

The logo for Keppel Pacific Oak US REIT, featuring the word "Keppel" in white on a grey background, followed by "Pacific Oak US REIT" in red. A red diagonal line is positioned above the "K" in Keppel.

**Keppel Pacific Oak US REIT**

**Proposed Acquisition of  
*One Twenty Five,*  
a Class A Office Complex  
in Dallas, Texas**

Extraordinary General Meeting  
15 October 2019

The logo for Keppel Pacific Oak US REIT is centered on a white background. It features the word "Keppel" in white text inside a dark grey rectangular box, with a small red diagonal line above the letter 'e'. To the right of this box, the words "Pacific Oak US REIT" are written in a bold, red, sans-serif font. Two large, dark grey triangular shapes are positioned on the left and right sides of the page, pointing towards the center.

**Keppel** Pacific Oak US REIT

# Content Outline

---

- Market Overview 4
- Merits of the Proposed Acquisition 13
- Resolutions 21

## **IMPORTANT NOTICE**

*This presentation is for information purposes only and does not constitute or form part of an offer, invitation or solicitation of any securities of Keppel Pacific Oak US REIT (“KORE”) in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.*

*The value of the Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, Perpetual (Asia) Limited, in its capacity as trustee of Keppel Pacific Oak US REIT, Keppel Capital Holdings Pte. Ltd. and KBS Pacific Advisors Pte. Ltd., as the sponsors of Keppel Pacific Oak US REIT or any of their respective affiliates.*

*An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Unitholders have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.*

*This presentation is not to be distributed or circulated outside of Singapore. Any failure to comply with this restriction may constitute a violation of United States securities laws or the laws of any other jurisdiction.*



# Market Overview



*Neighbouring Park at  
One Twenty Five  
Dallas, Texas*



# Extending Footprint Into a New Key Growth Market: Dallas

## Seattle, Washington (38.2%)



**The Plaza Buildings**  
Occupancy: 96.5%



**Bellevue Technology Center**  
Occupancy: 98.5%



**The Westpark Portfolio**  
Occupancy: 97.8%

## Atlanta, Georgia (6.3%)



**Northridge Center I & II**  
Occupancy: 85.1%



**Powers Ferry**  
Occupancy: 98.0%

## Sacramento, California (5.1%)



**Iron Point**  
Occupancy: 95.8%

## Denver, Colorado (8.6%)



**Westmoor Center**  
Occupancy: 91.2%

## Orlando, Florida (10.8%)



**Maitland Promenade I**  
Occupancy: 97.9%



**Maitland Promenade II**  
Occupancy: 99.7%

## Austin, Texas (6.3%)



**Westech 360**  
Occupancy: 96.4%



**Great Hills Plaza**  
Occupancy: 98.1%

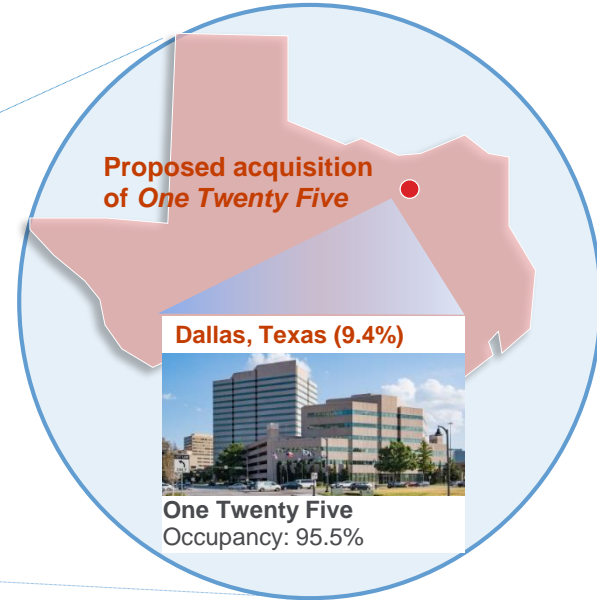
## Houston, Texas (15.3%)



**1800 West Loop South**  
Occupancy: 81.9%



**West Loop I & II**  
Occupancy: 89.5%



- West Coast (43.3%)
- Central (39.6%)
- East Coast (17.1%)

# Dallas: Economic Hub of North Central Texas

## Attractive Dynamics Driving Strong Office Fundamentals



### Strong Economic Fundamentals

- ✓ From 2013-2017, average GDP growth of 4.2%, above the US national average of 2.2%
- ✓ From 2018 to 2022, real GDP growth is expected at an average of 3.1% per annum



### Growing Population

- ✓ Consistently outpaced the US in population growth over the past 30 years
- ✓ From 2014-2018, average population growth of 2.0%, above the US national average of 0.7%
- ✓ Population expected to grow 19.7% through 2025



### Key Corporate Hub

- ✓ One of the highest concentrations of corporate headquarters in the US
- ✓ Desirable live-work-play community and continued in-migration will drive business growth



### Educated Workforce

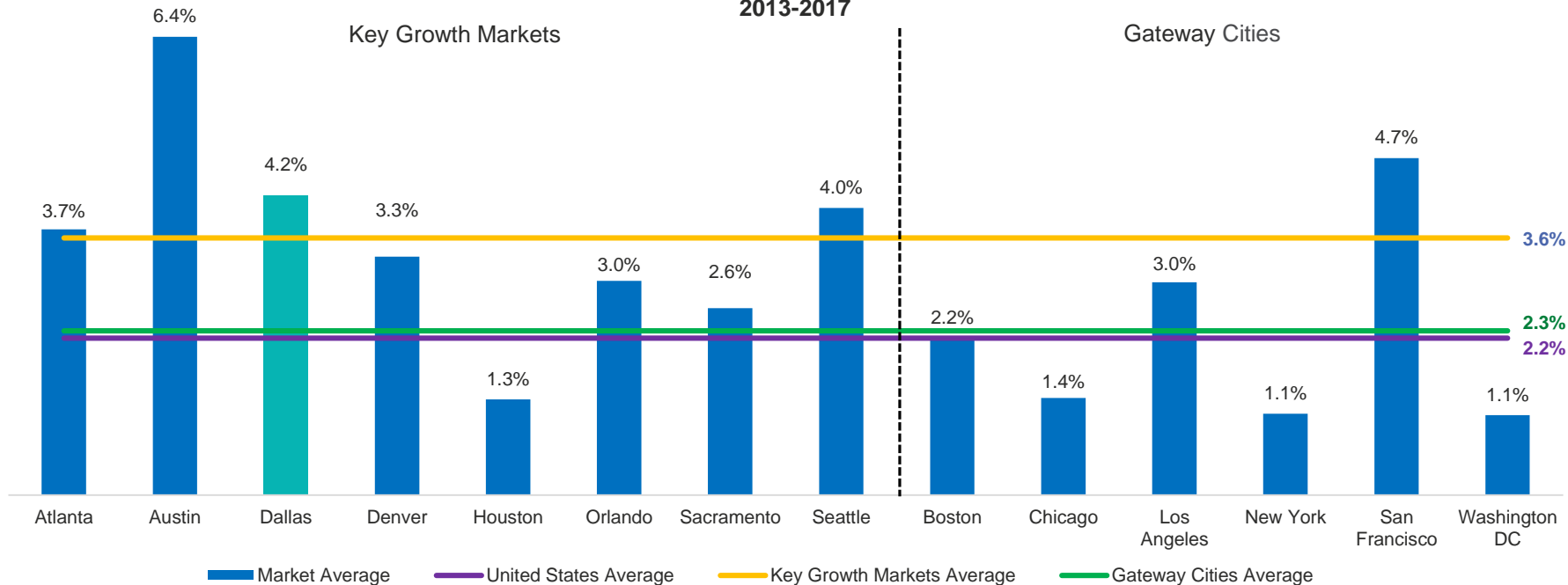
- ✓ Young, affluent, well-educated population
- ✓ From 2014-2018, average employment growth of 3.0%, above the US national average of 1.8%



# Extending Presence in Key Growth Markets

Positive Economics: KORE's Key Growth Markets Outperformed National Average

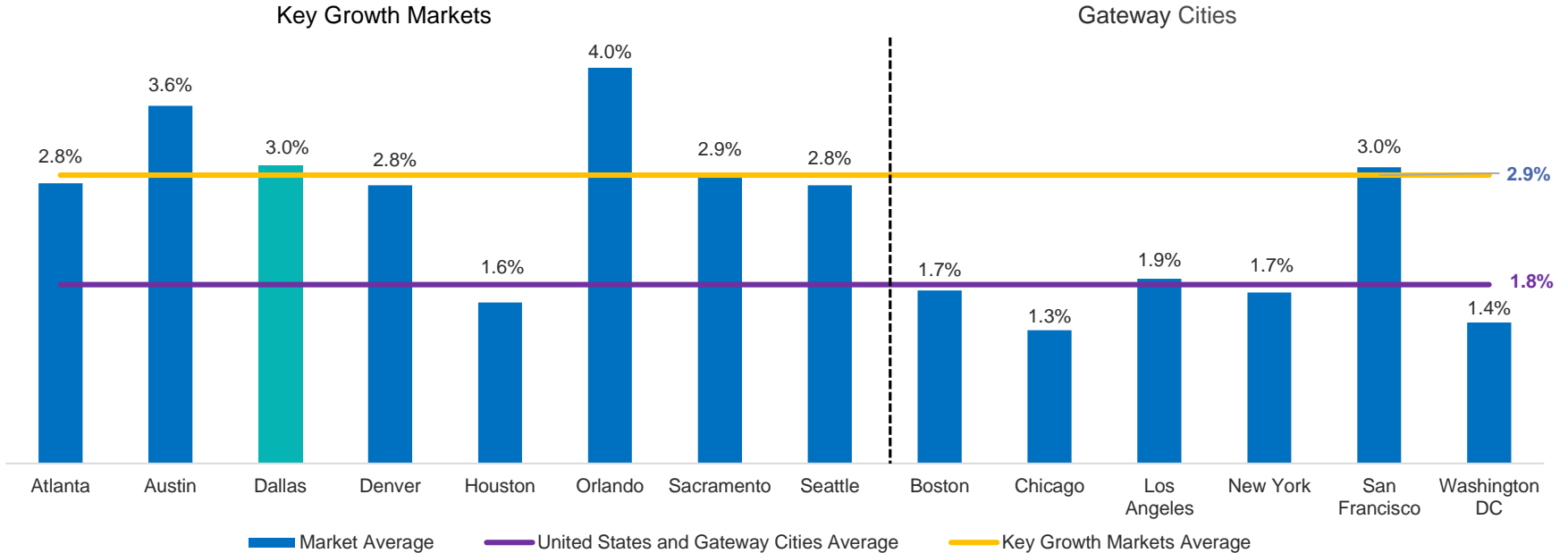
Real GDP Growth Average<sup>(1)</sup>  
2013-2017



# Extending Presence in Key Growth Markets

Rising Employment: KORE's Key Growth Markets Outperformed National Average

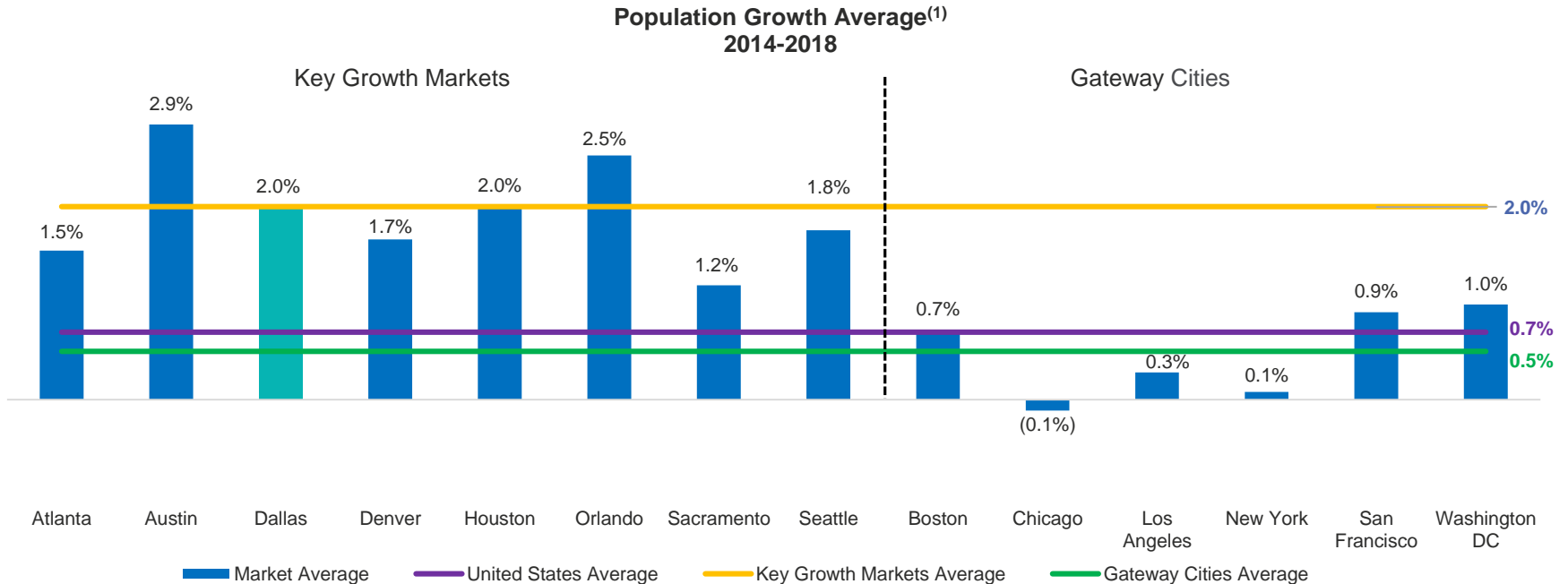
Employment Growth Average<sup>(1)</sup>  
2014-2018





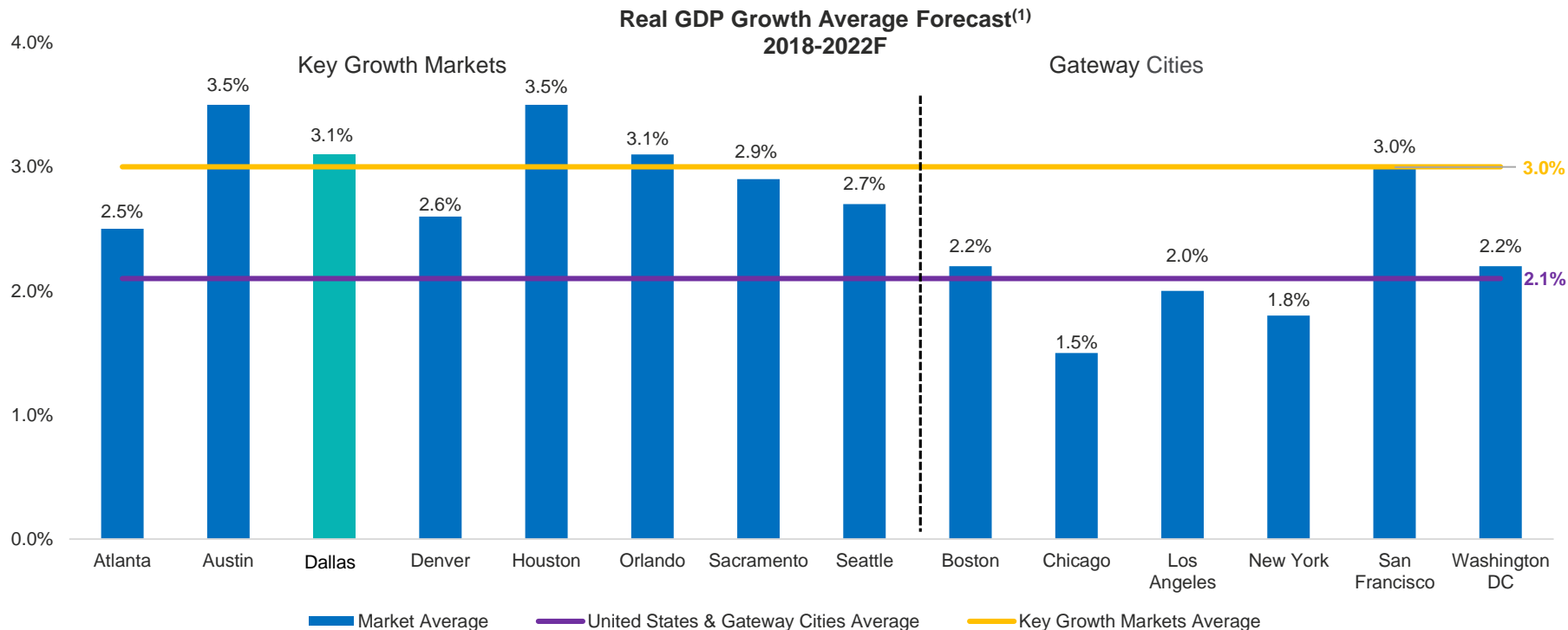
# Extending Presence in Key Growth Markets

Expanding Population: KORE's Key Growth Markets Outperformed National Average



# Positive Economic Outlook in KORE's Key Growth Markets

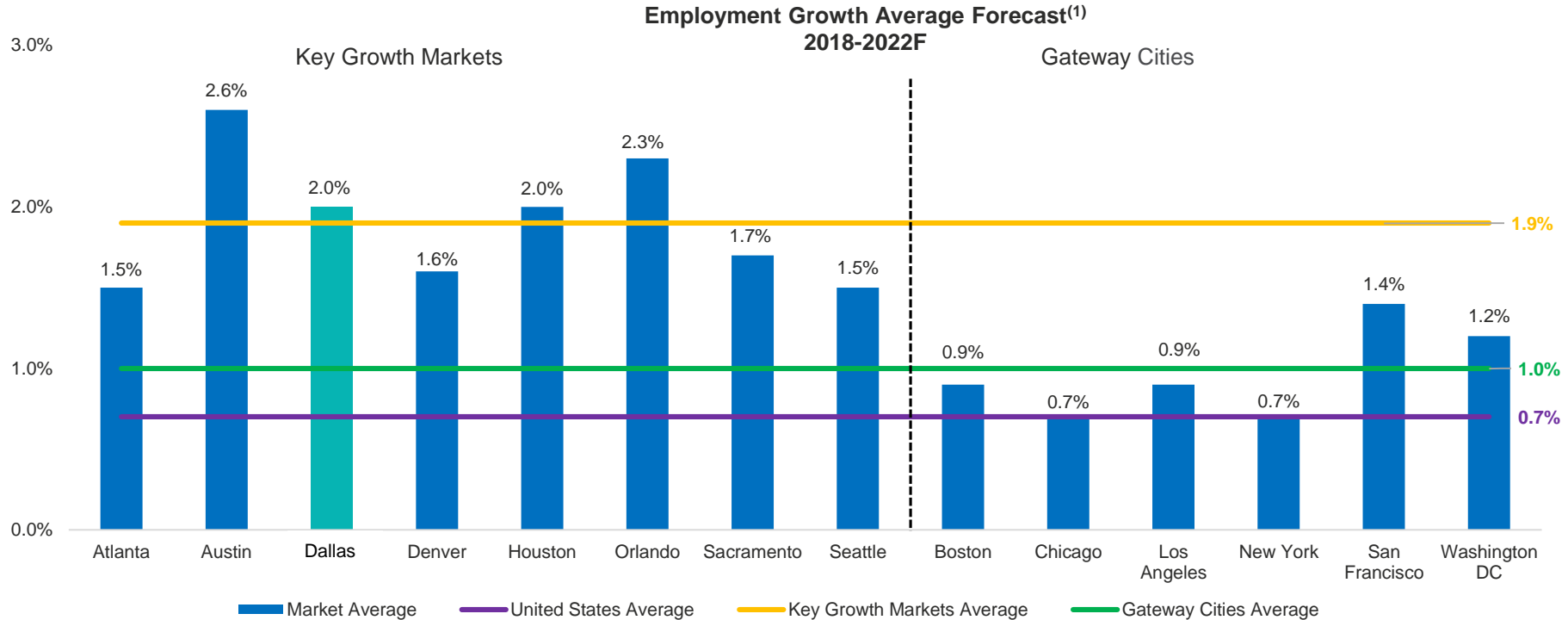
KORE's Key Growth Markets are Forecasted to Outperform National Average



Note: Gateway cities average is based on Boston, Chicago, Los Angeles, New York, San Francisco and Washington DC.  
Sources: IMF, World Economic Outlook; US Metro Economies

# Positive Job Outlook in KORE's Key Growth Markets

**KORE's Key Growth Markets are Forecasted to Outperform National Average**



Note: Gateway cities average is based on Boston, Chicago, Los Angeles, New York, San Francisco and Washington DC.  
 (1) U.S Bureau of Labor Statistics, US Metro Economics

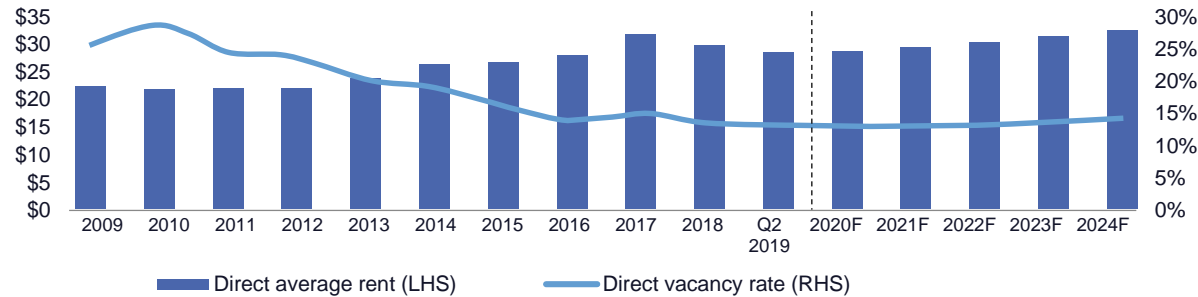


# Attractive Office Fundamentals in Las Colinas

## Positive Overall Net Absorption, Rent Growth and Lower Vacancy

### Overall Vacancy Rate and Overall Asking Rent by Year

Average asking rent (US\$ per sq ft)



### Limited Supply in Las Colinas

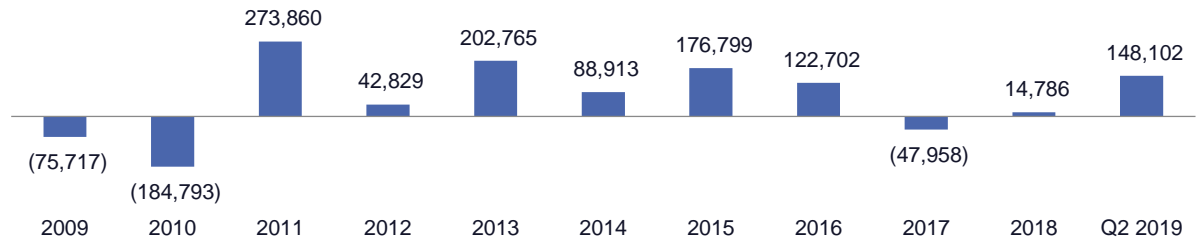
- Office inventory space of approximately 6.6m sf between 33 buildings
- No multi-tenant office space in the last decade

### Positive Rent Growth and Low Vacancy

- Overall vacancy rate has decreased significantly from 25.5% in 2009 to 13.0% in 2Q 2019, well below the average vacancy rate of 19.3% for Dallas
- No new deliveries until the Music Factory opened in 2018, with supply of new office space restrained since
- Average asking rents in Las Colinas increased from US\$22.10 psf in 2009 to US\$29.74 psf in 2018, with a CAGR of 3.4%, outpacing the Dallas' CAGR of 2.9% over the same period
- Average asking rents are projected to increase to US\$32.57 psf in 2024 driven by strong leasing demand

### Overall Absorption

(In sq ft)



# Merits of the Proposed Acquisition

*One Twenty Five  
Dallas, Texas*





One Twenty Five  
Dallas, Texas

## Extending Footprint in the Key Growth Market of Dallas

- ✓ Strong economic and office fundamentals
- ✓ A key corporate hub in the US
- ✓ Young, affluent and well-educated workforce
- ✓ Growing population

## Strategic Addition for Long Term Growth

- 1 Addition of high-growth Dallas market extends KORE's footprint to eight key growth markets
- 2 Strategically located Class A office complex with high quality tenants in a first choice submarket
- 3 Opportunity for rental uplift supported by below market in-place rent and positive market outlook
- 4 Enhances income resilience through diversification
- 5 DPU accretive acquisition that will drive long term value for Unitholders





# Great Location in the First Choice Las Colinas Submarket

Choice Business Address for US Corporates. Strategic Location with Excellent Accessibility.



# Strengthening the Portfolio with the Acquisition of *One Twenty Five*

## Overview of *One Twenty Five*

<b>Property Description</b>	<ul style="list-style-type: none"> <li>Office complex comprising two Class A office buildings with total NLA of 445,317 sf                             <ul style="list-style-type: none"> <li>– 125 East John Carpenter</li> <li>– 5100 North O'Connor</li> </ul> </li> <li>Located in the first choice submarket of Las Colinas</li> </ul>
<b>Land Tenure</b>	<ul style="list-style-type: none"> <li>Freehold</li> </ul>
<b>Committed Occupancy</b>	<ul style="list-style-type: none"> <li>95.5%<sup>(1)</sup></li> </ul>
<b>WALE</b>	<ul style="list-style-type: none"> <li>7.1 years<sup>(2)</sup></li> </ul>
<b>Refurbishment Period</b>	<ul style="list-style-type: none"> <li>Property underwent extensive capital improvement works since 2015</li> </ul>
<b>Number of Tenants</b>	<ul style="list-style-type: none"> <li>20<sup>(1)</sup></li> </ul>

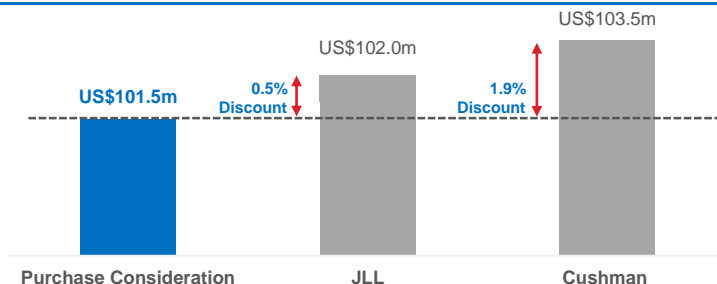


- Modern interior finishes that appeal to office users
- Onsite amenities include fitness centre, conference centre, deli, tenant lounge and 7-storey parking garage

## Transaction Summary

<b>Acquisition Cost</b>	<ul style="list-style-type: none"> <li>Estimated total acquisition cost of <b>US\$105.2m</b>, comprising:                             <ul style="list-style-type: none"> <li>- Purchase Consideration US\$101.5m</li> <li>- Acquisition Fee US\$1.0m <i>(payable in Units to the Manager)</i></li> <li>- Estimated professional &amp; other fees and expenses incurred or to be incurred<sup>(3)</sup> US\$2.7m</li> </ul> </li> </ul>
<b>Method of Financing</b>	<ul style="list-style-type: none"> <li>Proceeds from a private placement<sup>(4)</sup>; debt financing<sup>(4)</sup>; and internal cash resources</li> </ul>

## Purchase Consideration at Discount to Independent Market Valuations<sup>(5)</sup>



(1) As at 30 June 2019.

(2) Based on Cash Rental Income as at 30 June 2019. WALE is 7.0 years based on NLA.

(3) Refers to the estimated professional and other fees and expenses incurred or to be incurred by Keppel Pacific Oak US REIT in connection with the Acquisition (inclusive of debt financing related expenses).

(4) Proportion of the debt and equity will be determined at the appropriate time, taking into account the then prevailing market conditions.

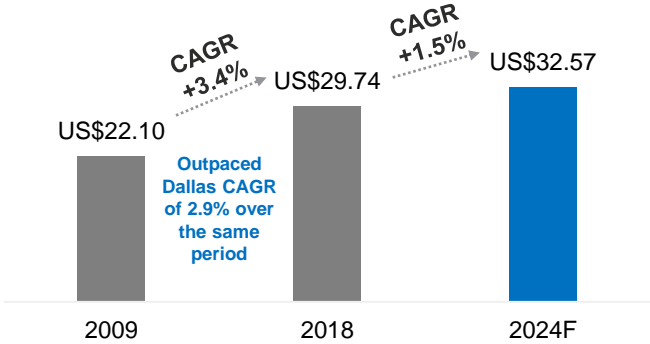
(5) JLL and Cushman were commissioned by the Trustee and Manager respectively.

# Strong Organic Growth With Potential Rental Upside

## Strong Office Fundamentals Expected to Drive Positive Rental Reversion

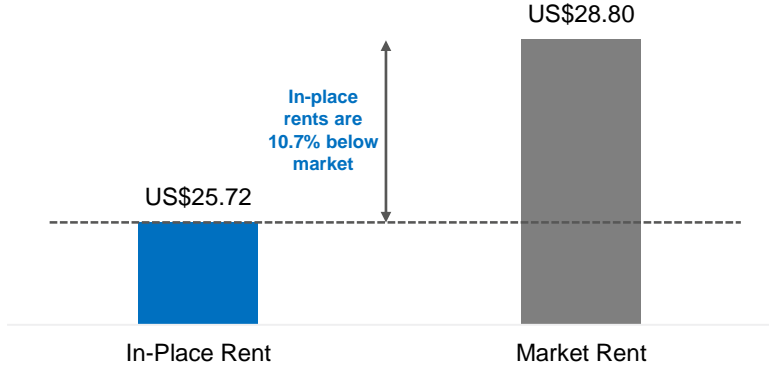
### Strong Office Fundamentals in Las Colinas

- Average asking rents in Las Colinas increased from US\$22.10 psf in 2009 to US\$29.74 psf in 2018
- Average asking rents projected to increase to US\$32.57 psf in 2024 supported by strong leasing demand



### Positive Rental Reversion

- Property in-place rent is 10.7% below market rent
- Strong organic growth opportunity as leases are marked to market

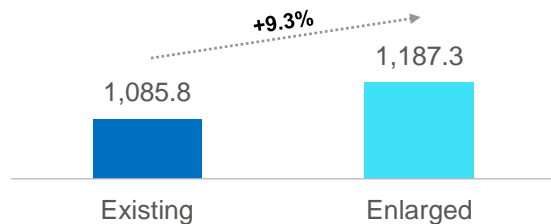




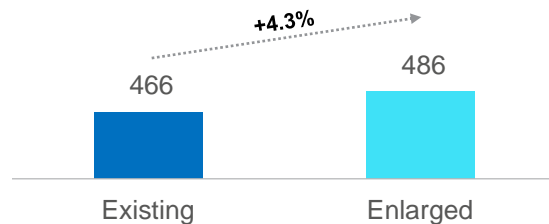
# Enhanced Portfolio Scale and Diversification

## Strengthens Income Resilience of Portfolio

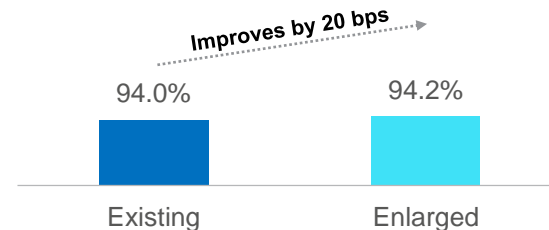
### Enlarges AUM (US\$m)



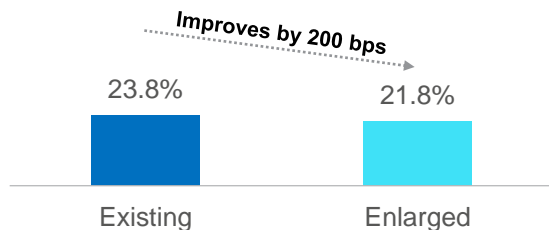
### Expands Tenant Base



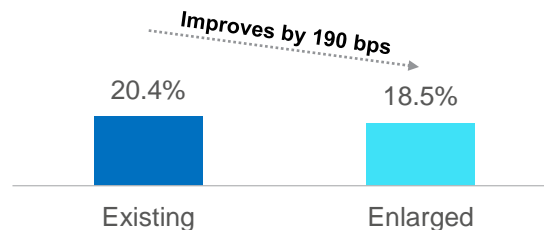
### Increases Occupancy<sup>(1)</sup>



### Greater Portfolio Diversification Reducing Largest Asset Exposure<sup>(2)</sup>



### Reduces Top 10 Tenant Exposure<sup>(3)</sup>



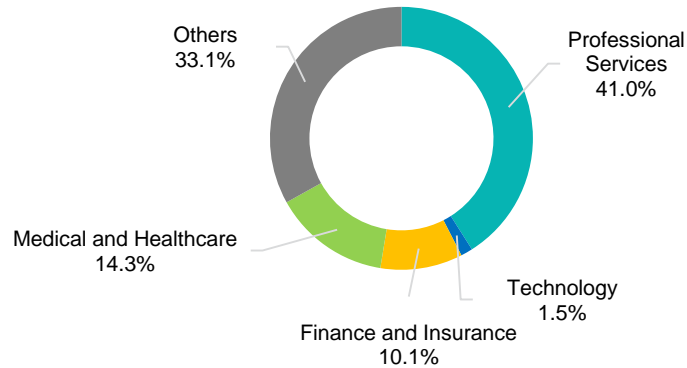
(1) Assuming One Twenty Five has a portfolio occupancy of 95.5% for the period between 9 November 2017 and 31 December 2018, and all leases, whether existing or committed as at the latest practicable date, were in place since 9 November 2017.  
(2) Based on book value.  
(3) Based on cash rental income.

# Exposure to High Quality Trade Sectors and Tenants

## Diversification of Tenant Base with Increased Exposure to Medical & Healthcare and Other Defensive Sectors

- **One Twenty Five** is leased to 20 tenants mainly in the professional services, government service administration, medical and healthcare, and finance and insurance sectors
- Average WALE of 7.1 years<sup>(1)</sup>
- Top 5 tenants comprise large entities with stable credit profiles, with an average WALE of 8.2 years<sup>(2)</sup>

### One Twenty Five: Trade Sector Breakdown (by NLA)



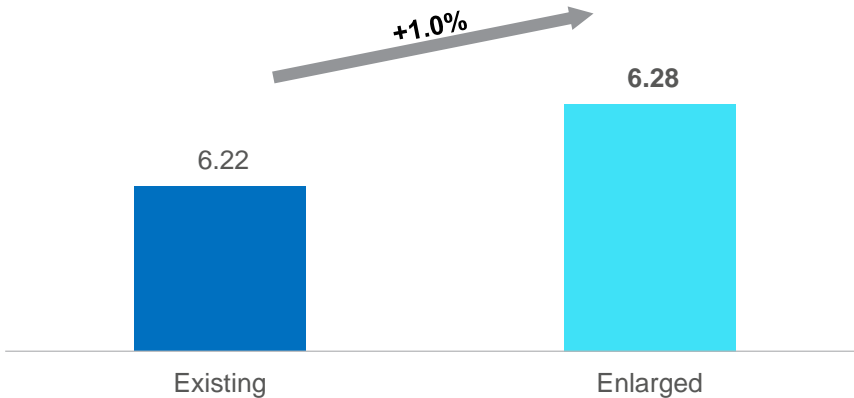
### One Twenty Five: Top 5 Tenants

Tenant	Sector	Lease Term Remaining	% of CRI	% of NLA
Bio Medical Applications of Texas	Medical and Healthcare	9.9 years	14.0	11.1
US Homeland Security	Government Service Administration <sup>(3)</sup>	9.9 years	12.9	14.2
United Capital Financial Advisors	Finance and Insurance	9.2 years	11.2	8.7
Smurfit Kappa North America	Professional Services	7.8 years	9.2	6.9
Paycom Payroll	Professional Services	2.2 years	7.7	6.0
<b>Total</b>		<b>WALE:</b> 8.2 years (by CRI) 8.5 years (by NLA)	<b>55.0</b>	<b>46.9</b>

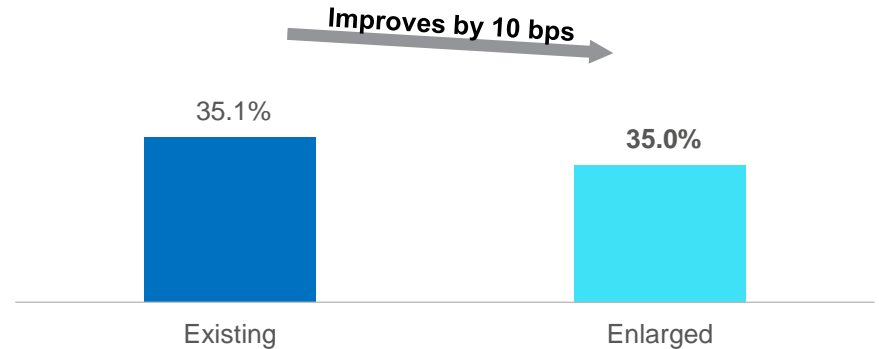
# Accretive Acquisition Creating Value for Unitholders

Delivering DPU Accretive Acquisitions for Unitholders while Maintaining Financial Flexibility

Distribution per Unit (US cents)<sup>(1)</sup>



Aggregate Leverage<sup>(2)</sup>



FOR ILLUSTRATIVE PURPOSES ONLY – NOT A FORWARD LOOKING PROJECTION.

(1) Actual (and after acquisition) DPU for the period from 9 November 2017 to 31 December 2018 of 6.22 (and 6.28) US cents comprises of 3.82 US cents paid for the period from 9 November 2017 to 30 June 2018, calculated based on 630.2 (and 728.8) million Units and 2.40 (and 2.46) US cents for the period from 1 July 2018 to 31 December 2018 calculated based on 821.7 (and 920.7) million Units.

(2) Pro forma financial aggregate leverage of Keppel Pacific Oak US REIT as at 31 December 2018, assuming that the acquisition, issuance of new Units under a private placement, issuance of acquisition fee Units and drawdown of loan facilities were completed on 31 December 2018.



# Resolutions

*Tenant Space  
One Twenty Five  
Dallas, Texas*





One Twenty Five  
Dallas, Texas

## The Institutional Shareholder Services (ISS) has Recommended a Vote FOR the Resolutions<sup>(1)</sup>

<sup>(1)</sup> Source: Institutional Shareholder Service, Report dated 2 October 2019.

## One Twenty Five A Strategic Addition for Long Term Growth



**Resolution 1:** The Proposed Acquisition of One Twenty Five, a Class A Office Complex in Dallas, Texas



**Resolution 2:** The Proposed Issue and Placement of New Units to Keppel Capital Investment Holdings Pte. Ltd. under the Private Placement



**Resolution 3:** The Proposed Issue and Placement of New Units to KBS SOR Properties LLC under the Private Placement



# Thank You

For more information, please visit

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

*Las Colinas  
Dallas, Texas*



**Keppel Pacific Oak US REIT**