial liabilities measured at fair value</b>									
Derivative liabilities	10	–	–	23,476	23,476	–	23,476	–	23,476
		<u>–</u>	<u>–</u>	<u>23,476</u>	<u>23,476</u>	<u>–</u>	<u>23,476</u>	<u>–</u>	<u>23,476</u>

(1) Excludes GST receivables

Fair values of the Group's fixed loans and borrowings are determined by using the discounted cash flow method, using a discount rate that reflects the average market borrowing rate as at 31 December 2021.

Fair value determination of derivative liabilities is discussed in further detail in Note 23(d).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 23. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (b) Classification and fair values (cont'd)

Trust	Note	Carrying amount			Fair value			
		Financial assets at amortised cost US\$'000	Financial liabilities carried at amortised cost US\$'000	Total carrying amount US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000

#### 2021

##### Financial assets not measured at fair value

Cash and cash equivalents	4	1,571	–	1,571	–	–	–	–
		<u>1,571</u>	<u>–</u>	<u>1,571</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

##### Financial liabilities not measured at fair value

Trade and other payables	8	–	868	868	–	–	–	–
Amount due to related parties	8	–	361	361	–	–	–	–
		<u>–</u>	<u>1,229</u>	<u>1,229</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Trust	Note	Carrying amount			Fair value			
		Financial assets at amortised cost US\$'000	Financial liabilities carried at amortised cost US\$'000	Total carrying amount US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000

#### 2020

##### Financial assets not measured at fair value

Cash and cash equivalents	4	2,246	–	2,246	–	–	–	–
Amount due from subsidiaries	5	24,860	–	24,860	–	–	–	–
		<u>27,106</u>	<u>–</u>	<u>27,106</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

##### Financial liabilities not measured at fair value

Trade and other payables	8	–	385	385	–	–	–	–
Amount due to related parties	8	–	328	328	–	–	–	–
		<u>–</u>	<u>713</u>	<u>713</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 23. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (c) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group 2021 US\$'000			Total
	Fair value measured at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
<b>Assets measured at fair value – recurring</b>				
<b>Non-financial assets</b>				
Investment properties				
– Commercial	–	–	1,653,000	1,653,000
<b>Total non-financial assets</b>	<b>–</b>	<b>–</b>	<b>1,653,000</b>	<b>1,653,000</b>
<b>Financial assets</b>				
Derivative assets				
– Interest rate swaps	–	1,580	–	1,580
<b>Total financial assets</b>	<b>–</b>	<b>1,580</b>	<b>–</b>	<b>1,580</b>
<b>Liabilities measured at fair value – recurring</b>				
<b>Financial liabilities</b>				
Derivative liabilities				
– Interest rate swaps	–	8,908	–	8,908
<b>Total financial liabilities</b>	<b>–</b>	<b>8,908</b>	<b>–</b>	<b>8,908</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 23. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (c) Assets and liabilities measured at fair value (cont'd)

Group 2020 US\$'000				
Fair value measured at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Assets measured at fair value – recurring</b>				
<b>Non-financial assets</b>				
Investment properties				
– <i>Commercial</i>	–	–	1,405,200	1,405,200
<b>Total non-financial assets</b>	<b>–</b>	<b>–</b>	<b>1,405,200</b>	<b>1,405,200</b>
<b>Liabilities measured at fair value – recurring</b>				
<b>Financial liabilities</b>				
Derivative liabilities				
– <i>Interest rate swaps</i>	–	23,476	–	23,476
<b>Total financial liabilities</b>	<b>–</b>	<b>23,476</b>	<b>–</b>	<b>23,476</b>

### (d) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

#### Derivatives

The fair values of interest rate swaps are based on valuations provided by the financial institutions that are the counterparties of the transactions. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 23. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (e) Level 3 fair value measurements

- (i) *Information about significant unobservable inputs used in Level 3 fair value measurement*

#### Investment properties

Investment properties are stated at fair value based on valuations by independent professional valuers. The independent professional valuers have appropriate recognized professional qualifications and recent experience in the location and category of the properties being valued.

The fair values are based on its highest and best use, in accordance with IFRS 13 fair value measurement guidance.

The independent professional valuers have considered valuation techniques including direct comparison method, income capitalisation method and discounted cash flow method in arriving at the open market value as at the reporting date. These valuation methods involve certain estimates. The Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the nature, location or condition of the specific investment properties. The income capitalisation method capitalises an income stream into a present value using a market-corroborated capitalisation rate. The discounted cash flow method involves the estimation of an income stream over a period and discounting the income stream with an expected internal rate of return and terminal yield.

The fair value of investment properties of the Group was US\$1.65 billion as at 31 December 2021 (2020: US\$1.41 billion).

The above fair value has been classified as a Level 3 fair value based on the observability of the inputs to the valuation techniques used.

The appraised value takes into consideration current market conditions. Valuation adjustments have been made in response to the changes in market and economic conditions brought on by the COVID-19 pandemic which largely induced work-from-home arrangements, and limited market activity and leasing transactions.

Resulting from the COVID-19 pandemic, it is possible that values and incomes are likely to change more rapidly and significantly than during standard market conditions. Furthermore, any conclusions presented in the valuer's appraisal reports apply only as of the effective date indicated. The valuer makes no representation as to the effect on the investment properties of any event subsequent to the effective date of the appraisal.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 23. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (e) Level 3 fair value measurements (cont'd)

(i) *Information about significant unobservable inputs used in Level 3 fair value measurement (cont'd)*

#### Investment properties (cont'd)

The following table shows the Group's valuation techniques used in measuring the fair value of investment properties, as well as the key unobservable inputs used:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Discounted cash flow method	<ul style="list-style-type: none"> <li>Discount rate of 6.50% to 8.50% (2020: 6.25% to 8.50%)</li> <li>Terminal capitalisation rate of 5.75% to 8.00% (2020: 5.75% to 7.75%)</li> </ul>	Higher discount rate or terminal yield would result in a lower fair value, while lower rate would result in a higher fair value.
Income capitalisation method	<ul style="list-style-type: none"> <li>Capitalisation rate of 5.25% to 7.50% (2020: 4.25% to 7.50%)</li> </ul>	Higher capitalisation rate would result in a lower fair value, while lower rate would result in a higher fair value.
Direct comparison method	<ul style="list-style-type: none"> <li>Price per square foot of US\$208 to US\$533 (2020: US\$213 to US\$560)</li> </ul>	Higher price per square foot would result in a higher fair value, while lower price would result in a lower fair value.

The table below presents the sensitivity analysis of the valuation to changes in the most significant assumptions underlying the valuation of investment properties. Figures in brackets indicated a lower fair value:

	Group	
	2021 US\$'000	2020 US\$'000
<b>Fair value of investment properties as at 31 December</b>		
Increase in discount and terminal capitalisation rate of 25 basis points	(114,700)	(92,000)
Decrease in discount and terminal capitalisation rate of 25 basis points	121,200	100,700

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 23. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (e) Level 3 fair value measurements (cont'd)

#### (ii) Valuation policies and procedures

The Group's Chief Executive Officer (CEO), who is assisted by the Chief Financial Officer (CFO) and US Asset Manager, oversees the Group's valuation process and is responsible for setting the Group's valuation policies and procedures.

For all significant valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and IFRS 13 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and quality of the inputs (including those developed internally by the Group) used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use up to two valuation approaches to allow for cross-checks.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

## 24. COMMITMENTS

### Operating lease commitments – as lessor

The Group has entered into office space leases on its investment properties. These non-cancellable leases have remaining lease terms of up to 14.3 years (2020: 15.3 years).

Future minimum payments receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2021	2020
	US\$'000	US\$'000
Not later than one year	122,108	110,627
Later than one year but not later than five years	344,176	335,624
Later than five years	132,525	112,422
	<u>598,809</u>	<u>558,673</u>

The above operating lease receivable are based on the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 25. SUBSEQUENT EVENTS

### (a) Distribution

On 16 February 2022, the Manager announced:

- (i) a cumulative distribution per Unit of 3.36 US cents (comprising a tax-exempt income component of 2.07 US cents, and a capital component of 1.29 US cents) for the period from 6 July 2021 to 31 December 2021. This distribution will be paid on or around 31 March 2022.

### (b) Issuance of fee in units to the Manager

On 2 March 2022, the following were issued to the Manager:

- (i) 1,998,784 Units were issued as part payment of management fees for the financial period from 1 October 2021 to 31 December 2021.

## 26. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements were authorised for issue by the Manager and the Trustee on 30 March 2022.

# STATISTICS OF UNITHOLDINGS

As at 15 March 2022

## ISSUED AND FULLY PAID UNITS

There were 1,170,190,867 Units issued in PRIME as at 15 March 2022 (voting rights: one vote per Unit).

There is only one class of Units in PRIME.

There are no treasury units and no subsidiary holdings held.

Market Capitalisation: US\$860,090,287 based on market closing price of US\$0.735 per Unit on 15 March 2022.

## DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 – 99	10	0.25	517	0.00
100 – 1,000	296	7.52	248,074	0.02
1,001 – 10,000	2,195	55.74	11,956,904	1.02
10,001 – 1,000,000	1,415	35.93	58,539,127	5.00
1,000,001 AND ABOVE	22	0.56	1,099,446,245	93.96
<b>TOTAL</b>	<b>3,938</b>	<b>100.00</b>	<b>1,170,190,867</b>	<b>100.00</b>

## TWENTY LARGEST UNITHOLDERS

NO.	NAME	NO. OF UNITS	%
1	DBS NOMINEES (PRIVATE) LIMITED	551,276,157	47.11
2	CITIBANK NOMINEES SINGAPORE PTE LTD	127,222,151	10.87
3	DBSN SERVICES PTE. LTD.	86,481,509	7.39
4	RAFFLES NOMINEES (PTE.) LIMITED	69,820,225	5.97
5	TIMES PROPERTIES PRIVATE LIMITED	68,181,000	5.83
6	KEPPEL CAPITAL INVESTMENTS HOLDINGS PTE LTD	62,500,000	5.34
7	HSBC (SINGAPORE) NOMINEES PTE LTD	60,624,343	5.18
8	DB NOMINEES (SINGAPORE) PTE LTD	19,902,928	1.70
9	PHILLIP SECURITIES PTE LTD	8,034,217	0.69
10	ABN AMRO CLEARING BANK N.V.	7,474,357	0.64
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	6,716,747	0.57
12	BPSS NOMINEES SINGAPORE (PTE.) LTD	6,493,349	0.55
13	MAYBANK SECURITIES PTE. LTD.	5,253,748	0.45
14	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	2,952,837	0.25
15	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,899,743	0.25
16	OCBC SECURITIES PRIVATE LIMITED	2,636,917	0.23
17	IFAST FINANCIAL PTE. LTD.	2,420,247	0.21
18	UOB KAY HIAN PRIVATE LIMITED	2,143,830	0.18
19	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	1,944,653	0.17
20	AAH INVESTMENT PTE LTD	1,700,000	0.15
	<b>TOTAL</b>	<b>1,096,678,958</b>	<b>93.73</b>

# STATISTICS OF UNITHOLDINGS

As at 15 March 2022

## SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS

(As recorded in the Register of Substantial Unitholdings as at 15 March 2022)

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Units	% <sup>(1)</sup>	No. of Units	% <sup>(1)</sup>	No. of Units	% <sup>(1)</sup>
Times Properties Private Limited <sup>(2)</sup>	68,181,000	5.83	4,940,847	0.42	73,121,847	6.25
Singapore Press Holdings Limited <sup>(2)</sup>	Nil	Nil	73,121,847	6.25	73,121,847	6.25
Steppe Investments Pte. Ltd.	62,182,000	5.31	Nil	Nil	62,182,000	5.31
Temasek Holdings (Private) Limited <sup>(3)</sup>	Nil	Nil	117,263,247	10.02	117,263,247	10.02
Keppel Capital Investment Holdings Pte. Ltd.	62,500,000	5.34	Nil	Nil	62,500,000	5.34
Keppel Capital Holdings Pte. Ltd. <sup>(4)</sup>	Nil	Nil	67,440,847	5.76	67,440,847	5.76
Keppel Corporation Limited <sup>(5)</sup>	Nil	Nil	67,440,847	5.76	67,440,847	5.76
AT Investments Limited	70,768,400	6.05	Nil	Nil	70,768,400	6.05
Auctus Investments Limited <sup>(6)</sup>	Nil	Nil	70,768,400	6.05	70,768,400	6.05
Mr Arvind Tiku <sup>(7)</sup>	Nil	Nil	70,768,400	6.05	70,768,400	6.05
KBS REIT Properties III, LLC	215,841,899	18.45	Nil	Nil	215,841,899	18.45
KBS Limited Partnership III <sup>(8)</sup>	Nil	Nil	215,841,899	18.45	215,841,899	18.45
KBS REIT Holdings III, LLC <sup>(9)</sup>	Nil	Nil	215,841,899	18.45	215,841,899	18.45
KBS Real Estate Investment Trust III, Inc. <sup>(10)</sup>	Nil	Nil	215,841,899	18.45	215,841,899	18.45

### Notes:

- <sup>(1)</sup> The percentage of unitholding is calculated based on the total number of 1,170,190,867 Units in issue as at 15 March 2022.
- <sup>(2)</sup> Times Properties Private Limited holds 20% of the voting shares in the Manager and is deemed to be interested in the units held by the Manager. Singapore Press Holdings Limited's deemed interest arises from its shareholdings in Times Properties Private Limited, a wholly-owned subsidiary of Singapore Press Holdings Limited.
- <sup>(3)</sup> Temasek Holdings (Private) Limited's deemed interest arises through DBS Group Holdings Ltd ("DBSH") and Keppel Corporation Limited ("Keppel"). DBSH and Keppel are independently managed Temasek portfolio companies. Temasek is not involved in their business or operating decisions, including those regarding their positions in Units.
- <sup>(4)</sup> Keppel Capital Holdings Pte. Ltd.'s deemed interest arises from its shareholdings in (i) Keppel Capital Investment Holdings Pte. Ltd., a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd. ("KCH") and (ii) Keppel Capital Two Pte. Ltd. ("KC2") which holds 30% of the voting shares in the Manager and is an indirect wholly-owned subsidiary of KCH, held through Keppel Capital Management Pte. Ltd. ("KCM")
- <sup>(5)</sup> Keppel Corporation Limited's ("KCL") deemed interest arises from its shareholdings in (i) Keppel Capital Investment Holdings Pte. Ltd., an indirect wholly-owned subsidiary of KCL held through KCH and (ii) KC2, which holds 30% of the voting shares in the Manager and is an indirect wholly-owned subsidiary of KCL held through KCM and KCH.
- <sup>(6)</sup> Auctus Investments Limited's deemed interest arises from its shareholdings in AT Investments Limited, a wholly-owned subsidiary of Auctus Investments Limited.
- <sup>(7)</sup> Mr Arvind Tiku's deemed interest arises from his capacity as the beneficiary of the Sai Charan Trust (the "Trust"). Auctus Investments Limited is wholly-owned by the Trust and is deemed to have an interest in the units deemed held by Auctus Investments Limited.
- <sup>(8)</sup> KBS Limited Partnership III's deemed interest arises from its shareholding in KBS REIT Properties III, a wholly-owned subsidiary of KBS Limited Partnership III.
- <sup>(9)</sup> KBS REIT Holdings III, LLC's deemed interest arises from its shareholdings in KBS Limited Partnership.
- <sup>(10)</sup> KBS Real Estate Investment Trust III, Inc.'s deemed interest arises from its shareholdings in KBS REIT Holdings III, LLC, which is a wholly-owned subsidiary of KBS Real Estate Investment Trust III, LLC, which in turn holds 99.9% interest in KBS Limited Partnership III.

# STATISTICS OF UNITHOLDINGS

As at 15 March 2022

## UNITHOLDINGS OF THE DIRECTORS OF THE MANAGER

(As recorded in the Register of Directors Unitholdings as at 21 January 2022)

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Units	% <sup>(1)</sup>	No. of Units	% <sup>(1)</sup>	No. of Units	% <sup>(1)</sup>
Professor Annie Koh	–	–	–	–	–	–
Ms Cheng Ai Phing	–	–	–	–	–	–
Ms Soh Onn Cheng Margaret Jane	–	–	–	–	–	–
Mr Kevin John Eric Adolphe	–	–	–	–	–	–
Mr Chua Hsien Yang	–	–	–	–	–	–
Mr John R. French	–	–	–	–	–	–
Mr Loh Yew Seng	–	–	–	–	–	–
Mr Pankaj Agarwal	–	–	–	–	–	–

### Notes:

- <sup>(1)</sup> The percentage of unitholding is calculated based on the total number of 1,170,190,867 Units in issue as at 15 March 2022.
- <sup>(2)</sup> Pursuant to the notice of change in nomination received from KAP on 22 February 2022, Mr Charles J. Schreiber, Jr. had ceased to be a member of the Board with effect from 23 February 2022. Hence, his interest in PRIME units has not been disclosed in the table above.

## FREE FLOAT:

Based on information available to the Manager as at 15 March 2022, 51.7% of the Units in PRIME are held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST is complied with.



# NOTICE OF ANNUAL GENERAL MEETING



(A real estate investment trust constituted on 7 September 2018 (as amended and restated)  
under the laws of the Republic of Singapore)  
(Managed by KBS US Prime Property Management Pte. Ltd.)

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of the holders of units of Prime US REIT ("**Unitholders**") will be convened and held by way of electronic means on **Wednesday, 27 April 2022 at 9.00 a.m.** (Singapore time) for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Report of DBS Trustee Limited, as trustee of Prime US REIT (the "**Trustee**"), the Statement by KBS US Prime Property Management Pte. Ltd., as manager of Prime US REIT (the "**Manager**") and the Audited Financial Statements of Prime US REIT for the financial year ended 31 December 2021 together with the Auditors' Report thereon.

**(Ordinary Resolution 1)**

2. To re-appoint Ernst & Young LLP as the Auditors of Prime US REIT and to hold office until the conclusion of the next AGM of Prime US REIT, and to authorise the Manager to fix their remuneration.

**(Ordinary Resolution 2)**

## AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Resolutions, with or without any modifications:

3. That pursuant to Clause 5 of the trust deed constituting Prime US REIT (as amended) (the "**Trust Deed**") and the listing rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Manager be authorised and empowered to:

- (a) (i) issue units in Prime US REIT ("**Units**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

- (b) issue Units in pursuance of any Instruments made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments, made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued Units (excluding treasury Units and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro rata basis to Unitholders shall not exceed twenty per cent (20%) of the total number of issued Units (excluding treasury Units and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below);

# NOTICE OF ANNUAL GENERAL MEETING

- (2) subject to such manner of calculation as may be prescribed by the SGX-ST, for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the total number of issued Units (excluding treasury Units and subsidiary holdings, if any) shall be based on the total number of issued Units (excluding treasury Units and subsidiary holdings, if any) at the time this Resolution is passed, after adjusting for:
  - (a) any new Units arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed; and
  - (b) any subsequent bonus issue, consolidation or subdivision of Units;
- (3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Trust Deed for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) unless revoked or varied by the Unitholders in a general meeting of Prime US REIT, the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next AGM of Prime US REIT, or (ii) the date by which the next AGM of Prime US REIT is required by applicable laws or regulations to be held, whichever is the earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and
- (6) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interest of Prime US REIT to give effect to the authority conferred by this Resolution.

## (Ordinary Resolution 3)

[See Explanatory Note (i)]

4. That:
  - (a) the exercise of all powers of the Manager to repurchase issued Units for and on behalf of Prime US REIT not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Manager from time to time up to the Maximum Price (as hereafter defined), whether by way of:
    - (i) market repurchase(s) on the SGX-ST and/or, as the case may be, such other stock exchange for the time being on which the Units may be listed and quoted; and/or
    - (ii) off-market repurchase(s) in accordance with any equal access scheme(s) as may be determined or formulated by the Manager as it considers fit in accordance with the Trust Deed,and otherwise in accordance with all applicable laws and regulations including the rules of the SGX-ST or, as the case may be, such other stock exchange for the time being on which the Units may be listed and quoted, be and is hereby authorised and approved generally and unconditionally (the “**Unit Buy-Back Mandate**”);
  - (b) (unless revoked or varied by the Unitholders in a general meeting), the authority conferred on the Manager pursuant to the Unit Buy-Back Mandate may be exercised by the Manager at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
    - (i) the date on which the next AGM of Prime US REIT is held;

# NOTICE OF ANNUAL GENERAL MEETING

- (ii) the date by which the next AGM of Prime US REIT is required by applicable laws and regulations or the Trust Deed to be held; or
  - (iii) the date on which repurchases of Units pursuant to the Unit Buy-Back Mandate are carried out to the full extent mandated;
- (c) in this Resolution:
- “Average Closing Price”** means the average of the closing market prices of the Units over the last five Market Days, on which transactions in the Units were recorded, immediately preceding the date of the market repurchase or, as the case may be, the date of the making of the offer pursuant to the off-market repurchase, and deemed to be adjusted for any corporate action that occurs during the relevant five Market Days and the date on which the market purchase(s) or, as the case may be, the date on which the offer pursuant to the off-market purchase(s), is made;
- “date of the making of the offer”** means the date on which the Manager makes an offer for an off-market repurchase, stating therein the repurchase price (which shall not be more than the Maximum Price for an off-market repurchase calculated on the foregoing basis) for each Unit and the relevant terms of the equal access scheme for effecting the off-market repurchase;
- “Market Day”** means a day on which the SGX-ST and/or as the case may be, such other stock exchange for the time being on which the Units may be listed and quoted, is open for trading in securities;
- “Maximum Limit”** means the total number of Units which may be repurchased pursuant to the Unit Buy-Back Mandate is limited to that number of Units representing not more than 10.0% of the total number of issued Units as at the date of the AGM;
- “Maximum Price”** in relation to a Unit to be repurchased, means the repurchase price (excluding brokerage, stamp duty, commission, applicable goods and service tax and other related expenses) not exceeding:
- (i) in the case of a market repurchase, 105.0% of the Average Closing Price (as defined herein) of the Units in accordance with Rule 884 of the Listing Manual; and
  - (ii) in the case of an off-market repurchase, 120.0% of the Average Closing Price of the Units; and
- (d) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of Prime US REIT to give effect to the transactions contemplated and/or authorised by this Resolution.

**(Ordinary Resolution 4)**

*[See Explanatory Note (ii)]*

BY ORDER OF THE BOARD

**KBS US Prime Property Management Pte. Ltd.**  
(Company Registration No. 201825461R)  
As manager of Prime US REIT

Ngiam May Ling  
Company Secretary  
12 April 2022

# NOTICE OF ANNUAL GENERAL MEETING

## EXPLANATORY NOTE:

- (i) Ordinary Resolution 3 above, if passed, will empower the Manager from the date of this AGM until (i) the conclusion of the next AGM of Prime US REIT, or (ii) the date by which the next AGM of Prime US REIT is required by applicable laws or regulations to be held, or (iii) the date on which such authority is revoked or varied by the Unitholders in a general meeting, whichever is the earliest, to issue Units, make or grant instruments (such as securities, warrants or debentures) convertible into Units and to issue Units pursuant to such Instruments, up to a number not exceeding fifty per cent (50%) of the total number of issued Units (excluding treasury Units and subsidiary holdings, if any), of which up to twenty per cent (20%) may be issued other than on a pro rata basis to Unitholders (excluding treasury Units and subsidiary holdings, if any).

For determining the aggregate number of Units that may be issued, the percentage of issued Units (excluding treasury Units and subsidiary holdings, if any) will be calculated based on the issued Units (excluding treasury Units and subsidiary holdings, if any) at the time this Ordinary Resolution 3 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Units.

Fund raising by issuance of new Units may be required in instances of property acquisition or debt repayments. In any event, if the approval of Unitholders is required under the Listing Manual of the SGX-ST and the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

- (ii) Ordinary Resolution 4 above, if passed, will empower the Manager from the date of the AGM of Prime US REIT until (i) the date on which the next AGM of Prime US REIT is held, (ii) the date by which the next AGM of Prime US REIT is required by applicable laws and regulations or the Trust Deed to be held, or (iii) the date on which the repurchases of Units pursuant to the Unit Buy-Back Mandate are carried out to the full extent mandated, whichever is the earliest, to exercise all the powers to repurchase issued Units for and on behalf of Prime US REIT not exceeding in aggregate 10.0% of the total number of Units as at the date of the passing of this Resolution, whether by way of market repurchase(s) or off-market repurchase(s), on the terms of the Unit Buy-Back Mandate set out in the Appendix unless such authority is revoked or varied by the Unitholders in a general Meeting.

*(See Appendix in relation to the proposed renewal of the Unit Buy-Back Mandate for further details.)*

## NOTES:

- (1) This AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.

Printed copies of this Notice of AGM ("**Notice of AGM**") and Proxy Form **will not** be sent to Unitholders. Instead, this Notice of AGM and the Proxy Form will be uploaded on the SGXNet at the URL <https://www.sgx.com/securities/company-announcements> and Prime US REIT's website at the URL <http://primeusreit.com/>.

- (2) **Due to the COVID-19 situation in Singapore, the AGM will be held virtually to ensure the safety and health of all Unitholders. Unitholders will not be able to attend the AGM in person.** Alternative arrangements relating to the conduct of the AGM, including:
- (a) observing and/or listening to the AGM proceedings via "live" audio-visual webcast and/or "live" audio-only stream;
  - (b) submission of questions relating to the resolutions to be tabled at the AGM, to the Chairperson of the AGM in advance of the AGM, including addressing of substantial and relevant questions at least 48 hours before the proxy cut-off deadline mentioned in item 4 below;
  - (c) submitting text-based questions via an online chat box during the "live" audio-visual webcast of the AGM proceedings; and

# NOTICE OF ANNUAL GENERAL MEETING

(d) appointing the Chairperson of the AGM as proxy to attend and vote on their behalf at the AGM, details of which are set out below. Any reference to a time of day is made by reference to Singapore time.

## (3) Pre-registration for the AGM

Unitholders, including SRS investors, will be able to observe and/or listen to the AGM proceedings through a “live” audio-visual webcast or “live” audio-only stream via their mobile phones, tablets or computers. In order to do so, Unitholders, including SRS investors, must pre-register for the AGM via the pre-registration website at the URL <https://investor.primeusreit.com/agm2022.html> for verification purposes from **Tuesday, 12 April 2022** till **9.00 a.m. on Sunday, 24 April 2022**, being 72 hours before the time fixed for the AGM.

Following the verification, authenticated Unitholders, including SRS investors, who have pre-registered will receive an email confirming successful registration **by 12.00 p.m. on Tuesday, 26 April 2022**, which will contain unique login credentials as well as instructions on how to access the “live” audio-visual webcast or “live” audio-only stream of the AGM proceedings (“**Confirmation Email**”).

Unitholders, including SRS investors, who have pre-registered by the **24 April 2022** deadline but have not received the Confirmation Email **by 12.00 p.m. on Tuesday, 26 April 2022** should immediately contact Prime US REIT’s Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., via email at [SRS.TeamD@boardroomlimited.com](mailto:SRS.TeamD@boardroomlimited.com) or via telephone at +65 6230 9580 or +65 6230 9586 (Mondays to Fridays, excluding Public Holidays, from 9.00 a.m. to 5.30 p.m.).

If more than one pre-registration is submitted via the pre-registration website, the last submitted pre-registration will override the previously submitted pre-registration(s) and instrument, and the Confirmation Email will be sent to only the authenticated Unitholder, as indicated in the last submitted pre-registration.

## (4) Question and Answer

Unitholders, including SRS investors, can submit questions in advance of, or “live” at, the AGM.

### *Submission of questions in advance of the AGM*

Unitholders, including SRS investors, can submit to the Chairperson of the AGM substantial and relevant questions related to the resolutions to be tabled for approval at the AGM in advance of the AGM. Such relevant and substantial questions must be received by the Manager no later than **by 9.00 a.m. on Tuesday, 19 April 2022**, being at least 7 calendar days from the date of the Notice of AGM in line with the recommendation set out in the SGX Regulator’s Column dated 16 December 2021:

- (a) by post to the office of Prime US REIT’s Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632;
- (b) via the pre-registration website at the URL <https://investor.primeusreit.com/agm2022.html>; or
- (c) via email to Prime US REIT’s Unit Registrar at [SRS.TeamD@boardroomlimited.com](mailto:SRS.TeamD@boardroomlimited.com).

Unitholders, including SRS investors, who submit questions by post or via email must provide the following information for authentication:

- (i) the Unitholder’s full name;
- (ii) the Unitholder’s address; and
- (iii) the manner in which the Unitholder holds units in Prime US REIT (e.g., via CDP and/or SRS).

# NOTICE OF ANNUAL GENERAL MEETING

Please note that the Manager will not be able to answer questions from Unitholders who provide insufficient details to enable the Manager to verify his/her/its Unitholder's status.

**Unitholders are strongly encouraged to submit questions electronically via the pre-registration website or by email.**

## Ask questions "live" at the AGM

Unitholders (including SRS investors) can also ask the Chairperson of the AGM substantial and relevant questions, which are related to the resolutions to be tabled for approval at the AGM, "live" at the AGM by typing in and submitting text-based questions via an online chat box.

Such Unitholders (including SRS investors) must be pre-registered and authenticated.

Unitholders (including SRS investors) must access the AGM proceedings via the live audio-visual webcast in order to ask questions "live" at the AGM, and will not be able to do so via the audio-only stream of the AGM proceedings.

## Addressing of substantial and relevant questions

The Manager's Board Chairperson, Professor Annie Koh, will conduct the proceedings of the AGM and, together with members of the Board and the senior management of the Manager, will address the substantial and relevant questions raised during the AGM which are related to the resolutions to be tabled for approval at the AGM.

The Manager will endeavour to address all substantial and relevant questions (which are related to the resolutions to be tabled for approval at the AGM) received from Unitholders in advance of the AGM, prior to or "live" at the AGM. The Manager will publish the responses to those questions received in advance by the **19 April 2022** deadline, on Prime US REIT's website and on SGXNET by **9.00 a.m. on Friday, 22 April 2022**. Where substantially similar questions are received, the Manager will consolidate such questions and consequently not all questions may be individually addressed.

The Manager will publish the minutes of the AGM on Prime US REIT's website and on SGXNET, and the minutes will include the responses to the substantial and relevant questions received from Unitholders.

## (5) **Submission of Proxy Form to appoint the Chairperson as proxy to vote at the AGM**

Unitholders **will not** be able to vote during the "live" audio-visual webcast or audio-only stream of the AGM proceedings. Unitholders (whether such Unitholders are individuals or corporates) who wish to exercise his/her/its voting rights at the AGM must appoint the Chairperson of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.

A Unitholder who wishes to submit an instrument of proxy (the "**Proxy Form**") to appoint the Chairperson of the AGM as their proxy to vote at the AGM will be released with this Notice of AGM, and may be accessed at the SGXNet or Prime US REIT's website at <http://primeusreit.com/>. Printed copies of the Proxy Form **will not** be sent to Unitholders.

Unitholders (whether individual or corporate) who wish to exercise his/her/its voting rights at the AGM must appoint the Chairperson of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM by completing and submitting to the Company the Proxy Form in the following manner:

- (a) **If submitted by post**, by completing and signing the Proxy Form, before lodging it at the office of Prime US REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or

# NOTICE OF ANNUAL GENERAL MEETING

- (b) **If submitted electronically via email**, by completing and signing the Proxy Form, before attaching and sending a clear PDF copy to [SRS.TeamD@boardroomlimited.com](mailto:SRS.TeamD@boardroomlimited.com).

in each case, by **9.00 a.m.** on **Sunday, 24 April 2022** (Singapore Time), being seventy-two (72) hours before the time fixed for the AGM.

A Unitholder who wishes to submit a Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provide above.

For avoidance of doubt, persons who hold Units through relevant intermediaries, including SRS investors, are **not** to use the Proxy Form in the manner stated above and should instead refer to paragraph (6) below for the voting arrangements.

**In view of the current COVID-19 situation in Singapore, Unitholders are strongly encouraged to submit completed Proxy Forms electronically via email.**

## Specific Voting Instructions

Where a Unitholder (whether individual or corporate) appoints the Chairperson as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairperson as proxy for that resolution will be treated as invalid.

### (6) **Persons who hold Units through relevant intermediaries**

Persons who hold Units through relevant intermediaries, other than SRS investors, who wish to participate in the "live" broadcast of the AGM by:

- (a) observing and/or listening to the AGM proceedings via "live" audio-visual webcast or audio-only stream;
- (b) submitting questions to the Chairperson of the AGM in advance of, or "live" at the AGM; and/or
- (c) voting at the AGM by appointing the Chairperson of the AGM as proxy to vote on their behalf at the AGM,

should contact the relevant intermediary through which they hold such Units as soon as possible in order for the necessary arrangements to be made for their participation and voting at the AGM.

SRS investors may appoint the Chairperson of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their respective SRS Operators to submit their votes by **5.00 p.m. on Monday, 18 April 2022**, being at least seven working days before the date of the AGM.

"**relevant intermediary**" means:

- (i) a banking corporation licensed under the Banking Act 1970, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
- (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001, and who holds Units in that capacity; or
- (iii) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act 1953, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

- (7) The Chairperson of the AGM, as proxy, need not be a Unitholder.

# NOTICE OF ANNUAL GENERAL MEETING

- (8) All documents (including Prime US REIT's Annual Report to Unitholders 2021, Proxy Form, this Notice of AGM, Appendix in relation to the proposed Unit buy-Back and information relating to the business of this AGM have been, or will be, published on the SGXNet and Prime US REIT's website at <http://primeusreit.com/>. Printed copies of the documents **will not** be despatched to Unitholders.
- (9) Due to the constantly evolving COVID-19 situation in Singapore, the Manager may be required to change the arrangements for the AGM at short notice. Unitholders should check Prime US REIT's website at <http://primeusreit.com/> or the SGX website at <https://www.sgx.com/securities/company-announcements> for the latest updates on the status of the AGM.
- (10) The Proxy Form may be accessed at the SGXNet or Prime US REIT's website at <http://primeusreit.com/>. Where a Unitholder (whether individual or corporate) appoints the Chairperson as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairperson as proxy for that resolution will be treated as invalid.

## PERSONAL DATA PRIVACY:

By submitting an instrument appointing the Chairperson to attend, speak and vote at the AGM and/or any adjournment thereof, and/or submitting any relevant and substantial questions to the Chairperson of the AGM in advance of, or "live" at the AGM in accordance with this Notice, a Unitholder consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the following purposes (collectively, "Purposes"):

- (1) the processing, administration and analysis by the Manager (or its agents or service providers) of instruments appointing the Chairperson as his/her/its proxy for the AGM (including any adjournment thereof);
- (2) the processing of the pre-registration for purposes of verifying the status of Unitholders, granting access to Unitholders to the AGM and providing them with any technical assistance where necessary;
- (3) the addressing of relevant and substantial questions received from Unitholders in advance of, or "live" at the AGM and, if necessary, the following up with the relevant Unitholders in relation to such questions;
- (4) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (5) in order for the Manager (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

In the case of a Unitholder who is a relevant intermediary, by submitting a consolidated list of participants for the "live" broadcast of the AGM, the Unitholder warrants that it has obtained the prior consent of such participant(s) for the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of the "live" broadcast of the AGM (including any adjournment thereof), the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines.



# PRIME US REIT

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 7 September 2018 (as amended and restated))

## IMPORTANT:

1. This AGM (as defined below) will be held by electronic means pursuant to COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM and this Proxy Form will not be sent to Unitholders of Prime US REIT ("Unitholders"). Instead, the Notice of AGM and this Proxy Form will be sent to Unitholders by electronic means via publication on Prime US REIT's website at <http://investor.primeusreit.com/publication.html> and the SGXNet. **Please refer to the Notice of AGM for details of the alternative arrangements relating to the conduct of the AGM.**
2. **Due to the COVID-19 situation in Singapore, the AGM will be held virtually to ensure the safety and health of all Unitholders. Unitholders will not be able to attend the AGM in person. A Unitholder (whether individual or corporate) who wishes to exercise his/her/its voting rights at the AGM must appoint the Chairperson of the AGM ("Chairperson") as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such Unitholder wishes to exercise his/her/its voting rights at the AGM. The Chairperson, as proxy, need not be a Unitholder.**
3. Alternative arrangements relating to attendance at the AGM via electronic means ((including arrangements by which the meeting can be electronically accessed via "live" audio-and-video webcast or "live" audio-only stream), submission of questions to the Chairperson (as defined below) in advance of the AGM, addressing of substantial and relevant questions "live" at the AGM and voting by appointing the Chairperson as proxy at the AGM, are set out in the Notice of AGM dated 12 April 2022. This announcement may be accessed at Prime US REIT's website at <http://investor.primeusreit.com/publication.html> and the SGXNet.
4. This Proxy Form is not valid for the use by investors holding units in Prime US REIT ("Units") through relevant intermediaries ("Investors") (including investors holding through Supplementary Retirement Scheme ("SRS") ("SRS investors")) and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor (other than a SRS investor) who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions. A SRS investor who wishes to vote should approach his/her SRS Operator **by 5.00 p.m. on 18 April 2022**, being 7 working days before the date of the AGM to submit his/her vote.
5. **PLEASE READ THE NOTES TO THE PROXY FORM.**

## PROXY FORM

### ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

I/We, \_\_\_\_\_ (Name(s) and NRIC/Passport/Company Registration Number(s))

of \_\_\_\_\_ (Address)

being a Unitholder/Unitholders of Prime US REIT (the units of Prime US REIT, the "Units"), hereby appoint(s) the Chairperson of the Annual General Meeting ("AGM") as my/our proxy to attend, speak and vote for me/us on my/our behalf at the AGM of Prime US REIT to be convened and held by way of electronic means on **Wednesday, 27 April 2022 at 9.00 a.m.** and at any adjournment thereof in the following manner:

No.	Resolutions	Number of Votes For <sup>(1)</sup>	Number of Votes Against <sup>(1)</sup>	Number of Votes Abstain <sup>(1)</sup>
<b>ORDINARY BUSINESS</b>				
1	<b>Ordinary Resolution</b> To receive and adopt the Trustee's Report, the Manager's Statement and the Audited Financial Statements of Prime US REIT for the financial year ended 31 December 2021 together with the Auditors' Report thereon.			
2	<b>Ordinary Resolution</b> To re-appoint Ernst & Young LLP as the Auditors of Prime US REIT and to authorise the Manager to fix the Auditors' remuneration.			
<b>SPECIAL BUSINESS</b>				
3	<b>Ordinary Resolution</b> To authorise the Manager to issue Units and to make or grant convertible Instruments.			
4	<b>Ordinary Resolution</b> To approve the renewal of the Unit Buy-Back Mandate			

<sup>(1)</sup> If you wish to exercise all your votes "For" or "Against" or "Abstain", please tick (✓) within the relevant boxes provided. Alternatively, please indicate the number of Units, as appropriate, in the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2022

Total number of Units held

\_\_\_\_\_  
Signature of Unitholder(s)  
or, Common Seal of Corporate Unitholder

\* Delete where inapplicable

## IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

### Notes:

1. A printed copy of this Proxy Form **will not** be sent to Unitholders. This Proxy Form will be uploaded on the SGXNet at the URL <https://www.sgx.com/securities/company-announcements> and Prime US REIT's website at the URL <http://primeusreit.com/>.
2. **Due to the COVID-19 situation in Singapore, the AGM will be held virtually to ensure the safety and health of all Unitholders. Unitholders will not be able to attend the AGM in person.** A Unitholder (whether individual or corporate) who wishes to exercise his/her/its voting rights at the AGM must appoint the Chairperson as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such Unitholder wishes to exercise his/her/its voting rights at the AGM.
3. The Chairperson, as proxy, need not be a Unitholder.
4. This Proxy Form must be submitted in the following manner:
  - (a) **if submitted by post**, by completing and signing the Proxy Form, before lodging it at the office of Prime US REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
  - (b) **if submitted electronically via email**, by completing and signing the Proxy Form, before attaching and sending a clear PDF copy to [SRS.TeamD@boardroomlimited.com](mailto:SRS.TeamD@boardroomlimited.com);

in each case, **by 9.00 a.m., on Sunday, 24 April 2022 (Singapore Time)**, being seventy-two (72) before the time fixed for the AGM.

A Unitholder who wishes to submit a Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provide above.

For avoidance of doubt, persons who hold Units through relevant intermediaries, including SRS investors, are **not** to use the Proxy Form in the manner stated above and should instead should contact the relevant intermediary through which they hold such Units as soon as possible in order for the necessary arrangements to be made for their participation and voting at the AGM.

In view of the COVID-19 situation in Singapore, Unitholders are strongly encouraged to submit completed Proxy Forms electronically via email.

5. Unitholders (whether individual or corporate) who wishes to exercise his/her/its voting rights at the AGM must appoint the Chairperson of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM by completing and submitting this Proxy Form. Where a Unitholder (whether individual or corporate) appoints the Chairperson as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairperson as proxy for that resolution will be treated as invalid.

A Unitholder should insert the total number of Units held in the Proxy Form. If the Unitholder has Units entered against his/her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 and maintained by The Central Depository (Pte) Limited ("**CDP**"), he/she should insert that number of Units. If the Unitholder has Units registered in his/her name in the Register of Unitholders of Prime US REIT, he/she should insert that number of Units. If the Unitholder has Units entered against his/her name in the said Depository Register and registered in his/her name in the Register of Unitholders, he/she should insert the aggregate number of Units. If no number is inserted, this proxy form will be deemed to relate to all the Units held by the Unitholder.

6. The Proxy Form is **not** valid for use by persons who hold Units through relevant intermediaries (including SRS investors) and shall be ineffective for all intents and purposes if used or purported to be used by them. Persons who hold Units through relevant intermediaries, other than SRS investors, who wish to vote should instead approach his/her relevant intermediary through which they hold such Units as soon as possible to specify voting instructions.

SRS investors who wish to vote should approach their respective SRS Operators to submit their votes **by 5.00 p.m. on Monday, 18 April 2022**, being seven working days before the date of the AGM.

7. The Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing or if the appointer is a corporation, it must be executed either under its common seal or under the hand of an officer or attorney so authorised.
8. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney or other authority under which it is signed (if applicable) or a duly certified copy thereof must (failing previous registration with the Manager), if the Proxy Form is submitted by post, be lodged with the Proxy Form, or, if the Proxy Form is submitted via email, be emailed with the Proxy Form, failing which the Proxy Form may be treated as invalid.
9. The Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have the corresponding number of Units entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by CDP to the Manager.
10. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM by way of electronic means.
11. Any reference to a time of day is made by reference to Singapore time.

### PERSONAL DATA PRIVACY:

By submitting an instrument appointing the Chairperson of the Annual General Meeting as proxy, the Unitholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 April 2022.

# CORPORATE INFORMATION

## THE MANAGER

**KBS US Prime Property Management Pte. Ltd.**

1 Raffles Place, #40-01  
One Raffles Place.  
Singapore 048616  
Tel: +65 6951 8090  
Website: [www.primeusreit.com](http://www.primeusreit.com)

## REIT TRUSTEE

**DBS Trustee Limited**

12 Marina Boulevard Level 44  
DBS Asia Central @ Marina Bay Financial Centre Tower 3  
Singapore 018982  
Tel: +65 6878 8888  
Fax: +65 6878 3977

## BOARD OF DIRECTORS

**Professor Annie Koh**

Chairperson, Independent Non-Executive Director

**Ms Cheng Ai Phing**

Independent and Non-Executive Director

**Ms Soh Onn Cheng Margaret Jane**

Independent and Non-Executive Director

**Mr John R. French**

Independent and Non-Executive Director

**Mr Kevin J. E. Adolphe**

Independent and Non-Executive Director

**Mr Chua Hsien Yang**

Non-Executive Director

**Mr Loh Yew Seng**

Non-Executive Director

**Mr Pankaj Agarwal**

Non-Executive Director

## AUDIT AND RISK COMMITTEE

**Ms Cheng Ai Phing, Chairperson**

**Professor Annie Koh**

**Mr Kevin J. E. Adolphe**

## NOMINATING AND REMUNERATION COMMITTEE

**Ms Soh Onn Cheng Margaret Jane, Chairperson**

**Professor Annie Koh**

**Ms Cheng Ai Phing**

## COMPANY SECRETARY

**Ms Ngiam May Ling**

Appointment Date: 2 November 2020

## AUDITOR

**Ernst & Young LLP**

One Raffles Quay, North Tower,  
Level 18  
Singapore 048583  
Tel: +65 6535 7777  
Fax: +65 6532 7662

**Partner-in-charge: Mr Lee Wei Hock**

Appointment Date: 21 May 2019

## UNIT REGISTRAR

**Boardroom Corporate & Advisory Services Pte. Ltd.**

1 Harbourfront Avenue  
Keppel Bay Tower #14-07  
Singapore 098632

For updates or change of mailing address, please contact:

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Singapore 138588  
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Fax: +65 6535 0775  
Email: [asksgx@sgx.com](mailto:asksgx@sgx.com)  
Website: [www.sgx.com/cdp](http://www.sgx.com/cdp)



**KBS US PRIME PROPERTY MANAGEMENT PTE. LTD.**

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Singapore 048616

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