Constituted in the Republic of Singapore pursuant to a trust deed dated 22 September 2017 (as amended))

eppel Pacific Oak US REIT

## RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS FOR THE ANNUAL GENERAL MEETING ON 20 APRIL 2021

Keppel Pacific Oak US REIT Management Pte. Ltd., as manager of Keppel Pacific Oak US REIT (the "Manager"), refers to:

- (a) Keppel Pacific Oak US REIT's notice of annual general meeting ("AGM") dated 29 March 2021; and
- (b) the accompanying announcement released on 29 March 2021 setting out, *inter alia*, the alternative arrangements relating to attendance at the AGM via electronic means.

The Manager wishes to thank all unitholders of Keppel Pacific Oak US REIT who have submitted their questions in advance of the AGM. The Manager wishes to inform that responses to substantial and relevant questions submitted by unitholders are published in this announcement.

Please refer to <u>Annex A</u> hereto for the list of substantial and relevant questions, and the Manager's responses to these questions.

By Order of the Board

Keppel Pacific Oak US REIT Management Pte. Ltd. (Company Registration Number: 201719652G) as manager of Keppel Pacific Oak US REIT

Tan Weiqiang, Marc Company Secretary 19 April 2021

## ANNEX A - LIST OF SUBSTANTIAL AND RELEVANT QUESTIONS AND ANSWERS

| No | Unitholder Questions   | Responses  |
|----|--|--|
| 1  | Post COVID-19, do you expect<br>any structural change to the<br>previous norms of workers<br>returning to office for work in<br>the US?  | While we have seen a higher percentage of people working from home<br>as a result of the COVID-19 pandemic, physical offices remain important<br>and essential for social interaction, collaboration, innovation, talent<br>attraction and retention. With the progressive rollout of vaccinations, we<br>expect more companies to continue with flexible hybrid work<br>arrangements in the near term, while they ease their employees back to<br>the office towards the second half of 2021. |
|    |  | According to PwC's US Remote Work Survey in January 2021, 91% of executives and 77% of employees anticipate at least half of the workforce to be back on-site by December 2021. In the same survey, 56% of executives expect to need more office space over the next three years due to rising headcount and social distancing needs.  |
|    |  | While it remains to be seen how flexible hybrid work policies and<br>social distancing requirements will impact long-term office demand,<br>KORE remains committed to building on its foundation of growth<br>and pursuing opportunities in key growth markets so as to provide<br>strong value to Unitholders.  |
| 2  | Given negative net absorption<br>of 84 million square feet of US<br>office space in 2020, what is<br>management's view of the<br>impact to the occupancy and<br>rental rates for KORE moving | While there are general expectations of slower projected rental growth<br>over the next 12 months, we are cautiously optimistic of the long-term<br>prospects of our key growth markets, given that these are first choice<br>submarkets where people want and choose to be – with lower taxes<br>and better employment opportunities.   |
|    | forward?<br>How is the COVID-19 pandemic<br>affecting office leasing in US?  | As at end-March 2021, KORE's in-place rents are on average<br>approximately 8% below asking rents, which should limit potential<br>downside risks, barring unforeseen circumstances. At the same time,<br>KORE's diverse tenant base and exposure to the historically fast-growing<br>tech as well as medical and healthcare markets and tenants should<br>provide further income resilience as we emerge from the pandemic.   |
|    |  | In the near-term, we can continue to expect slower leasing activities.<br>That said, as in-office work returns more broadly towards the second half<br>of the year, we expect the demand for office to stabilise over the<br>course of this year and next as companies gain greater insight into their<br>space needs.   |
|    |  | So far, we have been working closely with our tenants and prospects,<br>and adopting a flexible approach while they evaluate their safe office<br>measures, workplace designs and floorspace densities. Many tenants<br>with leases coming due have been asking for short term renewals of<br>between 12 to 18 months, which we are comfortable signing, as we can<br>frequently hold them to full market rents without having to provide<br>significant or sometimes, no tenant incentives.   |

| 3 | Are you expecting any   | As at and March 2021 KOPE has 8.2% of lasses (by each routed income)  |
|---|---|---|
| 5 | Are you expecting any significant loss of tenants?  | As at end-March 2021, KORE has 8.3% of leases (by cash rental income) due for renewal for the year. Most of these are from our offices and business campuses in the tech hubs of Seattle – Bellevue/Redmond.  |
|   |   | Continued progress in the deployment of vaccines have triggered<br>companies to re-evaluate their office space needs. In our engagements<br>with tenants, there have been discussions about rightsizing as some move<br>toward a flexible hybrid working model, while others have indicated plans<br>to potentially expand to accommodate social distancing needs.                  |
|   |   | As tenants figure out their plans for a gradual return-to-office and their<br>long-term space needs, leasing velocity and tenant prospects are<br>expected to be remain slow in the near-term. As such, we do expect a<br>mix in leasing activities as some tenants renew their current leases,<br>while some businesses expand, and others vacate or downsize.                     |
|   |   | Overall, we remain committed to optimising leasing and rent growth across our portfolio, and are currently in negotiations with existing and potential tenants to lease up the space.   |
|   |   | In 1Q 2021, we leased approximately 128,000 sf of space, and achieved 5.7% positive rent reversion, supported by rent growth in Seattle – Bellevue/Redmond and Austin. With continued progress in the pace of vaccinations across the US, we hope to see improved leasing momentum in the second half of the year.  |
| 4 | Why is the weighted average<br>lease expiry (WALE) relatively<br>short at 3.8 years?                  | KORE's relatively shorter WALE is reflective of the types of markets<br>and tenants that we sign on, especially those in the technology sector<br>and related industries, which allows them flexibility for company growth<br>and expansion.  |
|   |   | At the same time, in a typical market cycle, a relatively shorter WALE<br>allows us to mark up rents in a favourable market, while allowing us to<br>dollar cost average down in a slower market, which protects us from<br>big swings in rent.   |
| 5 | How much of the loans have<br>been hedged?<br>Are there plans to take<br>advantage of the current low | 100% of KORE's borrowings are unsecured and US dollar-denominated,<br>providing a natural hedge for its US investments and income. As at<br>31 March 2021, 84.7% of KORE's non-current borrowings have been<br>hedged from floating-to-fixed rates, significantly safeguarding<br>distributions against interest rate volatility.   |
|   | interest rate environment for<br>possible acquisitions,<br>expansions or taking up more<br>borrowing? | While interest rates are currently at near historic lows, they have been on<br>an uptrend over the last six months. Following the early refinancing of its<br>2021 loans last year, KORE has no long-term refinancing requirements<br>until November 2022. That said, we will continue to monitor the market<br>for potentially favourable borrowing and refinancing opportunities. |
|   |   |   |

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| 6 | I can't see any impairment in<br>the 2020 accounts. How was<br>KORE able to escape<br>impairment?  | Across the portfolio, most of KORE's assets have experienced some<br>decline in their valuations as at end-2020 due mainly to the COVID-19<br>pandemic. However, the decline was offset by valuation increases in<br>KORE's properties in the strong performing Seattle – Bellevue/Redmond<br>markets, which have seen strong leasing and rent growth driven mainly<br>by expanding technology companies.<br>As such, on a portfolio basis, there were no fair value loss or impairment<br>for the properties.   |
| 7 | The Biden Administration is<br>proposing an increase in the<br>corporate tax. What's the<br>expected impact to KORE?   | The Biden-Harris Administration's proposed changes to the US federal corporate tax rate and other changes to the US tax law have only been released in summary form. The proposals do not appear to target US REITs specifically, and are primarily aimed at rolling back certain elements of the 2017 Tax Cuts and Jobs Act (TCJA) which saw various tax changes being implemented for corporations and high-net-worth individuals. One of the proposals is to increase the US federal corporate income tax rate to 28% from the current 21%, and if so, could potentially impact the taxes payable on the capital gain dividends by one the US sub-entities, and any gain on the sale or other disposition of the shares of the US REIT. That said, we are currently not expecting any negative impacts to our tax structure as a result of the proposals, but this could change as the proposals are further developed and negotiated.  |
| 8 | <ul> <li>Regarding Resolution 4 on the<br/>Unit buy-back mandate:</li> <li>i. Under what circumstances<br/>would the company apply<br/>this mandate, whether by<br/>way of market repurchase<br/>or off-market repurchase?</li> <li>ii. How will the Unit buy-back<br/>impact Unitholders'<br/>dividends?</li> </ul> | In considering the buy-back of Units, the Manager will only purchase<br>Units when it is accretive to distribution per Unit, while maintaining the<br>REIT's financial capability for strategic opportunities.<br>While remaining committed to the Unit buy-back programme, the<br>Manager will also be prudent on usage of funds in the current<br>environment. At this juncture, ensuring sufficient cash for distributions<br>and operations is a higher priority than Unit buy-backs. The Manager<br>will monitor and review the situation closely.  |
| 9 | Would the company consider<br>doing more presentation to<br>Unitholders?   | In 2020, notwithstanding travel restrictions due to the pandemic, we had<br>695 interactions with investors and analysts in Singapore, Japan, Korea,<br>Malaysia and Thailand, and expanded its outreach to the new market of<br>Taiwan.<br>We also participated in several platforms targeted at retail investors,<br>high-net-worth individuals and family offices. These included a<br>presentation at a SGX-REITAS lunchtime webinar for retail investors,<br>the annual REITs Symposium jointly organised by the REIT Association of<br>Singapore and ShareInvestor.<br>We will continue our proactive engagements with investors to reinforce<br>KORE's strategy and focus on investing in key growth markets driven by<br>tech and innovation to provide sustainable distributions and strong value<br>to Unitholders. With the rollout in vaccines, and as economies and<br>borders reopen gradually, we also hope to be able to resume in-person<br>meetings with our Unitholders before the end of the year. |

| 10 | Does management plan to        | We are always open to exploring opportunities that complement KORE's         |
|----|--------------------------------|--|
|    | diversify into other asset     | portfolio.   |
|    | classes like warehouse or data |  |
|    | centres? Any imminent          | At present, we remain focused on the US office sector, but could             |
|    | acquisition and/or divestment  | potentially look to expand into other asset classes. Potential investments,  |
|    | plans for KORE?                | from both the Sponsors and third-party deals, will be carefully evaluated    |
|    | •                              | to make sure they are value accretive, and in the REIT and Unitholders'      |
|    | Any accretive acquisitions in  | best interests. We are also mindful of various factors including our         |
|    | the near future?               | current trading price and market conditions.                                 |
|    |                                |  |
|    |                                | Notwithstanding the limited supply and increased competition for             |
|    |                                | office properties in the US, with our low aggregate leverage, we are         |
|    |                                | well-positioned for growth and well-poised to take advantage of              |
|    |                                |  |
|    |                                | potential acquisition and development opportunities that may arise.          |
| 11 | What is the sutleak and place  | With continued progress in the page of versionsions percent the UC we        |
| 11 | What is the outlook and plans  | With continued progress in the pace of vaccinations across the US, we        |
|    | for 2021?                      | expect a cautious expansion in leasing velocity and office demand, and       |
|    |                                | remain confident of the long-term prospects of our key growth markets.       |
|    | What are the growth strategies |  |
|    | for the REIT?                  | As at end-March 2021, only 8.3% of KORE's portfolio by CRI is up for         |
|    |                                | renewal. Built-in average annual rent escalations of 2.7% will provide       |
|    | Any strategic measures to grow | income stability and with in-place rents at approximately 8% below           |
|    | dividends in the coming years? | asking rents, KORE's portfolio is buffered against potential downside risks. |
|    |                                |  |
|    |                                | With over 37% of tenants from the tech, as well as medical and               |
|    |                                | healthcare sectors, our strategic exposure to these historically fast-       |
|    |                                | growing sectors will also provide further income resilience as businesses    |
|    |                                | accelerate their digital transformation strategies and demand for medical    |
|    |                                | products and services continues to grow.                                     |
|    |                                |  |
|    |                                | Optimising our portfolio and leasing metrics will be a key focus for KORE    |
|    |                                | in 2021. With our low aggregate leverage and stable occupancy, we are        |
|    |                                | well poised for growth and will continue looking for acquisition and         |
|    |                                | development opportunities in key growth markets with positive economic       |
|    |                                | and office fundamentals.   |
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